

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

**June 29, 2004**

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clark Energy Center at 10:30 a.m.

Present: Louis P. Ciminelli, Chairman  
Frank S. McCullough, Jr., Vice Chairman  
Timothy S. Carey, Trustee  
Joseph J. Seymour, Trustee  
Michael J. Townsend, Trustee

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Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Peter A. Barden	Senior Vice President – Public and Governmental Affairs
Joseph Del Sindaco	Senior Vice President and Chief Financial Officer
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Compliance
Thomas Warmath	Vice President and Chief Risk Officer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
John J. Suloway	Executive Director – Licensing Compliance and Implementation
Angelo S. Esposito	Director – Energy Services
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
Daniel Wiese	Director – Corporate Security/Inspector General
Shalom Zelingher	Director – Research and Technology Development
Edward Hubert	General Manager Transmission Maintenance – CEC
James F. Pasquale	Manager – Business Power Allocations and Compliance
John Grzan	Senior Project Manager – Project Management
Peter Scalici	Deputy Inspector General – Investigations
Albert Swansen	Deputy Inspector General – Security
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant
Noelle M. Zandri	Secretary to General Counsel
Connie Cullen	Senior Information Specialist
Michael A. Saltzman	Senior Information Specialist
Clarence D. Rappleyea	Former New York Power Authority Chairman
Barbara Vahue	Assistant to Former Chairman Rappleyea

Charles Dairs  
Don Zabliansky  
Al Woelfle  
Steve Buchanan

Lockwood & Greene  
Lockwood & Greene  
Siemens  
Siemens

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

1. **Approval of the Minutes of the Meeting held on May 25, 2004**

*The minutes of the meeting of May 25, 2004 were unanimously adopted.*

2. **Financial Reports for the Five Months Ended May 31, 2004**

*Mr. Bellis provided the Financial Reports for the five months ended May 31, 2004.*

3. **Report from the President and Chief Executive Officer**

*No report.*

**4. Motion to Conduct an Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session to discuss matters leading to the award of a contract to a particular corporation.”

*On motion duly made and seconded, an Executive Session was held for the purpose of discussing matters leading to the award of a contract to a particular corporation.*

5. **Motion to Resume Meeting in Open Session**

“Mr. Chairman, I move to resume the meeting in Open Session.”

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

**6. Procurement Contract – Additional Spare Parts for the Major Hydroelectric Facilities – Expenditure Authorization**

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The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize expenditures of up to \$5,000,000 for replacement equipment and parts associated with the Authority’s major hydroelectric facilities. This authorization will insure that long-lead (up to 12 months to procure) items are in inventory.

**BACKGROUND**

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

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

**DISCUSSION**

“The Power Generation and Transmission Business Units generated a report that identified long-lead items that need to be procured and installed in support of the major hydroelectric facilities.

“This request has been substantially reduced as a result of in-depth evaluation and component specifications that will permit system-wide substitution and avoid site-specific procurement. In addition, this request does not include certain equipment included in the original budget.

“The authorization will allocate funds for other equipment that will be identified in an upcoming Electric Power Research Institute (‘EPRI’) report.

“The procurement and development program is expected to be completed in 2006, with known equipment purchased in 2004. The other equipment recommended by EPRI will be procured by 2006.

**FISCAL INFORMATION**

“Funds required to support the purchase of the additional spare parts for the hydro facilities will be charged to inventory and payment will be made from the Operating Fund.

**RECOMMENDATION**

“The Vice President and Chief Engineer – Power Generation and the Director – Power System Equipment recommend that the Trustees authorize an expenditure of up to \$5,000,000 to procure recommended additional spare parts for the Authority’s major hydroelectric facilities.

“The Executive Vice President – Power Generation, 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 in accordance with the Authority's Expenditure Authorization Procedures, expenditures are hereby approved to be committed for recommended additional spare parts for the Authority's major hydroelectric facilities in the amounts and for the purposes listed below:**

**Expenditure Request**

<b>In 2004, for spare parts required for Authority facilities</b>	<b>\$2,500,000</b>
<b>In 2005, for spare parts required for Authority facilities</b>	<b>\$1,000,000</b>
<b>In 2006, for spare parts to be identified</b>	<b><u>\$1,500,000</u></b>
<b>Total authorization</b>	<b><u>\$5,000,000</u></b>

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

**7. Request to Approve Extensions to the Term of Service for Two Existing Expansion Power Customers**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve extensions to the term of service for a 1,000 kW allocation of Expansion Power (‘EP’) to 3M Company (‘3M’) and a 700 kW allocation of EP to Carleton Technologies Inc. (‘Carleton’), both of whom are existing customers.

**BACKGROUND**

“Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP to businesses within the state that are located within 30 miles of the Niagara Power Project (‘Project’), provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 (19,732 kW) continues to be allocated in such county.

“Each application for an EP allocation must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005 (13) (a), which sets forth eligibility criteria, and (b), which sets forth revitalization criteria.

“Among the factors to be considered when evaluating a request for revitalization purposes are whether the business is likely to partially close or relocate, resulting in loss of jobs; whether the business is an important employer in the community and whether the business has pursued other available sources of assistance to reduce energy costs.

**DISCUSSION**

**3M Company**

“3M’s Tonawanda facility, which is part of 3M’s Home Products Division, produces cellulose sponges and sponge laminates. Over the years, the company has spent large amounts of capital on both production machinery and infrastructure projects at this site. The company’s manufacturing process uses a large amount of electricity that adds a significant cost to production expenses. 3M is currently undertaking a \$32-million project to both expand its production capabilities and upgrade its utilities. With low-cost EP, the company can stabilize and/or reduce its electricity costs and help secure the facility’s future. The company’s 1,000 kW EP allocation will terminate on August 31, 2004.

“Staff recommends that the Trustees approve an extension of the term of service for the 1,000 kW allocation for five years, until August 31, 2009, with service past the end of the current Project license on August 31, 2007, subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission (‘FERC’) on terms allowing such extension. The company will commit to maintaining its current employment level of 393 jobs.

**Carleton Technologies Inc.**

“Carleton designs and manufactures pneumatic and electromechanical components and systems for use in the aerospace and defense industries. Carleton built its facility in Orchard Park due to the competitive advantage created by its EP allocation, which has been a significant factor in Carleton’s business success since 1990. The company continues to seek ways of increasing its business in western New York. The company’s current contract for 700 kW of EP expires on August 31, 2004. The company will increase its employment commitment from 140 to 200 jobs.

“Staff recommends that the Trustees approve an extension of the term of service for 700 kW for five years, until August 31, 2009, with service past the end of the current Project license on August 31, 2007, subject to the Authority receiving a new license for the Project from FERC on terms allowing such extension.

“These extensions will help 3M and Carleton keep their costs down and compete more effectively. In addition, the extensions will help secure employment levels in western New York.

“The request was reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority’s Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR Part 460 (1988)).

#### RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve extensions to the term of service for 1,000 kW of Expansion Power to 3M Company to August 31, 2009, and 700 kW of Expansion Power to Carleton Technologies, Inc. to August 31, 2009, provided that service past the end of the current Niagara Power Project license on August 31, 2007 is subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission on terms allowing such extension.

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

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

**RESOLVED, That the Trustees find that staff’s review supports an extension of 1,000 kW of Expansion Power to 3M Company and that such extension be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Trustees find that staff’s review supports an extension of 700 kW of Expansion Power to Carleton Technologies, Inc. and that such extension be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

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

## **8. Informational Item – Quarterly Review of Power for Jobs Commitments**

The President and Chief Executive Officer submitted the following report:

### **SUMMARY**

“At their meeting of February 24, 2004, the Trustees approved a one-year extension to the moratorium against taking enforcement action against Power for Jobs (‘PFJ’) customers when their actual employment levels fall short of their agreed-upon employment commitments. Customers are continuing to have difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium extension retroactive to January 1, 2004. As a result, the following discussion of PFJ customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit ‘8-A.’

### **BACKGROUND**

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

“In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an ‘anniversary date’ within the quarter being reported. This quarterly review covers companies that began receiving power during the third quarter of 1998, 1999, 2000, 2001 and 2002. The Authority had 84 customers with 88 contracts first receiving power in the third quarter of these years. One customer closed this year and one customer with two contracts did not report.

### **DISCUSSION**

“Staff reviewed a total of 84 customers with 88 contracts. The 88 contracts reviewed represent overall power allocations of 73.180 MW and total employment commitments of 59,305 jobs. In the aggregate, these customers reported actual employment of 58,077 positions, which represents some 97.93% of total job commitments. Notwithstanding, 26 customers with 26 contracts have actual job levels that are below the minimum threshold. One customer with two contracts did not report. The companies are discussed below and summarized in Exhibit ‘8-A.’

### **Allocations to Continue with No Change**

#### **Blue Ridge Farms, Inc.**, Brooklyn, Kings County

**Allocation:** 1,000 kW of PFJ power

**Jobs Commitment:** 552 jobs

**Background:** Blue Ridge Farms, Inc. (‘Blue Ridge’), a family-owned business since 1947, manufactures and packs 1,000 different food products. It is one of the largest and most modern food manufacturing plants in the world. For the past year, Blue Ridge averaged 430.83 jobs; i.e., 78.05% of its commitment. Blue Ridge has still not recovered fully since September 11<sup>th</sup>. The company plans to build a new facility to house around 500 employees.

#### **Bomax, Inc.**, Watertown, Jefferson County

**Allocation:** 400 kW of PFJ power

**Jobs Commitment:** 110 jobs

**Background:** Bomax, Inc. (‘Bomax’), operating since 1961, manufactures and supplies motors and other parts to various customers. For the past year, Bomax averaged 75.58 jobs, 68.71% of its commitment. Poor sales hurt the company badly. Early in 2003, Bomax implemented lean manufacturing to add efficiency and the company has refocused business on higher-margin value-added products. The company does not anticipate any job growth in the near future.

**C & H Plastics, Inc.**, Waterville, Oneida County

**Allocation:** 150 kW of PFJ power

**Jobs Commitment:** 32 jobs

**Background:** C & H Plastics, Inc. ('C & H') is a family-owned custom injection-molding company that was started in 1970. C & H manufactures plastic products for other companies. For the past year, C & H averaged 27.67 jobs; i.e., 86.46% of its commitment. The company is growing and currently employs 29 FTE workers. C & H anticipates getting a couple of new contracts shortly that in turn would require four new employees.

**College of St. Rose**, Albany, Albany County

**Allocation:** 450 kW of PFJ power

**Jobs Commitment:** 599 jobs

**Background:** The College of St. Rose ('St. Rose') is an independent, nonprofit organization that provides post-secondary education for local and regional students. Almost a third of all Albany elementary school teachers graduated from St. Rose. The college provides after-school programs for at-risk children. For the past year, St. Rose averaged 530.67 jobs; i.e., 88.59% of its commitment. The college, which has lost employees through attrition, currently employs 509 people and anticipates a potential increase of up to seven jobs.

**Dupli Envelopes & Graphics Corp.**, Syracuse, Onondaga County

**Allocation:** 250 kW of PFJ power

**Jobs Commitment:** 125 jobs

**Background:** In business since 1980, Dupli Envelopes & Graphics Corp. ('Dupli') makes high-quality printed envelopes. Additionally, the company prints letterhead, four-color business cards and direct mail and response products. Altogether, Dupli makes more than 25 million printed items per week. For the past year, Dupli averaged 107.08 jobs; i.e., 85.67% of its commitment. In 2003, Dupli saw envelope sales decline by 10%, which resulted in downsizing. However, the company has experienced good growth this year and hopes to hire five people by the end of the year.

**Good Samaritan Hospital**, West Islip, Suffolk County

**Allocation:** 800 kW of PFJ power

**Jobs Commitment:** 2,654 jobs

**Background:** Good Samaritan Hospital ('Good Samaritan') is a not-for-profit hospital serving communities in central Suffolk County. The hospital is a full-service inpatient and outpatient care facility. For the past year, Good Samaritan averaged 2,306.50 jobs; i.e., 86.91% of its commitment. The current staff level is at 2,386 FTEs. Good Samaritan plans to add a pavilion for women and infants.

**IEC Electronics Corp.**, Newark, Wayne County

**Allocation:** 1,000 kW of PFJ power

**Jobs Commitment:** 700 jobs

**Background:** IEC Electronics Corp. ('IEC'), in business for more than 35 years, manufactures electronic printed circuit boards for computer and telecommunications companies. For the past year, IEC averaged 187.92 jobs, i.e., 26.85% of its contractual commitment. Many telecommunications orders have gone to foreign companies. IEC currently employs 205 employees and plans to add 30 new positions this year.

**Jetro Cash and Carry**, College Point, Queens County

**Allocation:** 2,000 kW of PFJ power

**Jobs Commitment:** 2,923 jobs

**Background:** Jetro Cash and Carry ('Jetro'), which has been in business since 1976, is a wholesaler of perishable and nonperishable items to retailers and resellers. For the past year, Jetro averaged 873.42 jobs, i.e., 29.88% of its commitment. The company was not in compliance with its contract with the Authority and the contract was terminated.

**Kaz Inc.**, Hudson, Columbia County

**Allocation:** 400 kW of PFJ power

**Jobs Commitment:** 450 jobs

**Background:** Founded in 1926 by the inventor of the electric vaporizer, Kaz Inc. ('Kaz') manufactures electric vaporizers, humidifiers, heating pads and steam inhalers. Kaz's customers are drug store chains, mass

merchandisers, drug wholesalers and catalog showrooms. For the past year, Kaz averaged 398.25 jobs; i.e., 88.50% of its commitment. The company, which was only a few jobs short of meeting its commitment, reported in the last month that it had met the commitment.

**Kilian Manufacturing Corporation**, Syracuse, Onondaga County

**Allocation:** 400 kW of PFJ power

**Jobs Commitment:** 345 jobs

**Background:** Founded in 1920, Kilian Manufacturing Corporation ('Kilian') manufactures precision-machined unground ball bearings for the automotive and furniture industries. For the past year, Kilian averaged 264.58 jobs; i.e., 76.69% of its commitment. Foreign competition has hurt Kilian's business, which is very dependent on the economy. The company's employment level is stable and Kilian is aggressively trying to secure new customers, which in turn would require additional employees.

**Lion Brand Inc.**, Hudson, Columbia County

**Allocation:** 500 kW of PFJ power

**Jobs Commitment:** 237 jobs

**Background:** Lion Brand Inc. ('Lion Brand'), founded in 1946, manufactures restaurant seating, bar stools, counter and restaurant equipment and supplies. The company entered Chapter 11 bankruptcy protection in January 2001. In January 2003, LB Furniture Industries, LLC ('LB') purchased Lion Brand's assets, with foreign competition having the greatest impact on the company's sales. For the past year, the company averaged 159.58 jobs, i.e., 67.33% of its contractual commitment. LB rehired 151 Lion Brand employees and currently employs 159 people. As conditions improve, the company expects to hire more.

**Mercury Aircraft Inc.**, Hammondsport, Steuben County

**Allocation:** 1,550 kW of PFJ power

**Jobs Commitment:** 750 jobs

**Background:** Mercury Aircraft Inc. ('Mercury'), a family-owned business, began manufacturing airplanes in 1920. The company is the oldest aircraft company in New York. In 1933, Mercury switched from manufacturing complete planes to manufacturing sub-assemblies, such as gas and oil tanks, fins and ailerons. The company also manufactures light-gauge sheet metal components for business machines. For the past year, Mercury averaged 374.17 jobs; i.e., 49.89% of its commitment, largely because Mercury's largest customers, IBM and Kodak, have scaled back orders. However, the company currently has approximately 330 full-time permanent employees and more than 90 temporary full-time workers, for a total of about 420 employees.

**Mill Services, Inc.**, Cobleskill, Schoharie County

**Allocation:** 300 kW of PFJ power

**Jobs Commitment:** 53 jobs

**Background:** Mill Services, Inc. ('Mill'), in business since 1997, is a full-service mill shop that manufactures finger-jointed boards, moldings, casings and jambs. The company's business depends on the housing construction industry, which is slow in the winter and strong in the summer. For the past year, Mill averaged 41.92 jobs, 79.09% of its commitment. Currently, Mill has 47 employees. The company is in an unusual situation, since it has orders and workers, but a shortage of lumber, without which it cannot fill orders. If Mill had the lumber it needs, it would meet its commitment, with about 54 positions filled.

**Mohawk Ltd.**, Chadwicks, Oneida County

**Allocation:** 150 kW of PFJ power

**Jobs Commitment:** 116 jobs

**Background:** Founded in 1959, Mohawk Ltd. ('Mohawk') specializes in fully integrated repair and supply chain management services, including light manufacturing and sales and service of electronic, mechanical and hydraulics equipment. For the past year, Mohawk averaged 93.83 jobs; i.e., 80.89% of its commitment. The company presently has 87 workers. Mohawk's major customers are phone companies such as Verizon and Bell South, but, with telecommunications in decline, the company had to let people go. Mohawk plans to diversify into the snow groomer market, but has no current plans to hire additional staff.

**NYSARC, Inc. – Columbia County Chapter**, Mellenville, Columbia County

**Allocation:** 450 kW of PFJ power

**Jobs Commitment:** 120 jobs

**Background:** Established in 1965, NYSARC, Inc. – Columbia County Chapter, dba COARC (“COARC”) is one of 50 NYSARC chapters and is committed to helping educate, train and rehabilitate people who have developmental disabilities. COARC trains developmentally disabled adults for gainful employment and operates a plastic injection-molding business that provides assembly line work. Additionally, COARC subcontracts with local industries to provide work for their employees. For the past year, COARC averaged 105.50 jobs; i.e., 87.92% of its commitment. COARC has been unable to meet its commitment because several jobs were transferred to another site and four jobs remain unfilled. Furthermore, funding restraints have made it impossible to fill vacated positions. Business is slowly improving and COARC hopes to recall workers in the next few months.

**Pearl Leather Finishers, Inc.**, Johnstown, Fulton County

**Allocation:** 500 kW of PFJ power

**Jobs Commitment:** 145 jobs

**Background:** Founded in 1978, Pearl Leather Finishers, Inc. (‘Pearl’) is a contract leather finisher with products that range from handbags, softballs and sneakers to automotive components. For the past year, Pearl averaged 96.42 jobs; i.e., 66.49% of its commitment. Presently, Pearl has 125 employees. Although orders were declining until recently, the company is increasing production and is looking to hire about 10 more people.

**Quad Graphics, Inc.**, Saratoga Springs, Saratoga County

**Allocation:** 4,000 kW of PFJ power

**Jobs Commitment:** 1,258 jobs

**Background:** Quad Graphics, Inc. (‘Quad’) is the largest privately held printer in the world. The company’s Saratoga Springs plant, which opened in 1985, prints and assembles magazines, catalogs, coupons and newspaper inserts. For the past year, Quad averaged 893.50 jobs; i.e., 71.03% of its commitment. The company’s dip in employment comes from making productivity improvements. Currently, Quad has 880 full-time employees, 29 part-time employees (14 FTEs) and at least 60 full-time temporary workers and will be hiring an additional 130 full-time employees because of increased production needs.

**Reader’s Digest**, Pleasantville, Westchester County

**Allocation:** 2,000 kW of PFJ power

**Jobs Commitment:** 1,200 jobs

**Background:** Reader’s Digest is a global publisher and direct marketer of products that inform and entertain people of all ages and cultures. *Reader’s Digest* has the world’s largest circulation and is the most widely read magazine, with 48 editions published in 19 languages. For the past year, Reader’s Digest averaged 961.08 jobs; i.e., 80.09% of its commitment. The company suffered last year due to competition from the Internet, the loss of its sweepstakes division and the fact that book sales are down. Reader’s Digest has recently purchased a book seller and plans to branch out in the Midwest.

**Revere Copper Products, Inc.**, Rome, Oneida County

**Allocation:** 2,000 kW of PFJ power

**Jobs Commitment:** 492 jobs

**Background:** Revere Copper Products, Inc. (‘Revere’), originally established in 1801 in Massachusetts by Paul Revere, is a rolling mill manufacturer of copper and brass coils, sheets, bus bar, extruded shapes and large plates. For the past year, Revere averaged 421.75 jobs; i.e., 85.72% of its commitment. The slow economy hurt sales this past year. The company has 426 workers, with no plans for further growth in the near future.

**Sisters of Charity – Bayley Seton Hospital**, Staten Island, Richmond County

**Allocation:** 800 kW of PFJ power

**Jobs Commitment:** 990 jobs

**Background:** Sisters of Charity – Bayley Seton Hospital (‘Bayley Seton’) is a not-for-profit 198-bed community hospital that provides acute care, with an emergency room, operating room, AIDS program and rehab, dialysis and geriatric care centers. For the past year, Bayley Seton averaged 548.75 jobs, i.e., 55.48% of its contractual commitment. The hospital went through cutbacks and restructuring this past reporting period and refocusing the hospital’s business has left its employment level in flux.

**Star Corrugated Box Company**, Maspeth, Queens County

**Allocation:** 600 kW of PFJ power

**Jobs Commitment:** 267 jobs

**Background:** Star Corrugated Box Company ('Star Corrugated'), in business since 1906, manufactures corrugated paper packaging and displays. For the past year, Star Corrugated averaged 238.17 jobs; i.e., 89.21% of its commitment. The company, now Norampac New York City, Inc., is keeping employment stable, even though its business is contracting. Foreign competition and a shrinking customer base will continue to erode jobs.

**Syroco, Inc.**, Baldwinsville, Onondaga County

**Allocation:** 550 kW of PFJ power

**Jobs Commitment:** 427 jobs

**Background:** In business since 1890, Syroco, Inc., ('Syroco') manufactures plastic lawn furniture, accessories and home décor items. The Finnish company Fiskars purchased Syroco in 1999 and closed the home decorating division in 2000. For the past year, Syroco averaged 215.83 jobs, i.e., 50.55% of its contractual commitment. Syroco currently has 197 employees. Sales are half of what they were just a few years ago. Many customers have closed or are buying products from China and Israel. In order to keep costs down, the company does not replace any workers who are let go.

**T S Pink Corporation**, Oneonta, Otsego County

**Allocation:** 35 kW of PFJ power

**Jobs Commitment:** 26 jobs

**Background:** T S Pink Corporation ('T S Pink'), in business since 1992, manufactures high-quality specialty soaps that resemble semiprecious stones. The products are called SoapRocks, PalmStones and QuarryBars. No animal ingredients are used in the soap and no animal testing was done to develop the soap. For the past year, T S Pink averaged 14.42 jobs; i.e., 55.45% of its commitment. The company is struggling, since orders are down significantly. If T S Pink's new bath soap and potpourri line increases business, the company plans to hire three or four new people.

**Taylor Made Products**, Gloversville, Fulton County

**Allocation:** 325 kW of PFJ power

**Jobs Commitment:** 204 jobs

**Background:** Founded in 1908, Taylor Made Products ('Taylor Made') began manufacturing boat covers, awnings and other canvas products, but after World War II, the boating market grew so much that the business switched to making windshields and other marine accessory products. For the past year, Taylor Made averaged 149.25 jobs; i.e., 73.16% of its commitment. Since Taylor Made's business is manufacturing accessories for the recreational boating market, it is very dependent on consumers' discretionary spending. Last year's boating season was very cool, which had a negative effect on sales, but this year is looking more positive. Taylor Made currently has 176 workers and is in the midst of hiring 10 more people.

**Utica Corp.**, Whitesboro, Oneida County

**Allocation:** 1,200 kW of PFJ power

**Jobs Commitment:** 334 jobs

**Background:** In business for more than 100 years, Utica Corporation ('Utica') is a precision forging and machining facility that produces high-quality fan blades and fuel nozzle components for gas turbine engines. For the past year, Utica averaged 217.67 jobs; i.e., 64.17% of its commitment. The company has been hurt by the slow economy, in addition to customers outsourcing from abroad. However, sales have recently improved and the company is adding jobs.

**W. W. Custom Clad, Inc.**, Canajoharie, Montgomery County

**Allocation:** 300 kW of PFJ power

**Jobs Commitment:** 76 jobs

**Background:** Founded in 1975, W. W. Custom Clad, Inc., ('W. W.') is an industrial metal finisher for original equipment manufacturers. The company uses a new solventless coating technology called powder coating. W. W. predominantly works with the automotive industry, with an emphasis on zinc and aluminum die-castings. For the past year, the company averaged 55.67 jobs; i.e., 73.25% of its commitment, partly because its new product did not

sell well. The current employment level is 61 workers, and, with sales improving, W. W. is now looking to hire four more people.

*Mr. Pasquale presented the highlights of staff's report to the Trustees. In response to a question from Trustee Seymour, Mr. Pasquale said that the Jetro Cash and Carry contract had been terminated because the company had misrepresented the number of jobs it had filled. Responding to another question from Trustee Seymour, Mr. Pasquale confirmed that, while IEC Electronics Corp. had only met 27% of its job commitment for the reporting period, the company's contract was due to expire on June 30, 2004, so no further action was contemplated.*

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Contract End Date	Type of Power	Allocation kW	Employment Commitment	Average '02-'03 Jobs	Average Annual % Achieved
Blue Ridge Farms Inc.	6/26/01	8/31/2004	PFJ	1,000	552	430.83	78.05
Bomax Inc.	4/28/98	6/30/2004	PFJ	400	110	75.58	68.71
C & H Plastics	1/30/01	6/30/2004	PFJ	150	32	27.67	86.46
College of St. Rose	4/17/01	7/31/2004	PFJ	450	599	530.67	88.59
Dupli Envelopes & Graphics Corp.	9/28/98	7/31/2005	PFJ	250	125	107.08	85.67
Good Samaritan Hospital	4/28/98	6/30/2004	PFJ	800	2,654	2,306.50	86.91
IEC Electronics Corp.	4/28/98	6/30/2004	PFJ	1,000	700	187.92	26.85
Jetro Cash and Carry	4/17/01	6/30/2004	PFJ	2,000	2,923	873.42	29.25
Kaz Incorporated	4/28/98	6/30/2004	PFJ	400	450	398.25	88.50
Kilian Manufacturing Corporation	4/28/98	6/30/2004	PFJ	400	345	264.58	76.69
Lion Brand Incorporated	4/28/98	6/30/2004	PFJ	500	237	159.58	67.33
Mercury Aircraft Inc.	4/28/98	6/30/2004	PFJ	1,550	750	374.17	49.89
Mill Services, Inc.	4/28/98	7/31/2004	PFJ	300	53	41.92	79.09
Mohawk LTD.	9/28/98	6/30/2005	PFJ	150	116	93.83	80.89
NYSARC, Inc. – Columbia County Chapter	9/28/98	7/31/2004	PFJ	450	120	105.50	87.92
Pearl Leather Finishers, Inc.	2/24/99	12/31/2005	PFJ	500	145	96.42	66.49
Quad Graphics, Inc.	4/17/01	7/31/2004	PFJ	4,000	1,258	893.50	71.03
Reader's Digest	9/28/98	8/31/2005	PFJ	2,000	1,200	961.08	80.09
Revere Copper Products, Inc.	1/27/98	7/31/2004	PFJ	2,000	492	421.75	85.72
Sisters of Charity – Bayley Seton Hospital	4/28/98	6/30/2004	PFJ	800	990	548.75	55.43
Star Corrugated Box Company	6/26/01	8/31/2004	PFJ	600	267	238.17	89.21
Syroco, Inc. – A Division of Fiskars Consumer Products	4/28/98	6/30/2004	PFJ	550	427	215.83	50.55
T S Pink Corp.	6/26/01	8/31/2004	PFJ	35	26	14.42	55.45
Taylor Made Products	11/24/98	8/31/2005	PFJ	325	204	149.25	73.16
Utica Corp.	6/26/01	8/31/2004	PFJ	1,200	334	217.67	65.17
W. W. Custom Clad, Inc.	3/31/98	6/30/2004	PFJ	300	76	55.67	73.25

## **9. New York City Public Utility Service – Temporary Increase in Power Allocation and Extension of Term of Service**

The President and Chief Executive Officer submitted the following report:

### **SUMMARY**

“The Trustees are requested to approve a temporary increase of 2.0 megawatts (‘MW’) in the Authority’s allocation of power to the New York City Public Utility Service (‘NYCPUS’) for reallocation by NYCPUS for economic development purposes, as determined by that agency. In addition, the Trustees are requested to extend the term of the existing allocation by three years, to March 31, 2009.

### **BACKGROUND**

“The Authority entered into a contract with NYCPUS in 1985 for the sale and resale of, among other classes of power, a block of firm power to be allocated by the City of New York (‘City’) for economic development purposes. That block of power, which at the time totaled 50 MW, is sold under the terms of a 1990 agreement, and is resold by NYCPUS to businesses selected by the City and approved by the Authority.

“At their meeting of January 30, 2001, the Trustees approved a five-year, temporary increase of 11.3 MW in the Authority’s allocation of power to NYCPUS, bringing the total to 61.3 MW. All but approximately two MW of the block have been allocated by NYCPUS.

### **DISCUSSION**

“NYCPUS has advised the Authority that a New York City company is considering a substantial new investment in its production facilities on Staten Island, including in the longer term a cogeneration plant to produce electricity and steam. The near-term expansion may further increase NYCPUS’ electric load by an estimated 2.0 MW and foster the creation of new jobs.

“NYCPUS would like to proceed with an economic development package necessary to bring about the capital expansion and provide a necessary transitional source of economical electricity for the site pending construction of an on-site generation project sufficient to serve all the loads at the facility.

“The Authority requests that the 11.3 MW allocation be increased to 13.3 MW and that the term of the allocation, presently expiring on March 31, 2006, be extended for three years until March 31, 2009.

### **RECOMMENDATION**

“The Executive Vice President, Secretary and General Counsel recommends that the Authority temporarily increase the New York City Public Utility Service’s allocation of firm power by 2.0 MW and extend the term of service for the entire 13.3 MW temporary allocation for three years until March 31, 2009, and that New York City be allowed, without further approval by the Authority, to allocate this block to businesses determined by New York City to be eligible under its rules and procedures.

“I concur in the recommendation.”

*Mr. Clemente presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Carey, Mr. Clemente confirmed that the item was requesting approval of a two-year extension of the New York City Public Utility Service’s current allocation to 2006.*

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

**RESOLVED, That consistent with the foregoing report of the President and Chief Executive Officer, the Authority will temporarily increase the New York City Public Utility Service's allocation of firm power by 2.0 MW but in no event shall this allocation extend beyond the existing allocation's expiration date of March 31, 2006, and that New York City be allowed, without further approval by the Authority, to allocate this temporary block to businesses determined by the City to be eligible under its rules and procedures; and be it further**

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

## **10. Services and Support of the Long Island Power Authority's Capacity Program – Summer 2005**

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The President and Chief Executive Officer submitted the following report:

### SUMMARY

“The Long Island Power Authority (‘LIPA’) has requested the Authority’s assistance in implementing LIPA’s program to add capacity to the power system on Long Island for the summer of 2005. The requested services would be provided principally by the Authority’s Code Enforcement and Real Estate units pursuant to a Memorandum of Understanding (‘MOU’) with LIPA where the full cost and expenses of such services would be reimbursed to the Authority. This item requests authorization to: (1) enter into an MOU with LIPA for these services, (2) establish a revolving fund for such services and authorize expenditures from such fund; and (3) acquire through purchase, appropriation or transfer of jurisdiction certain real property in Bethpage, the Town of Oyster Bay, Nassau County, and the Town of Babylon, Suffolk County. These properties will be used by LIPA for the construction, operation and maintenance of two combined-cycle generation facilities rated at 79.9 MW. The first facility will be at the Bethpage Energy Center, Town of Oyster Bay, and the second facility will be at the Pinelawn Energy Center in the Town of Babylon (the ‘Projects’). Such acquisitions, appropriations or transfers of jurisdiction may also include permanent or temporary easements necessary for the construction, operation and maintenance of generating facilities that will help meet the need for additional generating capacity and improved system reliability for the summer of 2005.

### DISCUSSION

“LIPA has informed the Authority that there is a need for immediate action to add approximately 160 MW of new generating capacity on Long Island to begin operation in the summer of 2005. Immediate action is required to assure that there is an adequate supply of electricity and to help protect and preserve human life, health, property and natural resources against the potentially serious adverse consequences of a generating capacity shortfall next summer on Long Island. LIPA has informed the Authority that the maintenance of a continuous and reliable supply of electric power and energy within southeastern New York is an essential matter of urgent concern to the general public. The provision of services by the Authority’s Code Enforcement unit and the proposed acquisition of real property will support this action.

“In May 2004, LIPA, as lead agency, performed an assessment of the potential environmental impacts of the Bethpage Project and its individual components as required by the State Environmental Quality Review Act (‘SEQRA’). That assessment culminated in the production of the comprehensive Environmental Assessment (‘EA’). The EA concluded that the proposed Project, while a ‘Type I’ action under SEQRA, will not, either individually or cumulatively, have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA. On May 26, 2004, the LIPA Trustees: (1) adopted the comprehensive EA ; and (2) authorized the filing and publication of a Negative Declaration for the Project.

“In June 2004, the Town of Babylon, as lead agency, performed an assessment of the potential environmental impacts of the Babylon Project and its individual components as required by the State Environmental Quality Review Act (‘SEQRA’). That assessment culminated in the production of the comprehensive Environmental Assessment (‘EA’). The EA concluded that the proposed Project, while a ‘Type I’ action under SEQRA, will not, either individually or cumulatively, have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA. On June 21, 2004, the Town: (1) adopted the comprehensive EA and (2) authorized the filing and publication of a Negative Declaration for the Project. On June 23, 2004, the LIPA Trustees, by resolution, authorized the Chairman to enter into a purchase power agreement and to take such actions as were necessary to build the Babylon Project by the summer of 2005.

“LIPA is in the process of concluding negotiations with Calpine Corporation (‘Calpine’) for the construction of a combined-cycle General Electric (‘GE’) LM6000 natural gas turbine generator that would generate 79.9 MW at the Bethpage Project site.

“LIPA is also in the process of negotiating with Pinelawn Power, LLC for the construction of a combined-cycle GE LM6000 natural gas turbine generator that would generate 79.9 MW at the Pinelawn Project site.

“LIPA’s staff, in consultation with the two Project sponsors, outside engineers and environmental consultants, has identified a total of approximately five acres that will be required for the turbines at both the Bethpage Energy Center site in the Town of Oyster Bay, Nassau County, and the Pinelawn Energy Center site in the Town of Babylon, Suffolk County, as the Projects are currently configured. The reputed owners of the current configuration at the Bethpage site are Calpine, Joseph Lostrito and Steel Los, Inc. The Pinelawn site as currently configured is owned by the Town of Babylon. In order to ensure that the Projects are in operation by the summer of 2005, LIPA has decided to acquire real estate interests in these sites, including but not limited to any easements necessary for development, operation and maintenance of the Projects. LIPA has informed the Authority that the installation schedule requires immediate acquisition of the sites. Once the certificates of occupancy are issued and the property is transferred to LIPA, these sites will be leased by LIPA to the developers for the term of the respective purchase power agreements (‘PPA’). The PPAs will require the developers to build, manage and operate the Projects for the exclusive benefit of LIPA.

“Accordingly, LIPA has requested the Authority’s assistance in acquiring or appropriating property at the Bethpage and Pinelawn sites upon which to install the turbines. Staff from the Authority’s Real Estate unit, with the support of the New York State Commissioner of Transportation and his staff, has the requisite expertise to acquire the real property rights on an expedited schedule. Staff from the Authority’s Code Enforcement unit, with the assistance of outside contractors, has the requisite expertise to ensure that all necessary building permits are issued.

“Under Public Authorities Law (‘PAL’) Section 1020-f (h), all State agencies, including the Authority, are authorized to do all things necessary to assist LIPA in its endeavors. Further, under the seventh undesignated paragraph of PAL Section 1005, the Authority, with LIPA’s concurrence, is authorized to assist upon such terms and conditions as LIPA deems reasonable in the construction of generating, transmission and related facilities within LIPA’s service territory. Section 1005 also grants the Authority broad power to assist in maintaining a continuous and adequate supply of dependable electric power and energy, particularly in southeastern New York. Accordingly, the Authority is authorized to provide the requested services and assistance to LIPA.

“Pursuant to a Memorandum of Understanding similar to the one between the Authority and LIPA for the Long Island Projects built in 2001, the Authority would agree to provide the services on behalf of LIPA in connection with its 2005 turbine projects. LIPA will be billed directly for such services and assistance, with the Authority receiving reimbursement for its services and assistance on a monthly basis. As it is reimbursed, the revolving fund will be available for additional expenditures and contract authorizations will be increased as necessary to be consistent with such additional expenditures.

#### FISCAL INFORMATION

“All costs incurred in connection with services provided by the Authority’s staff and the acquisition of real property in support of LIPA will be recovered pursuant to the MOU between the Authority and LIPA.

#### RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel and the Vice President – Contracts and Real Estate recommend that the Trustees approve and adopt the attached resolution authorizing the Chairman and/or the President and Chief Executive Officer and/or their designees to take all necessary steps to provide the necessary services to the Long Island Power Authority and acquire through purchase, appropriation or transfer of jurisdiction the Bethpage Energy Center and Pinelawn Energy Center sites and any temporary or permanent easements deemed necessary, to take any actions necessary to effect such acquisitions 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 appropriation of the site.

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

*Mr. Clemente presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Clemente stated that the Authority would be fully reimbursed by the Long Island Power Authority ("LIPA") for the services performed under the Memorandum of Understanding on LIPA's behalf.*

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

**RESOLVED, That the Trustees authorize assistance to the Long Island Power Authority ("LIPA") in completing its summer 2005 Capacity Program primarily through the provision of code enforcement and real estate services as proposed, with the full cost of such services to be reimbursed by LIPA; and be it further**

**RESOLVED, That the Trustees authorize the use in the first instance of operating fund monies to establish a revolving fund, not to exceed in the aggregate the amount of \$1,000,000, for code enforcement, procurement, real estate and other services and technical assistance to be rendered by the Authority in connection with LIPA's turbine projects scheduled for completion by the summer of 2005; and be it further**

**RESOLVED, That the Trustees authorize the President and Chief Operating Officer and/or the Executive Vice President, Secretary and General Counsel to: (i) enter into a memo of understanding with LIPA under which he would allocate the requested funding at his discretion as services are performed or technical assistance rendered for or at LIPA's request; (ii) establish and enter into such contracts for services and assistance as necessary in relation to such work and having such terms and conditions as such officer deems necessary or advisable in support of LIPA; and/or (iii) authorize increases in the compensation ceilings of any contracts by the amounts necessary to cover such work as requested by LIPA; and be it further**

**RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary or convenient to acquire in fee simple or leasehold, by purchase, appropriation or transfer of jurisdiction the real property on which to develop generating sites and any permanent or temporary easements or other interests that are necessary or convenient for the development of additional generating facilities at the Bethpage Energy Center, Town of Oyster Bay, and the Pinelawn Energy Center, Town of Babylon, 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 construction, maintenance and operation of the Bethpage and Pinelawn Energy Center Projects ("Projects") so as to maintain the reliability of the electric system on Long Island and in southeastern New York and hereby further finds that the absence of adequate electric capacity on Long Island creates an emergency situation in which the public interest requires that these projects proceed with the urgency necessary to make the capacity available to LIPA by the summer of 2005; and be it further**

**RESOLVED, That the Chairman and/or the President and Chief Executive Officer or their designees be, and hereby are authorized to take all steps necessary to acquire certain real property interests in the Pinelawn and Bethpage sites as discussed in the foregoing and as may be necessary or advisable to assist LIPA in effectuating its Projects for the summer of 2005 by acquisition, appropriation or transfer of jurisdiction and to approve the payments to be made for the acquisition of the sites; and be it further**

**RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Power Generation, the Vice President and Chief Engineer or the Vice President – Project Management be, and hereby are, authorized and directed to execute on behalf of the Authority such certificates, requests, agreements, documents and directions, and to take all other actions as are necessary for the acquisition of such real property, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

June 29, 2004

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

**11. Procurement (Services) Contracts – St. Lawrence/FDR Power Project Relicensing – Habitat Improvement Projects and Wilson Hill Wildlife Management Area Design Services – Award**

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The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a procurement contract to Stone & Webster, Inc. for design services for three Habitat Improvement Projects (‘HIPs’) and for improvements to the Wilson Hill Wildlife Management Area (‘WHWMA’) at the St. Lawrence/FDR Power Project (‘Project’). The term of the contract will be from July 1, 2004, through December 31, 2007, with options for two one-year extensions. The total cost of the contract is \$750,000.

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.

“The Federal Energy Regulatory Commission (‘FERC’) issued the new license for the Project on October 23, 2003. The Trustees accepted the new license at their meeting of November 25, 2003. As part of the new license, the Authority is required to implement a series of environmental projects aimed at improving the habitat for a variety of fish and wildlife species, including creating new or modifying existing controlled-level ponds at Coles Creek, Little Sucker Brook and Nichols Island Pool and refurbishing and augmenting the existing controlled-level ponds at the WHWMA. The WHWMA project will also include several improvements to recreational facilities, such as installation of new trails and wildlife viewing platforms.

“The new license requires that the Authority construct the HIPs and the WHWMA improvements as set forth in detail in the Ecological Mitigation and Enhancement Measures Settlement Agreement (‘Ecological Agreement’) as authorized by the Trustees at their meeting of July 30, 2002, and submitted to FERC as part of the Authority’s Comprehensive Relicensing Settlement Accord on February 6, 2003 in support of the Authority’s application for a new license. Appendices A and B of the Ecological Agreement call for construction of the Coles Creek HIP in 2006 and construction of the WHWMA improvements from 2005 to 2007. The license requires that the HIPs be developed in consultation with a Technical Advisory Council (‘TAC’) whose voting members include the New York State Department of Environmental Conservation (‘NYSDEC’), the U.S. Fish and Wildlife Service (‘USFWS’) and New York Rivers United (‘NYRU’), and that the WHWMA improvements be developed in consultation with NYSDEC.

“At their meeting of December 16, 2003, the Trustees authorized a total of \$169 million for expenditures related to compliance with the new license, including the costs of designing the HIPs and the improvements to the WHWMA.

DISCUSSION

“To meet the requirements of the new license, the Authority needs to hire an engineering design firm to develop a detailed design for the WHWMA improvements in 2004 and to subsequently develop detailed designs for the controlled-level ponds at Coles Creek, Little Sucker Brook (to be constructed in 2008) and Nichols Island Pool (to be constructed in 2008 and 2009). The duration of the contract is through 2007, with options for two one-year extensions, to encompass the time span needed to engage in the required consultations with NYSDEC, USFWS and NYRU.

“On April 29, 2004, the Authority issued a Request for Proposal (‘RFP’) for the above services, including a notice in the New York State Contract Reporter, and subsequently issued two minor addenda. Proposals were received from: (1) Acres International Corporation (‘Acres’); (2) FRA Engineering (‘FRA’); (3) Gomez and Sullivan Engineers, Inc. in association with Kleinschmidt Associates (‘GSE/KA’); (4) Lu Engineers (‘Lu’); (5) Paul C. Rizzo Associates, Inc. (‘Rizzo’), and (6) Stone and Webster, Inc. (‘Stone & Webster’).

“Staff from the Authority’s Licensing, Environmental and Procurement divisions and the Project evaluated the proposals for technical qualifications and pricing. The initial review focused on responsiveness of the proposals, technical qualifications and proposed lump-sum prices. Based on technical qualifications, quality of proposal and/or price, the proposals from Acres, FRA and Lu were not given further consideration. The GSE/KA, Rizzo and Stone & Webster proposals were evaluated in further detail via follow-up questions and, in the case of Rizzo and Stone & Webster, interviews with proposed key personnel. Proposed members of the GSE/KA team are already familiar to the evaluators through prior and ongoing work, and were therefore not interviewed.

“Based on the responses to followup questions, interview results and price considerations, it is recommended that the contract be awarded to Stone & Webster. Although Stone & Webster is the second lowest-priced qualified bidder, its proposal offers the Authority the best combination of price, confidence for achievement of successful designs with minimal rework and ability to meet the Authority’s aggressive schedule commitments to regulatory agencies. Both the new license and the Ecological Agreement require the Authority’s projects to achieve specified environmental objectives under a committed schedule. Stone & Webster’s superior environmental expertise is the key factor in maximizing the probability that the designs will be successful and meet the aggressive schedules.

“The term of the contract would be from July 1, 2004, through December 31, 2007, with options for two one-year extensions through 2009; the award amount is \$750,000.

#### FISCAL INFORMATION

“Since these expenditures are related to implementing commitments in the new license and the settlement agreements, payments will be made from the Capital Fund.

#### RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Senior Vice President – Public and Governmental Affairs, the Vice President – Procurement and Real Estate, the Director – Environmental Programs and the Regional Manager – Northern New York recommend that the Trustees authorize award of a contract to Stone & Webster for \$750,000 for design services for installation of Habitat Improvement Projects at Coles Creek, Little Sucker Brook and Nichols Island Pool and for improvements to the Wilson Hill Wildlife Management Area at the St. Lawrence/FDR Power Project.

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

*Mr. Suloway presented the highlights of staff’s recommendations to the Trustees. A discussion ensued among the Trustees and staff about the procedures that had been followed in determining which company should receive this contract. Mr. Suloway stressed that staff was concerned with getting the work done on an expedited basis through a complicated regulatory process and concluded that the firm chosen had the better resources and experience to achieve those objectives.*

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, approval is hereby granted to award a contract to Stone and Webster, Inc. for a period commencing on July 1, 2004, and ending on December 31, 2007, with options for two one-year extensions, in an amount not to exceed \$750,000 for design services for Habitat Improvement Projects at Coles Creek, Little Sucker Brook and Nichols Island Pool and for improvements at the Wilson Hill Wildlife Management Area in compliance with the new license for the St. Lawrence/FDR Power Project, as recommended in the foregoing report of the President and Chief Executive Officer, and listed below:**

<u>Contractor</u>	<u>Contract Approval</u>
Stone & Webster, Inc.	\$750,000

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

## **12. Procurement (Services) Contracts – Business Units and Facilities – Awards**

The Executive Vice President – Power Generation submitted the following report:

### **SUMMARY**

“The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit ‘12-A’ for the Authority’s Business Units/Departments and Facilities. A detailed explanation of the nature of such services, the basis for the new awards and the intended duration of such contracts are set forth in the discussion below.

### **BACKGROUND**

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

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

### **DISCUSSION**

“The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from \$5,000 to \$15,000,000. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

“The contract with **A&A Maintenance Enterprise, Inc. (‘A&A’; Q-02-3387; PO # TBA)** would become effective on August 1, 2004, subject to the Trustees’ approval. The purpose of this contract is for the services of operating engineers to provide maintenance engineering support for the Authority’s Clarence D. Rappleyea Building (the White Plains Office). Such engineers are primarily affiliated with Local 30 of the International Union of Operating Engineers (‘IUOE’). In addition to providing the services of approximately seven operating maintenance engineers who oversee all aspects of the physical plant associated with the safe, efficient operation of the building, the contract would also include administration and negotiation of the collective bargaining agreement with the IUOE. Requests for Proposals (‘RFPs’) were sent to eight firms, including any that may have responded to a notice in the New York State Contract Reporter. Six bids were received and evaluated. Based on its experience, qualifications, resources and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to A&A Maintenance Enterprise, Inc., the low bidder, which is also qualified to provide such services. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$4,275,000 (including the option years).

“The contract with **Day & Zimmerman NPS, Inc. (‘D&Z NPS’, formerly NPS Energy Services; Q-02-3355; PO # TBA)** would become effective on July 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for skilled craft labor to supplement the Authority’s permanent workforce for general maintenance support services to be performed at the Authority’s Central Region facilities, on an ‘as required’ basis.

The facilities include: the Blenheim-Gilboa Pumped Storage Power Project; the Crescent, Vischer Ferry and Ashokan Projects; the Frederick R. Clark Energy Center; the Gregory R. Jarvis Power Project and the Hudson River Crossing. The intent is to consider the use of such contract labor during major events or emergencies, when assistance from the Authority's other regions/facilities is not available, after all other options have been exhausted, and when the critical nature of the work to be performed dictates that repairs/modifications be made expeditiously. The maintenance agreement would ensure that the Central Region has an efficient method of rapidly deploying qualified craft labor, if and when required, with the commercial arrangements covering wage rates, prevailing wage determinations, insurance liability, etc. already in place. Such work would generally consist of the repair, maintenance and modification of prime movers and ancillary equipment associated with hydro plants, including but not limited to: turbines, generators, piping, pumps, valves, heat exchangers, electric motors, circuit breakers, fans, filters, pressure vessels, boilers and structures. Some of the skilled labor required to perform such work includes millwrights, pipefitters, electricians, laborers and welders. Such labor would function under the direct and general supervision of Authority personnel. D&Z NPS was the sole responding, technically acceptable bidder of three firms that were sent RFPs, including any that may have responded to a notice in the New York State Contract Reporter. Based on its technical experience, qualifications, resources, proven safety track record and ability to perform such work, in addition to its competitive pricing and satisfactory performance under the existing contract, staff recommends the award of the subject contract to D&Z NPS. In addition, the contractor has national agreements with trade unions already in place. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$500,000 (including the option years).

“The purchase order with **GE Energy Services ('GE'; PO # TBA)** would become effective on June 29, 2004, subject to the Trustees' approval. The purpose of this order is to provide for the procurement of critical spare parts for the 500 MW Power Project for post-commercial-operation emergencies. The 500 MW plant is scheduled to begin commercial operation in the second quarter of 2005. The proposed spare parts inventory is reflective of GE's recommended parts to have on hand in the event of an unplanned outage; they are intended to get the plant restarted with a minimum of down time. The total value of these parts is approximately \$7,600,000. GE has offered to discount this price to \$5,600,000, based on the Authority's intention to negotiate a Contractual Service Agreement ('CSA') with GE. Authority staff has further negotiated this amount down to \$4,900,000. In addition, GE has agreed to more favorable terms and conditions (e.g., warranty, limitation of liability, etc.) than originally offered, provided it receives an order before June 30, 2004 and the Authority agrees to receive the parts as they are procured and shipped. The Trustees' approval is hereby requested to award the subject order for the procurement of critical spare parts for the 500 MW plant. Shipments to the Charles Poletti Power Plant, which can accommodate storing the equipment, are expected to be completed within eight months of order placement. The subject award is made on a sole-source basis, since GE is the original equipment manufacturer and/or designer of the components. Approval is also requested for a not-to-exceed total amount authorized for such procurement, \$4,900,000. It should be noted that if the CSA agreement is not reached, the price of the ordered parts would be adjusted to their standard pricing of up to \$7,600,000.

“The Lewiston Pump Generating Plant ('LPGP') at the Niagara Power Project comprises 12 motor/generator units with stators that were rewound in the 1980s. In the fall of 2002, Unit #7 experienced a stator winding failure, necessitating a complete rewind, which was addressed on an emergency basis. Based on analyses of the failed Unit #7 stator windings, the Unit #4 stator has also been found to require rewinding, due to similar manufacturing techniques. RFPs for the fabrication and installation of new windings for the stator in Unit #4 and in the 10 remaining motor/generator units, as may be required after additional testing and evaluation, were sent to 19 firms, including any that may have responded to a notice in the New York State Contract Reporter. Four bids were received and evaluated by Authority staff. After a thorough review of the proposals by the evaluation team, the proposal from GE Hydro Power, Inc. was determined to be technically acceptable and also considerably lower in price than those submitted by the other three bidders. Staff therefore recommends the award of a multiyear contract to **GE Hydro Power, Inc. ('GEH'; Q-02-3289; PO# TBA)**, which would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for the fabrication, delivery and field installation of motor/generator stator windings for a potential total of 11 units at LPGP. The initial release under this contract would be for the fabrication of two sets of stator windings, one as a reserved spare, and the installation of the other in LPGP Unit #4. The amount of this initial release to GEH would be \$2,600,000, which also includes a five-year warranty. Since the rewind/repair of the remaining 10 generator stators is based on stator winding operating condition as determined by future testing, plant schedule and need, it is not currently known if and when

the remaining stators will be rewound. The current schedule provides for the release/rewinding of the first stator covered under this contract in the fall of 2004. The proposed contract establishes a mechanism for implementing stator rewinding as deemed necessary. Accordingly, based on GEH's low price and technically acceptable proposal, the Trustees are requested to approve the award of the subject contract to GEH, in the total amount expected to be expended for the term of the contract, \$15,000,000 (including estimated escalation). It should be noted that the Authority is under no financial obligation to release for repair and/or award any of the remaining 10 stator rewinds. The estimated term of this contract is seven years through completion of work on all units (currently projected to be June 30, 2011). Due to the magnitude and duration of this project, prices are firm through December 31, 2005 and will be subject to review and escalation every year. The initial Capital Expenditure authorized for the rewind of Unit #4 and a spare set of stator windings is \$2,900,000, including the Authority's internal costs. If further testing determines that additional motor/generator stators will require rewinding, additional Trustees' authorization for Capital Expenditures will be obtained.

"The contract with **General Electric Company ('GE'; 4600001274)** would become effective on September 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for cleaning up to six hydroelectric generator stators using a dry ice cleaning process, as well as installing six Partial Discharge Analysis ('PDA') couplers per unit into the high-voltage winding system, at the St. Lawrence/FDR Project. Services include all labor, supervision, materials, tools, equipment and supplies necessary to perform the work. Bids were received from two firms, including one that responded to a notice in the New York State Contract Reporter. Based on its experience, qualifications, resources and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to GE, the low bidder, which is also qualified to perform such services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Prices will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$250,000 (including contingency for any emergent additional services).

"The contract with **Internal Intelligence Service, Inc. ('IIS'; Q-02-3379; PO# TBA)** would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for security guard services for the Authority's White Plains Office ('WPO'), the 500 MW construction site, the Richard M. Flynn Plant ('Flynn'), and the Small Clean Power Plants ('SCPPs'). Such services would be provided on a continuous 24/7 basis for the WPO and the SCPPs, with projected base weekly labor hours of 427 and 1,176, respectively. At the 500 MW site, coverage would be provided seven days per week for a projected 535 labor hours, ranging between eight and 18 hours per day, depending on the position/location, day and shift; and Flynn would be covered for the day shift on weekdays only for a base 40 labor hours. Additional coverage would be provided at the request of the Authority, as needed. Requests for Proposal were sent to 43 firms, including any that may have responded to a notice in the New York State Contract Reporter. Fifteen bids were received and evaluated. Based on its qualifications, experience, resources and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to IIS, the low bidder, which is also qualified to perform such services. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$7,786,640 (including the option year).

"The contract with **Matte Polygraph Service, Inc. ('Matte'; 4600001249)** would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for polygraph examinations, as needed, for new hires in Security at the Niagara Power Project. Bid packages were sent to four firms, including any that may have responded to a notice in the New York State Contract Reporter. Two bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Matte, the low bidder. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$10,000.

"The contract with **Medtronic Physio-Control Corp. ('Medtronic'; PO # TBA)** would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for inspection and service repairs for 13 Lifepak 500 AEDs (Automated External Defibrillators) at the Blenheim-Gilboa Pumped Storage Project and other Central Region facilities. These small, lightweight devices analyze a person's heart rhythm and have the ability to detect ventricular fibrillation ('VF'), also known as sudden cardiac arrest. AEDs are

designed for use by lay rescuers or first responders. The AED will advise of the presence of this condition and will talk the responder through some very simple steps to defibrillate the person's heart. This award is made on a sole-source basis, since Medtronic is the original equipment manufacturer and, as such, has the technical expertise to perform any needed repairs and to provide any technical maintenance that these lifesaving devices may require. The intended term of this contract is two years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$24,000 (including the option year).

"The contract with **Michael T. Kinsella (PO# TBA)** would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for specialized consulting services to the Authority in connection with federal legislative and regulatory matters and other issues, as may be determined. Services would include, but not be limited to, analysis and advice with respect to proposed federal legislation, consultation with federal regulators on pertinent committees, liaison activities with various federal agencies and other federal representatives, monitoring various Congressional committees whose jurisdiction may affect the Authority and providing advice and counsel to the Authority's executive management, as well as assisting with the Authority's relicensing efforts, as may be requested. The subject contract is awarded as the result of a competitive search. Four qualification packages were submitted in response to a notice in the New York State Contract Reporter. Mr. Kinsella was the only respondent with the requisite qualifications and experience in federal legislative and regulatory matters. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$276,000 (including the option year).

"In 1998, a contract was competitively bid and awarded to Software Sense Systems for a safety and clearance tagging system ('lockout/tagout') with an outage coordination feature at the Authority's facilities. The system was implemented in connection with the Power Generation Maintenance Resource Management ('MRM') work management program. The contract provided for specialized application software ('PTR-Plus!'), associated maintenance and training services and related consulting services, as well as customized software interfaces to the Authority's MRM software system (MAXIMO) and the Energy Control Center. The PTR-Plus! software has been successfully tailored to suit the Authority's work practices, enabling workers to work safely on de-energized equipment. The program was expanded from initial implementation at the hydro and fossil fuel projects to the seven SCPPs and the 500 MW facility. The Authority's lockout/tagout safety system has become a leader in the electric utility industry. In order to provide continued specialized services and support for this program, the award of a new sole-source contract to **Software Sense Enterprises, Inc. ('Software Sense'; formerly Software Sense Systems, Inc.; PO # TBA)** is recommended. The proposed contract would become effective on July 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide the Operations Department at each operating facility with continued 24/7 maintenance for this proprietary software product, as well as to provide consulting services to the Authority for ongoing software upgrades, custom revisions and specialized modifications to the PTR-Plus! application software as the lockout/tagout work process is improved or otherwise revised, as needed. This award is made on a sole-source basis, since Software Sense has a unique knowledge of its proprietary software system. Furthermore, it has successfully integrated the Authority's requirements into this software application, in order to establish a safe electrical working environment and coordinate multiple concurrent outages. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$490,000 (including the option years).

"In 1989, the Authority established a Deferred Compensation Plan (the 'Plan') for the benefit of its employees, pursuant to Section 457 of the Internal Revenue Code of 1986 (the 'Code'), as amended, as well as Section 5 of the New York State Finance Law (the 'Law'). The Plan was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax-deferred compensation program, although the plan is also available to salaried employees. Under the Plan, participating employees may elect to contribute from 1-100% of their wages on a pretax basis (currently up to \$13,000) and to have this deferred compensation invested in any of 17 investment vehicles under the Plan (e.g., money market fund, stable value fund, diversified bond fund and 14 equity funds). Amounts deferred under the Plan are not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 2003, the Plan's assets held in trust for the exclusive benefit of participants and their beneficiaries amounted to \$34,000,000. The contract with **T. Rowe Price Associates, Inc. ('TRP'; Q-02-3343; PO# TBA)** would continue to provide

administrative/recordkeeping, investment and trustee services with regard to such Plan, in accordance with the procedures of the New York State Deferred Compensation Board and pursuant to the rules, regulations and requirements of the aforementioned Code and Law. The Authority's Deferred Compensation Plan Committee ('Committee') administers the Plan and is authorized to enter into an agreement with the financial organization for the provision of recordkeeping, investment and trustee services. In selecting an organization to provide such services, the Committee evaluated each bidder's response to questions about its organization and history, client service/quality assurance, recordkeeping and administration, regulatory services, reporting, voice response/participant access, communications and education, data conversion, systems capabilities and hardware, investments, trustee services, references and costs. In making the selection, the Committee also considered: (1) the stability of the financial organization as evidenced by its experience or investment record over a substantial period of time; (2) the ability of the organization to meet its contractual obligations, provide the services set forth in the proposal and comply with the reporting requirements of the Committee and Section 457 of the Code; (3) the variety and types of investment products offered by the organization and the ability to transfer among the deferred compensation products offered by a different financial organization with which the Committee might contract; (4) the organization's experience and familiarity with the requirements of a State deferred compensation plan under Section 457 of the Code; (5) whether the organization's products and services are of the highest quality and soundness; (6) the overall cost efficiency of the proposal; and (7) the overall quality and scope of the services to be provided to plan participants. Based on evaluation of all these factors, TRP was the lowest qualified bidder of the five bids received (of 19 firms who were invited to bid, including any that may have responded to a notice in the New York State Contract Reporter). The intended term of this contract, which would become effective on July 1, 2004, is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$5,000.

#### FISCAL INFORMATION

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

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

"Funds required to support the critical spare parts inventory order for the 500 MW Power Project will be charged to Inventory and payment will be made from the Operating Fund.

#### RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer, the Vice President – Project Management, the Vice President – Controller, the Deputy Inspector General – Security, the Director – Employee Benefits, the Director – Corporate Support Services, , the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeast New York recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '12-A' and as discussed above.

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

***Mr. Hoff presented the highlights of staff's recommendations to the Trustees. On motion duly made and seconded, four of the Trustees voted to pass the resolution, with Vice Chairman McCullough abstaining.***

The following resolution, as submitted by the Executive Vice President – Power Generation, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement contracts set forth in Exhibit “12-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 Executive Vice President – Power Generation; and be it further**

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

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

<u>Plant Site Contract</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis</u> <sup>1</sup>	<u>Closing Date</u>	<u>Contract Type</u> <sup>2</sup>	<u>Compensation Limit</u>	<u>Amount Expended</u>	
								<u>To Date</u>	<u>Of</u>
CORP SERV & ADMIN. - Corp Sprt Serv	A&A MAINTENANCE ENTERPRISE, INC. (Q-02-3387; PO# TBA)	08/01/04	Provide for services of operating engineers for the Rappleyea Building (+ option to extend for 2 additional yrs)	B/S	07/31/07				<b>\$4,275,000*</b>
									*Note: represents total for 5-year term (including option years)
POWER GEN - B-G & Central Region	DAY & ZIMMERMAN NPS, INC. (Q-02-3355; PO# TBA)	07/01/04	Provide for general maintenance support services for B-G & Central Region (+ option to extend for 2 additional yrs)	B/S	06/30/07				<b>\$500,000*</b>
									*Note: represents total for 5-year term (including option years)
POWER GEN - PROJ MGMT/ 500 MW	GE ENERGY SERVICES (PO # TBA)	06/29/04	Provide for procurement of critical spare parts for 500 MW plant	S/E	06/30/05				<b>\$4,900,000*</b>
									*Note: represents total for 1-year term
POWER GEN - PROJ MGMT/ NIA	GE HYDRO POWER, INC. (Q-02-3289)	07/01/04	Provide for F/D/I of motor/generator stator windings at LPGP	B/E	06/30/11				est. <b>\$15,000,000*</b>
									*Note: represents estimated total for 11 units; current authorization for initial release of \$2,600,000 for one unit
POWER GEN - STL	GENERAL ELECTRIC COMPANY (4600001274)	09/01/04	Provide for cleaning up to 6 hydrogenerator stators & installing 6 PDA couplers per unit	B/S	08/31/07				<b>\$250,000*</b>
									*Note: represents total for 3-year term (including contingency)
EXEC OFFICE - \$7,786,640* IG's OFFICE/ Corp. SECURITY	INTERNAL INTELLIGENCE SERVICE, INC. (Q-02-3379)	07/01/04	Provide for security services for WPO, Flynn, 500MW construction site & Small Clean Power Plants	B/S	guard 06/30/07				
									(+ option to extend for 1 additional yr) *Note: represents total for 4-year term (including option year)
POWER GEN - NIA	MATTE POLYGRAPH SERVICE, INC. (4600001249)	07/01/04	Provide for polygraph examinations for new Security hires at NIA, as needed	B/S	06/30/09				<b>\$10,000*</b>
									*Note: represents total for 5-year term

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

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

<u>Plant Site Contract</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis</u> <sup>1</sup>	<u>Compensation Contract Type</u> <sup>2</sup>	<u>Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of</u>
POWER GEN - B-G	MEDTRONIC PHYSIO-CONTROL CORP. (PO# TBA)	07/01/04	Provide for inspection & service repairs for 13 Lifepak 500 AEDs	06/30/06 (+ option to extend for 1 additional yr)	B/S			<b>\$24,000*</b>  *Note: represents total for 3-year term (including option year)
CORP SERV & ADMIN - Pub&GovAffairs	MICHAEL T. KINSELLA (Q-02-3356; PO # TBA)	07/01/04	Provide for specialized consulting services re federal regulatory and legislative matters, assist with relicensing efforts and other issues, as may be determined	06/30/07 (+ option to extend for 1 additional yr)	C/P			<b>\$276,000*</b>  *Note: represents total for 4-year term (including option year)
POWER GEN - PERF ENG (MRM)	SOFTWARE SENSE ENTERPRISES, INC. (PO # TBA)	07/01/04	Provide for continued maintenance & consulting/ programming services, as needed, to support proprietary software for safety & clearance tagging system ("lockout/tagout") at Authority facilities	06/30/07 (+ option to extend for 2 additional yrs)	S/P			<b>\$490,000*</b>  *Note: represents total for 5-year term (including option years)
CORP SERV & ADMIN. - Empl. BENEFITS	T. ROWE PRICE ASSOCIATES, INC. (Q-02-3343)	07/01/04	Provide for administrative/recordeeping, investment and trustee services for Authority's Deferred Compensation ("Section 457") Plan	06/30/09	B/S			<b>\$5,000*</b>  *Note: represents total for 5-year term

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

**13. Procurement (Services) Contracts – Business Units and Facilities – Extensions,  
Approval of Additional Funding and Increase 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 ‘13-A’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contract with Wendel Construction. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth below.

**BACKGROUND**

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

“The Authority’s Expenditure Authorization Procedures require the 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**

“Although the firms identified in Exhibit ‘13-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. The Trustees’ approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

“Extension of each of the contracts identified in Exhibit ‘13-A’ is requested for one or more of the following reasons: (1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; (2) to accommodate an Authority or external regulatory agency schedule change that has delayed, reprioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or (4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates that the Authority needs to continue until a permanent system is put in place.

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

“The Authority provides engineering, design, procurement and project management services to many of its customers to promote cost savings through efficient energy usage. Such services include, but are not limited to, various mechanical, electrical, structural and lighting improvements. The contract with **AVF Design, Inc. (‘AVF’; 4500068532)** provides for computer-assisted drafting (‘CAD’) and design support services to supplement the Authority’s in-house staff in support of energy efficiency projects. The original award, which was competitively bid, became effective on March 11, 2003 for an initial term of one year, with an intended option to extend for up to three additional years. An interim extension through June 28, 2004, was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A three-year extension is now requested in order to exercise the intended option. The current contract amount is \$15,000; it is anticipated that an additional \$45,000 may be required for the extended term. Rates will remain firm for the

duration of the contract. The Trustees' approval is requested to ratify the interim extension, to extend the subject contract through March 10, 2007 and to approve the additional funding requested.

“The Authority has implemented a fish deterrence system at the Crescent (‘Crescent Project’) and Vischer Ferry Power Projects (‘Projects’) in order to reduce the number of fish passing through the power house. The system, which was approved by the Federal Energy Regulatory Commission, uses sound waves transmitted by transducers located at strategic locations at the entrance of the headrace at both project sites. A temporary system was installed, tested and proven to be effective. The temporary mounting systems are now being replaced with a permanent system at each project. The contract with **D.A. Collins Construction Co., Inc. (‘D.A. Collins’; 4500070372)** provides for furnishing and installing transducer mountings at the Projects and constructing fish bypasses at the Crescent Project. The original award, which was competitively bid, became effective on April 14, 2003 for an initial term of less than one year. An interim extension through June 2004 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional four-month extension is now requested to allow D.A. Collins to complete the resurfacing of Dam Face A at the Crescent Project; such work was unable to be completed last year due to extremely high water levels caused by heavy rainfalls. The current contract amount is \$198,250; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the interim extension and to extend the subject contract through November 1, 2004, with no additional funding requested.

“Transmission lines are the backbone of the electric industry and their integrity and reliability are critical. Many of the structures in these lines are supported by guy wires connected to steel anchor rods. Embedded in the ground, these steel anchor rods corrode because of galvanic reaction and the soil’s corrosive environment. Until recently, there has been no effective means of assessing the below-ground condition of these anchor rods, other than excavating and visually inspecting the components. This method resulted in significant costs for utilities and frequently proved to be more damaging to the anchor rods and their protective coating than the environment itself. Following several years of research, development and field trials sponsored by the Electric Power Research Institute (‘EPRI’), EDM International Inc. (‘EDM’) and others, EPRI licensed to EDM for commercialization the first dedicated system for the nondestructive inspection of steel anchor rods to accurately and reliably identify corrosion wastage. This system is being continuously refined, improved and validated. It has been successfully used to inspect and identify corroded anchor rods on the Authority’s St. Lawrence transmission line system. The contract with **EDM (4500075168)** provides for such nondestructive ultrasonic inspections of anchor rods used on wood pole lines at the St. Lawrence/FDR Power Project. The original award, which was competitively bid, became effective on July 30, 2003 for an initial term of less than one year, with an intended option to extend for two additional years. A two-year extension is now requested to exercise the intended option in order to inspect up to 800 additional anchor rods on the Authority’s St. Lawrence transmission system. The current contract amount is \$37,500; it is anticipated that an additional \$40,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through July 29, 2006, and to approve the additional funding requested.

“The contract with the **New York State Department of State, Office of Fire Prevention and Control (‘OFPC’; 4500075723)** provides for the services of a trained, experienced and certified fire protection specialist to conduct various fire safety services for the Authority statewide, in compliance with all applicable state and local codes, laws and regulations. Services comprise: (1) initial inspection (consisting of fire and life safety inspections in each building/facility owned or operated by the Authority, to meet the requirements for annual inspection and report generation, and assistance in devising corrective actions, as needed); (2) reinspection of those facilities found to need corrective actions during initial inspections, as well as assistance in preparing responses to any safety complaints, as needed; and (3) consultative services (including a customized fire safety employee training program, fire safety and emergency response planning and evacuation drills). The original contract, which was awarded on a sole source basis, became effective on August 14, 2003 for a term of less than one year. Pursuant to Section 156 of the Executive Law, the OFPC has the authority and responsibility for providing fire safety inspections at state-regulated facilities upon request of the state agency. Due to the number of Authority locations, only the initial inspections have been completed to date. A one-year extension is now requested to allow sufficient time for the Authority to implement corrective actions, as needed, and to provide for reinspection of those facilities previously found to need corrective action, as well as for consultative services, as may be requested. The current contract amount is \$30,000; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through August 13, 2005, with no additional funding requested.

“The contract with **Professional Health Services, Inc. (‘PHS’; 4500076415)** provides for annual employee physical examinations, as well as respirator clearance and fit tests, for approximately 200 employees at the St. Lawrence/FDR Power Project, as required by all applicable safety and health standards, federal and state requirements and Authority policy. The original award, which was competitively bid, was issued on August 27, 2003 for an initial term of one year, with an option to extend for two additional years. An extension of two years and four months is now requested in order to exercise this option and continue services, as may be required. The current contract amount is \$37,850; it is anticipated that an additional \$80,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2006, and to approve the additional funding requested.

“The contract with **Russell Brod (4500075612)** provides for computer design and production services, performed at the Authority’s White Plains Office. Such services include, but are not limited to, computer design and production of print materials (e.g., annual report, corporate collateral materials, marketing and promotional brochures, newsletters, posters, advertising materials, presentations and exhibits); Web site development and design and production of PowerPoint slide presentations in PC format. The original award, which was competitively bid, became effective on August 11, 2003 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. The current contract amount is \$35,000; it is anticipated that an additional \$25,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through August 10, 2005, and to approve the additional funding requested.

“The contract with **Thomas Ng (4500074899)** provides for the services of a video systems maintenance engineer/technical production assistant, on an ‘as needed’ basis. Services include, but are not limited to, preventive maintenance/troubleshooting/repair of all equipment and systems in the Authority’s video production edit facility, as well as various production services on location shoots (e.g., video and/or audio field engineer, lighting, grip, gaffer, equipment set-up and breakdown, etc.). The original award, which was competitively bid, became effective on July 29, 2003 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. The current contract amount is \$15,000; it is anticipated that an additional \$15,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through July 28, 2005, and to approve the additional funding requested.

### **Increase in Compensation Ceiling**

“At their meeting of December 16, 1997, the Trustees approved the consolidation of Statewide non-SENY (Southeastern New York) High Efficiency Lighting Programs (‘HELP’) into a single program known as the Energy Services Program (‘ESP’), and initial funding of \$30 million. ESP is an energy efficiency program that provides a turnkey approach to identifying, procuring and implementing energy savings solutions for participants outside SENY’s territory. Under this program, turnkey direct installation services are provided to a broad number of facilities, including State office buildings, SUNY campuses, county facilities and school districts. This program has enabled public customers to reduce their operating costs and embark on energy savings projects with no up-front capital, with energy and related operational maintenance savings paying for the overall improvements. At their meeting of June 29, 1999, the Trustees approved an additional \$50 million for the program, increasing the total funding to \$80 million. An additional \$100 million was authorized by the Trustees at their meeting of September 25, 2001, and two new awards for such services were approved at their January 29, 2002 meeting, increasing the aggregate total funding for all such ESP Implementation Contractors (‘IC’) to \$180 million. The contract with **Wendel Construction (‘Wendel’; S98-02065)** provides for program management and implementation services for the aforementioned ESP program. The scope of services includes the audit, design, procurement, installation and construction management of these energy-saving projects. At their meeting of March 31, 1998, the Trustees approved three-year awards to Wendel (and another firm) in the initial combined amount of \$30 million, with an option to extend for two additional years. The original contract, which was competitively bid, became effective on April 1, 1998. The two-year option to extend the contract through March 31, 2003 was subsequently authorized by the President and Chief Executive Officer. At their meeting of June 29, 1999, the Trustees approved an aggregate increase of \$20 million to fund the Wendel (and other) contract. At their meeting of December 17, 2002, the Trustees approved an extension of the subject contract through December 31, 2004 in order to complete work for two school districts that had been held in abeyance due to delays at the State Education Department, as well as to

undertake several projects for the aggressive implementation of energy-saving measures at the Empire State Plaza in Albany at the request of the Office of General Services ('OGS'). Wendel is still completing several projects; it is expected that these projects will require an additional \$9,000,000 for completion. The additional funding is required because: (1) several projects (such as the Malone Schools, the City of Rochester and the Empire State Plaza Egg and Platform Lighting) are much larger than originally planned, and (2) a higher percentage of projects assigned to this IC have been approved for implementation. An additional one-year extension is also requested to support the aforementioned efforts. This would allow sufficient time to obtain building permits from the State Education Department (which, in some cases, can take more than a year) and to complete construction. It would not be prudent, efficient or cost-effective to reassign projects already assigned to Wendel (but not yet under construction) to another IC, since much of the unique knowledge of a facility developed during the audit and design phase may not be transferred to another IC. The current contract amount is \$24,000,000; as previously mentioned, it is estimated that an additional \$9,000,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005. Approval is also requested for the release and allocation to this contract of an additional \$9,000,000 from previously approved funding, thereby increasing the compensation ceiling to \$33,000,000. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

#### FISCAL INFORMATION

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

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request ('CEAR'). Payment for contracts in support of the Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund.

#### RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement and Real Estate, the Vice President – Project Management, the Director – Research and Technology Development, the Director – Energy Services, the Director – Corporate Support Services, the Director – Power Generation Support Services, the Manager – Graphic Communications, the Regional Manager – Central New York and the Regional Manager – Northern New York recommend the Trustees' approval of the extensions, additional funding and increase in the compensation ceiling of the procurement contracts listed in Exhibit '13-A.'

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

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "13-A," attached hereto, is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with Wendel Construction is hereby approved, as recommended in the foregoing resolution of the President and Chief Executive Officer, in the amount and for the purpose listed below:**

<u>O&amp;M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide for program management & implementation services for the Authority’s Energy Services Program:		
Wendel Construction S98-02065		
Additional Funding Requested	\$9,000,000*	12/31/05
Current Contract Amount	\$24,000,000*	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$33,000,000</u></b>	

\*Released and allocated from the previously approved aggregate total of \$180,000,000 for various such contracts in support of the Energy Services Program.

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

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

**EXHIBIT "13-A"**  
**June 29, 2004**

<u>Plant Site/ Bus. Unit</u> <u>Of Contract</u>	<u>Company</u> <u>Contract #</u>	<u>Start of</u> <u>Contract</u>	<u>Description</u> <u>of Contract</u>	<u>Award Basis</u> <sup>1</sup> <u>Closing Date</u>	<u>Compensation</u> <u>Contract Type</u> <sup>2</sup>	<u>Amount</u> <u>Expended</u> <u>Limit</u>	<u>Authorized</u> <u>Expenditures</u> <u>For Life</u> <u>To Date</u>
<b>Contracts in support of Headquarters Business Units and the Facilities:</b>							
ES&T - Energy Services	AVF DESIGN, INC. 4500068532	03/11/03	Provide for computer-assisted drafting (CAD) & design services to support energy efficiency projects	03/10/07	B/S	\$15,000 \$3,095 *Note: includes an increase of \$45,000	<b>\$60,000*</b>
POWER GEN - PROJ MGMT	D.A. COLLINS CONSTRUCTION CO. INC. 4500070372	04/14/03	Provide for F/D/I of transformer mountings and fish bypass system at Crescent and Vischer Ferry Projects	11/01/04	B/C	\$198,250 \$147,250 *Note: no additional funding requested	<b>\$198,250*</b>
ES&T - R&TD	EDM INTERNATIONAL INC. 4500075168	07/30/03	Provide for nondestructive ultrasonic inspections of anchor rods on the STL transmission line system	07/29/06	B/P	\$37,500 \$36,205 *Note: includes an increase of \$40,000	<b>\$77,500*</b>
POWER GEN - Power Gen Support Serv	NYS DEPT OF STATE OFFICE OF FIRE PRE- VENTION & CONTROL 4500075723	08/14/03	Provide for fire safety services for all Authority facilities, including Small Clean Power Plants	08/13/05	S/P	\$30,000 \$0 *Note: no additional funding requested	<b>\$30,000*</b>
POWER GEN - STL	PROFESSIONAL HEALTH SERVICES INC. 4500076415	08/27/03	Provide for annual employee physicals at STL	12/31/06	B/P	\$37,850 \$32,920 *Note: includes an increase of \$80,000	<b>\$117,850*</b>
CORP SERV & ADMIN - Pub&GovAffairs	RUSSELL BROD 4500075612.	08/11/03	Provide for computer design and production services (on premises)	08/10/05	B/P	\$35,000 \$24,193 *Note: includes an increase of \$25,000	<b>\$60,000*</b>

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

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

**EXHIBIT "13-A"**  
**June 29, 2004**

<u>Plant Site/ Business</u>	<u>Company Unit</u>	<u>Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis<sup>1</sup> Closing Date</u>	<u>Compensation Contract Type<sup>2</sup></u>	<u>Limit</u>	<u>Amount Expended</u>	<u>Authorized Expenditures For Life To Date</u>
CORP SERV & ADMIN - Corp. Support Services	THOMAS NG 4500074899		07/29/03	Provide for the services of a video systems main- tenance engineer/technical production assistant	07/28/05	B/P	\$15,000	\$4,287	<b>\$30,000*</b>

\*Note: includes an increase of \$15,000

**Increase in Compensation Ceiling:**

ES&T - ESP	WENDEL CONSTRUCTION S98-02065	04/01/98	Provide for program management & implementa- tion services for the Authority's Energy Services Program	12/31/05	B/C	\$24,000,000	\$20,764,594	<b>\$33,000,000*</b>
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\*Note: an aggregate total of \$180M was previously approved by the Trustees for various contracts in the ESP program; the current increase is for the release and allocation of \$9M to this contract from the previously approved aggregate funding.  
**All costs, including Authority overheads, will be recovered.**

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

**14. Procurement (Services) Contract – 500 MW Combined Cycle Project – General Work Contract – Slattery Skanska Inc. – Increase in Compensation Ceiling**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve a \$12-million increase in the compensation ceiling of the General Work Contract with Slattery Skanska Inc. (‘SSI’) for the 500 MW Combined Cycle Project (‘Project’). This increase will be funded from the project construction contingency budget without increasing the overall Project budget. The additional funding will be used to compensate SSI for any extra work due to design and field adjustments and changes to vendor materials and equipment made after the contract award.

**BACKGROUND**

“Upon receipt of the Article X Certification from the New York State Public Service Commission, the construction work for the Project started in October 2002. Four separate contracts were competitively bid and awarded for construction of the Project. These consisted of Site Preparation, Fuel Supply and Bulk Storage, Electrical Interconnection and the General Work Contract. Site preparation has been completed and work by other contractors is in progress.

“At their meeting of November 26, 2002, the Trustees authorized the award of a lump sum General Work Contract to SSI with a compensation ceiling of \$249 million for the construction of the Project’s ‘Power Island.’ The ‘Power Island’ includes the turbine building, gas and steam turbines, steam generators, air-cooled condenser and all complementary mechanical and electrical activity. Work under the General Work Contract is 62% complete and is expected to be completed to support commercial operation of the plant in the spring of 2005. The Authority has paid SSI \$130 million for the work completed to date.

**DISCUSSION**

“After the General Work Contract was awarded to SSI, the detailed design continued to be refined to incorporate additional vendor information, additional regulatory requirements and completion of minor ancillary systems. This approach is considered reasonable and is typical of industry practice. The estimated cost of the additional work identified to date due to the design modifications and field conditions is \$10 million, and \$2 million is the estimated cost of material and equipment adjustments.

“Since the General Work Contract does not contain unit prices for extra work, SSI’s entitlement to financial and schedule considerations must be identified and substantiated. The value of the extra work scope is reviewed by comparing SSI’s price proposal and an independent fair-cost estimate developed by the Authority’s Construction Manager, DMJM+Harris. Particular aspects of the changed work are considered, such as whether the work must be performed during off-shift periods at premium time rates to minimize the impact on ongoing work and schedule. The culmination of this process would be a series of change orders to SSI’s contract.

“Trustee approval is being sought for an increase to the compensation ceiling of SSI’s contract in the estimated amount of \$12 million. Of this additional funding, \$4 million will be used to compensate SSI for extra work that has been completed to date, and the remaining funds may be expended pursuant to the Expenditure Authorization Procedures as the extra work is completed.

**FISCAL INFORMATION**

“No additional funding is required, as the overall budget for the project is not affected. The cost of the extra work will be paid for from the project’s construction contingency budget.

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

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate and the Senior Project Manager recommend that, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Expenditure Authorization Procedures, the Trustees approve an increase to the compensation ceiling of Slattery Skanska Inc.’s contract in the amount of \$12 million and further recommend that the President and Chief Executive Officer, or his designee, be authorized to execute the change orders to the SSI contract.

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

*Mr. Grzan presented the highlights of staff’s recommendations to the Trustees. As presented to the Trustees, staff reduced their request from \$12 million to \$5 million.*

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 and the Expenditure Authorization Procedures, an increase in the compensation ceiling is hereby approved in the amount of \$5 million to the General Work Contract with Slattery Skanska Inc. for the 500 MW Combined Cycle Project at the Charles A. Poletti Power Project site as listed below:**

<u>Capital</u>	<u>Previous Authorization</u>	<u>Current Authorization</u>	<u>Total Expenditure Authorization</u>
Slattery Skanska, Inc.	\$249,000,000	\$5,000,000	<u>\$254,000,000</u>

**AND BE IT FURTHER RESOLVED, That the President and Chief Executive Officer, or his designee, be and hereby is, authorized to execute the change orders to the General Work Contract with Slattery Skanska Inc. up to the amount stated in the foregoing resolution; and be it further**

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

## **15. Designation of Joseph J. Seymour Power Project**

The President and Chief Executive Officer submitted the following report:

### **SUMMARY**

“The Trustees are requested to designate the Authority’s natural gas fired, dual-unit generating facility at 23<sup>rd</sup> Street and 3<sup>rd</sup> Avenue in Brooklyn as the Joseph J. Seymour Power Project.

### **DISCUSSION**

“Joseph J. Seymour has served with distinction as Chairman and Chief Executive Officer of the Authority from March 2001 to January 2002 and as a Trustee since February 2001.

“It was under Mr. Seymour’s leadership that the Authority completed the rapid installation and start-up of the small, clean power plants at seven locations in New York City and on Long Island in time to avert threatened power shortages in the summer of 2001. Assuming office at a time when the Authority’s ability to meet the crucial summer deadline was by no means assured, Mr. Seymour directed an all-out effort to resolve various engineering, legal and community issues and to bring the Power Now Project to a successful conclusion within about 10 months of its inception (a comparable undertaking normally would require at least two years).

“The small plants--with 11 generating units in all--since have provided significant benefits, not only in helping to prevent capacity deficiencies, but in improving the environment by displacing older, less-efficient and more polluting generators in New York City.

“Also during Mr. Seymour’s eventful tenure as Chairman and Chief Executive Officer, the Authority submitted its application for a new federal license for the St. Lawrence-FDR Power Project, having reached a series of landmark agreements with stakeholders that paved the way for timely issuance of a 50-year license in 2003. Other highlights of Mr. Seymour’s chairmanship included completion of Phase One of the Convertible Static Compensator project at Marcy, approval of allocations that helped to create or protect thousands of jobs under Power for Jobs and other programs, establishment of the World Trade Center Economic Recovery Power Program and development of the NYPA/Th!nk Clean Commute initiative.

“In December 2001, Governor George E. Pataki nominated Mr. Seymour as Executive Director of the Port Authority of New York and New Jersey to help lead the recovery of that agency and the Lower Manhattan area from the September 11 attack. The appointment marked another chapter in Mr. Seymour’s outstanding career of more than 30 years in New York State and local government. Although Mr. Seymour had to relinquish his post as the Power Authority’s Chairman and Chief Executive Officer, NYPA has continued to benefit from his expertise and commitment as a Trustee.

### **RECOMMENDATION**

“In recognition of Mr. Seymour’s many accomplishments at the Power Authority and his vital role in the successful implementation of the small, clean power plant project, the President and Chief Executive Officer, the Executive Vice President—Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President—Corporate Services and Administration and I recommend that the Authority’s dual-unit generating facility at 23<sup>rd</sup> Street and 3<sup>rd</sup> Avenue in Brooklyn be designated as the Joseph J. Seymour Power Project.”

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

**WHEREAS, Joseph J. Seymour has served the New York Power Authority and the people of New York State with distinction as a Trustee of the Authority since February 2001, including service as Chairman and Chief Executive Officer from March 2001 to January 2002; and**

**WHEREAS, it was under Joseph Seymour's leadership that the Authority completed the rapid installation and start-up of small, clean power plants at seven locations in New York City and on Long Island, overcoming severe deadline pressures and averting threatened power shortages in the summer of 2001; and**

**WHEREAS, the small, clean plants—with a total of 11 generating units—continue to help assure a reliable power supply and to benefit the environment by displacing generation from older, less efficient and more polluting facilities; and**

**WHEREAS, Mr. Seymour's chairmanship was marked by a number of other significant accomplishments, including submittal of the St. Lawrence-FDR relicensing application and completion of Phase One of the Marcy Convertible Static Compensator project; and**

**WHEREAS, Governor George E. Pataki recognized Mr. Seymour's extraordinary abilities by nominating him to serve as Executive Director of the Port Authority of New York and New Jersey at a critical point in that agency's history;**

**NOW THEREFORE BE IT RESOLVED, that the Trustees of the Power Authority of the State of New York express their appreciation and admiration for the talent, dedication and leadership that have marked Joseph Seymour's exemplary career in public service, including his contributions as the Authority's Chairman and Chief Executive Officer and as a continuing member of this Board; and be it further**

**RESOLVED, that in recognition of these contributions, and particularly his vital role in the successful completion and start-up of the small, clean power plant project under the most challenging of circumstances, the Trustees hereby designate the Power Authority's dual-unit generating facility at 23<sup>rd</sup> Street and 3<sup>rd</sup> Avenue in Brooklyn as the Joseph J. Seymour Power Project.**

**16. Next Meeting**

The next Regular Meeting of the Trustees will be held on **Tuesday, July 27, 2004, at 11:00 a.m., at the St. Lawrence/FDR Power Project**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

17. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:21 p.m.

A handwritten signature in black ink that reads "David E. Blabey". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

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