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

March 30, 2004

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Albany Office at 11:10 a.m.

Present: Louis P. Ciminelli, Chairman
Frank S. McCullough, Jr., Vice Chairman
Timothy S. Carey, Trustee

Joseph J. Seymour, Trustee (Excused)
Michael J. Townsend, Trustee (Excused)

Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Corporate Services and Administration
Peter A. Barden	Senior Vice President – Public and Governmental Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller and Acting Chief Financial Officer
Robert J. Deasy	Vice President – Energy Resources Management and Fuels Operations
John M. Hoff	Vice President – Procurement and Real Estate
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
John J. Suloway	Executive Director – Licensing Implementation and Compliance
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Angelo S. Esposito	Director – Energy Services
John L. Murphy	Director – Public Relations
Mark D. O'Connor	Director – Real Estate
Daniel Wiese	Director – Corporate Security/Inspector General
Shalom Zelingher	Director – Research and Technology Development
Gerard R. Mulling	Manager – Fuel Planning
James F. Pasquale	Manager – Business Power Allocations and Compliance
Roger W. Busha, Jr.	Investigator
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant
Brian C. McElroy	Senior Investment Analyst
Anthony C. Savino	Marketing Consultant
Yan Kishinevsky	Program Manager
Benjamin C. Wong	Project Manager

John Cashin	Executive Administrator, Battery Park City Authority

Dorothy Lechmanski	Budget Director, New York State Division of Budget
Marisa Alberti	Mayor's Office, New York City

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

1. <u>Approval of the Minutes of the Meeting held on February 24, 2004</u>

The minutes of the meeting of February 24, 2004 were unanimously adopted.

2. <u>Financial Reports for the Two Months Ended February 29, 2004</u>

Mr. Bellis provided the Financial Report for the two months ended February 29, 2004.

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

President Zeltmann announced that the Authority, and specifically Mr. Haase, Mr. Zelingher, and Mr. Wong, had been named the 2003 Overall Winner of the Power Delivery & Markets Product Champion Award by the Electric Power Research Institute for developing, building, and testing the Convertible Static Compensator Flexible AC Transmission System (FACTS) at the Marcy substation. President Zeltmann went on to say that the award evidenced the national recognition received by this very successful project.

4. 2003 Annual Report on Investment of Authority Funds

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to review and approve the attached 2003 Annual Report on Investment of Authority Funds (Exhibit '4-A').

BACKGROUND

"Section 2925 of the Public Authorities Law requires the review and approval of an annual report on investments. Pursuant to the statute, the attached report includes Investment Guidelines that set standards for the management and control of the Authority's investments, a summary of the Guidelines, the total investment income earned in 2003, a statement on fees paid for investment services, the results of an independent audit, a detailed inventory report for each of the Authority's seven portfolios at December 31, 2003 and a summary of purchases from dealers and banks. The approved annual report is filed with the State Division of Budget, with copies to the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. The report is also available to the public upon written reasonable request.

DISCUSSION

"In 2003, the Authority's investment portfolios averaged $860 million and earned $33 million. This level of earnings is $5 million more than in 2002. The increase in investment earnings is due to an increase in the average size of the portfolio partially offset by lower re-investment rates from 2002 levels. Income for the year from the Authority's portfolios had an average yield of 3.87%, exceeding the Authority's established performance measure by 37 basis points (37/100 of 1%). The performance benchmark for 2003 was the three-year rolling average yield on the two-year Treasury note plus 15 basis points.

"At December 31, 2003, the portfolio consisted of 6% in direct obligations of the U.S. government; 84% in agencies of the U.S. government; 1% in Certificates of Deposit and Repurchase Agreements and 9% in Municipal Bonds.

"Investment management fees associated with the Nuclear Decommissioning Trust Fund totaled $709,463 in 2003.

"In connection with its examination of the Authority's financial statements, PricewaterhouseCoopers, L.L.P. performed tests of the Authority's compliance with certain provisions of the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Its report, a copy of which is attached as Exhibit '4-B,' states that the results of such examination disclosed no instances where the Authority was not in compliance with these Guidelines.

"The Investment Guidelines and procedures have not been amended since last presented and approved by the Trustees at their meeting of March 20, 2003.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the attached 2003 Annual Report on Investment of Authority Funds and authorize the Vice President – Controller and Acting Chief Financial Officer to perform such actions, and have such duties as the Senior Vice President and Chief Financial Officer is authorized to perform and have under the Investment Guidelines.

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

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

RESOLVED, That the 2003 Annual Report on Investment of Authority Funds be, and hereby is, approved; and be it further

RESOLVED, That the Vice President – Controller and Acting Chief Financial Officer is authorized to perform such actions, and have such duties as the Senior Vice President and Chief Financial Officer is authorized to perform and have under the Investment Guidelines; and be it further

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

Exhibit "4-A"
March 30, 2004

2003 Annual Report on
Investment of Authority Funds

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Section I

New York Power Authority
Guidelines for the Investment of Funds

I. General

These Guidelines for the Investment of Funds (the "Guidelines") are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations, adopted February 24, 1998 (the "Resolution"), the lien and pledge of which covers all accounts and funds of the Authority and that governs the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

II. Responsibility for Investments

The Treasurer and Deputy Treasurer have the responsibility for the investment of Authority funds under the general supervision of the Senior Vice President and Chief Financial Officer. The Treasurer shall ensure that an operating manual is maintained that provides a detailed description of procedures for maintaining records of investment transactions and related information.

III. Investment Goals

The Treasurer and Deputy Treasurer are responsible for maximizing the yield on investments consistent with requirements for safety, minimization of risk and liquidity. Monies will not be invested for terms in excess of the projected use of funds.

IV. Authorized Investments

A. Monies in funds established pursuant to the Resolution shall be invested in Authorized Investments or Authorized Certificates of Deposit, defined as follows:

"Authorized Investments" shall mean:

1. Direct obligations of or obligations guaranteed by the United States of America or the State of New York;

2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks or any other agency controlled or supervised by and acting as an instrumentality of the United States government;

3. Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision, which shall be rated at the time of the investment in any of the three highest long-term Rating Categories, as such term is defined in the Resolution, or the highest short-term Rating Category by a Rating Agency, as such term is defined in the Resolution.

4. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract with the United States of America; or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided that such Bonds or Notes are guaranteed by the United States of America.

"Authorized Certificate of Deposit" shall mean a certificate of deposit authorized by the Resolution as an "Authorized Investment."

B. The Authority, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under the Internal Revenue Code. In no event will Authority funds be invested in a manner that will violate the provisions of such arbitrage regulations.

V. <u>Provisions Relating to Qualifications of Dealers and Banks</u>

A.1. The purchase and/or sale of Authorized Investments shall be transacted only through banks, trust companies or national banking associations (herein

collectively termed "Banks") that are members of the Federal Reserve System and government security dealers (herein termed "Dealers"), which are Banks and Dealers reporting to, trading with and recognized as primary dealers by the Federal Reserve Bank of New York. Banks and Dealers shall have demonstrated an ability to:

a) offer superior rates or prices on the types and amounts of securities required;
b) provide a high degree of attention to the Authority's investment objectives; and
c) execute trades in a timely and accurate manner.

A.2. Authorized Investments may also be purchased or sold through minority- and women-owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.

A.3.A. Municipal securities qualifying as Authorized Investments may also be purchased or sold through any municipal bond dealer registered in the State of New York that demonstrates the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.

B. Authorized Certificates of Deposit and time deposits ("Time Deposits") shall be purchased directly from Banks that:
(1) are members of the Federal Reserve System transacting business in the State of New York;
(2) have capital and surplus aggregating at least $50 million; and
(3) demonstrate all the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.

C. Authorized Investments purchased by the Authority or collateral securing its investments shall be deposited only with custodians designated by the Authority. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York.

D. The Authority shall file with each qualified dealer a letter agreement that designates the (1) type of authorized investments, (2) Authority employees who are authorized to transact business and (3) delivery instructions for the safekeeping of investments.

E. The Authority shall enter into a written contract with any (1) Dealer from whom Authorized Investments are purchased subject to a repurchase agreement and (2) Bank from whom Authorized Certificates of Deposit are purchased.

VI. General Policies Governing Investment Transactions

A. Competitive quotations or negotiated prices shall be obtained except in the purchase of government securities at their initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/ or Banks, except as indicated above, and the most favorable quote accepted. The Treasurer or Deputy Treasurer may waive this requirement on a single-transaction basis only if warranted by market conditions and documented in writing.

B. Authorized Investments purchased shall be either delivered to the Authority's designated custodian or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, recorded in the Authority's name or in the name of a nominee agent or custodian designated by the Authority on the books of the Federal Reserve Bank of New York or the Depository Trust Company. Payment shall be made to the Dealer or Bank only upon receipt by the Authority's custodian of (1) the securities or (2) in the case of securities held in a book-entry account, written advice or wire confirmation from the Federal Reserve Bank of New York or the Depository Trust Company that the necessary book-entry has been made.

C. Each purchase or sale of Authorized Investments or Authorized Certificates of Deposit shall be authorized by the Treasurer or Deputy Treasurer. Investment orders may be placed by Authority employees as designated by the Treasurer. The custodian shall have standing instructions to send a transaction advice to the Authority's Controller for purposes of comparison with internal records. The Controller shall advise the Treasurer of any variances, and the Treasurer shall ensure appropriate corrections are provided.

VII. Policies Concerning Certain Types of Investment Diversification Standards Required

A. Authorized Certificates of Deposit and Time Deposits

1. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from a Bank in the primary market.

2. Authorized Certificates of Deposit and Time Deposits shall be continuously secured by Authorized Investments defined in subsection (1) or (2) of Section IV.A., having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such Certificates of Deposit or Time Deposits. Such Authorized Investments shall be segregated in a separate custodian account on behalf of the Authority.

3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25% of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed $25 million.

B. **Repurchase Agreements**

The Authority may from time to time elect to enter into arrangements for the purchase and resale of Authorized Investments (known as "Repurchase Agreements"). This type of investment transaction shall be used only when there is no other viable, short-term investment alternative.

1. A Repurchase Agreement shall be transacted only with a Dealer or Bank qualified to sell Authorized Investments to the Authority that is recognized by the Federal Reserve Bank as a primary dealer.

2. Authorized Investments purchased subject to a Repurchase Agreement shall be marked to market daily to ensure their value equals or exceeds the purchase price.

3. A Repurchase Agreement shall be limited to a maximum fixed term of five business days. Payment for the purchased securities shall be made against delivery to the Authority's designated custodian (which shall not be a party to the transaction as seller or seller's agent) or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, written advice that the securities are recorded in the Authority's name or in the name of a nominee, agent or custodian designated by the Authority on the books of the Federal Reserve Bank or the Depository Trust Company.

4. No more than $50 million of Authorized Investments shall be purchased under a Repurchase Agreement with any one Dealer or Bank. This requirement may be waived by the Senior Vice President and Chief Financial Officer on a single-transaction basis only if warranted by special circumstances and documented in writing.

5. The aggregate amount invested in Repurchase Agreements may not exceed the greater of 5% of the investment portfolio or $100 million. The Senior Vice President and Chief Financial Officer may waive this requirement on a single-transaction basis only if warranted by cash flow requirements and documented in writing.

6. The Authority may not enter into arrangements (known as Reverse Repurchase Agreements) for the purpose of borrowing monies by pledging Authorized Investments owned by the Authority.

VIII. Review

These Guidelines and any proposed amendments shall be submitted for Trustee review and approval at least once a year.

In addition to the Authority's periodic review, the Authority's independent auditors, in connection with their examination of the Authority, shall perform an annual audit of the investment portfolio, review investment procedures and prepare a report, the results of which will be made available to the Trustees.

IX. Reports

A. The Treasurer shall submit an investment report to the Trustees, at least quarterly. Such report shall contain a (1) detailed description of each investment; (2) summary of the dealers and banks from which such securities were purchased; and (3) list of fees, commissions or other charges, if any, paid to advisors or other entities rendering investment services.

B. The Treasurer shall submit an annual report for approval by the Trustees. In addition to the information provided quarterly, the Annual Report shall include (i) a copy of the Guidelines; (ii) an explanation of the Guidelines and any amendments thereto since the last annual report; (iii) the results of an annual independent audit of investment inventory and procedures and (iv) a record of income earned on invested funds. The approved report shall be submitted to the Division of the Budget with copies distributed to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Copies shall be made available to the public upon written reasonable request.

C. Any waivers that occurred during the prior month shall be reported to the Senior Vice President and Chief Financial Officer.

X. Miscellaneous

A. These Guidelines are intended for guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason of, any requirement or provision thereof.

B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.

C. No provisions in these Guidelines shall be the basis of any claim against any Trustee, officer or employee of the Authority in his or her individual or official capacity or against the Authority itself.

Section II

EXPLANATION OF INVESTMENT GUIDELINES

Section II Responsibility for Investments

Establishes responsibility for the Investment of Authority Funds and limits the number of individuals authorized to place investment orders.

Section III Investment Goal

Establishes the policy that earning a reasonable return on investments must be consistent with standards set for minimization of risk and availability of funds when needed.

Section IV Authorized Investments

Details the types of investments the Authority can undertake as prescribed in Section 101 of the Resolution.

This section also requires that investments made in each of the Funds established under the Resolution be invested for a term commensurate with cash flow expectations and that such investments will not violate the arbitrage regulations of the Internal Revenue Code.

Section V Provisions Relating to Qualifications of Dealers and Banks

Establishes criteria for the selection of banks and dealers from which the Authority may buy or sell investments. Business is transacted with firms that have demonstrated financial strength and a high degree of reliability with respect to servicing the Authority's needs. This section also directs that custody of Authority investments be maintained by banks that are members of the Federal Reserve System transacting business in the State of New York.

This section also addresses the subject of contracts with banks and dealers for the purchase or sale of Authorized Investments. The Authority has written Letters of Agreement with authorized dealers that specify the types of securities in which the Authority may invest and identify those Authority individuals authorized to give instructions related to the purchase and sale of securities. In addition, the Authority shall have a written form of agreement for use in repurchase transactions with any authorized dealer with which the Authority may transact this type of investment.

Section VI General Policies Governing Investment Transactions

Requires that the Authority solicit no less than three bids for the purchase or sale of securities in order to ensure the most favorable rate except when securities are purchased at their initial auction, upon new issue or through negotiated prices.

Requires that the Authority or its custodian, prior to payment, take possession of such securities, or in the case of book-entry securities, obtain written advice or wire confirmation that transfer or ownership has been recorded.

Establishes authorized employees to approve the purchase or sale of securities.

Establishes control procedures whereby the Controller shall compare the custodian's confirmation to Authority records.

Section VII Policy Concerning Certain Types of Investment Diversification Standards Required

Establishes a policy concerning the purchase of Authorized Certificates of Deposit and Time Deposits intended to minimize the risk associated with such transactions. Authorized Certificates of Deposit or Time Deposits may be purchased directly from a bank that is a member of the Federal Reserve System transacting business in the State of New York. Such deposits shall be continuously secured by Authorized Investments as outlined in subsection (1) or (2) of Section IV.A. This collateral shall be regularly priced to current market to assure the Authority's security interest is continuously protected. Aggregate holdings of Authorized Certificates of Deposit shall not exceed 25% of the Authority's total investment. Authorized Certificates of Deposit purchased from any one bank shall not exceed $25 million.

Establishes a policy intended to minimize the risk associated with arrangements for the purchase and resale of Authorized Investments known as Repurchase Agreements ("Repos"). Repos purchased from any one qualified dealer or bank shall not exceed $50 million and shall be limited to a maximum fixed term of five business days. Aggregate investments in Repos shall not exceed the greater of 5% of the Authority's total investments or $100 million. All securities purchased under the terms of a Repo shall be held in safekeeping by a designated custodian for the Authority. Such securities shall be priced to market on a daily basis to assure the Authority's security interest. Reverse Repurchase Agreements are not authorized transactions.

Section VIII Review

Establishes policy requiring review of the Guidelines at least once a year. Requires an annual audit by the Authority's independent auditors of the Authority's investment portfolio and compliance with the guidelines established by the Authority and the State Comptroller.

Section IX Reports

Establishes policy requiring submission of reports to the Authority's Trustees concerning the management and performance of the Authority's portfolio.

This Section also requires that an annual report be submitted for approval by the Authority's Trustees. Copies of the approved report shall be sent to the Division of Budget, Office of the State Comptroller, Senate Finance Committee and Assembly Way and Means Committee.

Section III

A. Investment Income Record

During 2003, the Authority's average daily investment portfolio was approximately $860 million and earned $33 million.

The earnings, by fund, were as follows (dollars in millions):

Operating Fund	$21
Capital/Construction Funds	11
Other (Energy Con./Note Res.)	1
Total	**$33**

The investment income is $5 million more than in 2002. The average size of the portfolio increased by $255 million in 2003. The increase in the size of the portfolio, partially offset by low re-investment rates, accounts for the increase in earnings.

B. Fees Paid for Nuclear Decommissioning Trust Fund Investment Services

$319,655	Blackrock Financial Management, Inc.
$324,776	Tattersall Advisory Group, Inc.
$ 65,032	The Bank of New York

Investment management fees were paid by the Nuclear Decommissioning Trust Fund. By NRC mandate, the Trust is beyond the Authority's administrative control and is therefore not part of this Annual Report.

C. Results of the Annual Independent Audit

In connection with their examination of the Authority, the Authority's independent auditors, PricewaterhouseCoopers, LLP reviewed and tested the Authority's compliance with the guidelines established by the Authority, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Their report, a copy of which is attached as Exhibit "B," states that nothing came to their attention that caused them to believe that the Authority was not in compliance with these Guidelines.

5. Gas Transportation and Balancing Service Agreements for the Authority's Natural Gas Fired Generating Units

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of three Gas Transportation and Balancing Service Agreements ('Agreements') between the Authority and Consolidated Edison Company of New York, Inc. ('Con Edison'), The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-New York) ('KeySpan-NY'), and KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-Long Island) ('KeySpan-LI'). Such Agreements would provide for the transportation and balancing of Authority-owned natural gas to the 500-MW unit, the existing Poletti unit, and the eleven Small Clean Power Plants ('SCPPs') located in the service territories of Con Edison, KeySpan-NY and KeySpan-LI.

BACKGROUND

"The Authority entered into an agreement with Con Edison on June 1, 2001, providing for local gas transportation and balancing service for the existing Poletti unit as well as the six SCPPs located in Con Edison's service territory. With the expiration of the Con Edison Agreement scheduled for July 31, 2004, and the need to provide transportation and balancing service for the new 500-MW unit, it is essential that a new Agreement be secured with Con Edison. On June 26, 2001, the Authority also entered into agreements with KeySpan-NY and KeySpan-LI providing for local gas transportation and balancing service to the five SCPPs located in the KeySpan-NY service territory and the one SCPP located in the KeySpan-LI service territory. The expiration of these agreements on February 29, 2004 requires that new Agreements be secured. KeySpan has agreed to continue service to the Authority in anticipation of such new Agreements being approved.

DISCUSSION

"The Trustees have received a separate document detailing the commercials terms and conditions of the Agreement.

"The proposed Agreements are essentially a continuation and expansion of existing gas transportation and balancing service agreements at the same unit rates that are currently in place.

"Under the proposed Con Edison Agreement, Con Edison would be obligated to provide an expanded level of transportation service as compared to the level of service currently provided under the existing agreement in order to accommodate the additional requirements imposed by the new 500-MW unit.

"Consistent with Public Service Commission approved tariff provisions for electric generators, Con Edison, KeySpan-NY and KeySpan-LI would continue to retain the right, in their sole discretion, to interrupt or curtail transportation service to the Authority, in whole or in part, for up to 720 hours each year. In the event of curtailments or interruptions in excess of this amount, the Authority would receive a pro-rata reduction in the annual demand charge only under the proposed Con Edison Agreement. In staff's opinion, the likelihood of interruptions or curtailments is small based upon historical experience, particularly during the summer period when transportation capacity typically exceeds demand. In the event such curtailments or interruptions do occur, however, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

"In addition to local transportation, the proposed Agreements would also provide the Authority with balancing services that accommodate differences in the amount of daily gas scheduled versus the amount of gas consumed ('imbalances'). Daily/monthly imbalances would be reconciled (or 'cashed-out') through the sale or purchase of imbalance gas by the Authority under special pricing provisions corresponding to specific imbalance threshold levels set forth in the proposed Agreements in accordance with applicable Public Service Commission approved tariffs.

FISCAL INFORMATION

"Actual expenditures incurred will vary based upon quantities of gas delivered and balanced on behalf of the Authority. Expenditures under the proposed Agreements will be made from the Fuel Expense Account.

RECOMMENDATION

"The Vice President – Energy Resource Management, the Manager – Fuel Operations, and the Manager – Fuel Planning recommend that the Trustees authorize the execution of the proposed Gas Transportation and Balancing Service Agreements between the Authority and Consolidated Edison Company of New York, Inc., The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-New York), and The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-Long Island), having such terms as the President and Chief Executive Officer, the Executive Vice President – Power Generation, or the Vice President – Energy Resource Management deems necessary or advisable and as are consistent with the discussion above, subject to the approval of the form of such Agreements by the Executive Vice President, Secretary and General Counsel or his designee.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Vice President – Chief Risk Officer, and I concur in the recommendation."

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

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Power Generation and the Vice President – Energy Resource Management are, and each hereby is, authorized on behalf of the Authority to execute Gas Transportation and Balancing Service Agreements with Consolidated Edison Company of New York, Inc., The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-NY), and The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-LI), having such terms and conditions as such executing officer deems necessary or advisable and as are consistent with the foregoing report of the President and Chief Executive Officer, subject to the approval of the form of such Agreement by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President – Power Generation and the Vice President – Energy Resource Management and all other officers of the Authority are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel or his designee.

6. Municipal Distribution Agencies – Allocations of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve two allocations of industrial power to the Suffolk County Electrical Agency ('SCEA') for resale to Crescent Duck Farm, Inc. ('Crescent') and Stellex/Monitor Aerospace, Inc. ('Stellex') in the amounts of 500 kW and 1,250 kW, respectively, and a 2,000 kW allocation of industrial power to the County of Westchester Public Utility Agency ('COWPUSA') for resale to Fortwest LLC ('Fortunoff').

BACKGROUND

"The Authority has reserved a total of 94,870 kW of industrial power for sale to downstate municipal distribution agencies ('MDAs'), including the SCEA and COWPUSA, under Service Tariff 35. This power is resold to industrial consumers designated by the MDAs and approved by the Authority. Of this amount, 5,000 kW is reserved for the SCEA and 20,000 kW is reserved for COWPUSA. The SCEA has proposed the allocations to Crescent and Stellex from this block of power. The SCEA block will be fully allocated after the proposed allocations are approved. COWPUSA has proposed that 2,000 kW of the 8,675 kW currently available from this block of power be allocated to Fortunoff.

DISCUSSION

SCEA Allocations

"Crescent, located on 140 acres in Aquebogue, is one of the last remaining duck farms on Long Island. It was founded in 1908 for the purpose of growing ducks on the North Fork of Long Island. Crescent's ducks are supplied to wholesalers and restaurants throughout the Northeast and the United States and are marketed under the label of 'Long Island Duck.' Compared to other farming, duck processing is very energy intensive and results in significant energy costs. Since Crescent also produces large quantities of waste, it is undertaking the construction of a large waste prevention/treatment plant after several years of work to develop the most energy-efficient design. Once constructed, this $2.1 million project will not only reduce the amount of nitrogen in the effluent to Peconic Bay but also allow Crescent to reuse biogas to power on-site gas engines. This project will allow Crescent to continue its operations in Aquebogue and maintain its current level of employment of 70 staff. The proposed allocation of 500 kW will be for a term of two years and will result in annual savings of approximately $150,000 over the Long Island Power Authority's ('LIPA') standard rates.

"Stellex was founded in 1948 as a family-owned business that manufactures highly engineered commercial and defense airplane structural components, landing gear and other structural assemblies. In 1982, the company consolidated three manufacturing facilities in New York, Florida and Puerto Rico into one 250,000-square-foot facility in Amityville, Long Island. The engineered aircraft parts manufactured by Stellex require a stable year-round temperature in the company's manufacturing space. To accomplish this, the company has invested more than $3.2 million in the most energy-efficient process and equipment possible. Nonetheless, Stellex has experienced significant increases in its energy demand and costs. The company will commit to maintaining its current employment level of 225 positions. The proposed allocation of 1,250 kW will be for a term of two years and will result in annual savings of approximately $325,000 over LIPA's standard rates.

"At its meeting of August 4, 2003, the SCEA voted unanimously to approve allocations of industrial power to Crescent and Stellex.

COWPUSA Allocation

"Fortwest LLC ('Fortunoff'), a privately-held company founded in 1923, is a large retailer of consumer goods that is well known for its unique merchandise. The company's flagship store is in Westbury on Long Island. In looking to expand, the company focused on Westchester County, choosing a formerly vacant lot in White Plains

to build a 200,000-square-foot facility at a cost of more than $90 million. Fortunoff hopes to attract customers from Connecticut, New Jersey and the surrounding counties, as well as from New York City.

"The company will commit to a total of 450 full-time equivalent positions in return for the proposed allocation. The allocation will result in annual savings of approximately $600,000 over Consolidated Edison Company of New York, Inc.'s ('Con Edison') standard rates and will be for a term of two years.

"The allocation has been approved at duly constituted meetings of the Westchester County Board of Acquisition and Contract and by COWPUSA's Board of Commissioners after applying special criteria that in this instance, based on the unique characteristics of Fortunoff's project, allow an allocation for retail purposes.

"The Westchester County Office of Economic Development has strongly supported the allocation based on the large number of jobs created.

"The proposed allocations to SCEA and COWPUSA have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The standard contract between the customers and the MDAs provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority by COWPUSA as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contracts between the Authority and the MDAs.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an allocation of 1,750 kW of industrial power to the Suffolk County Electrical Agency for resale to Crescent Duck Farms, Inc. and Stellex Monitor Aerospace and that the Trustees approve an allocation of 2,000 kW of industrial power to the County of Westchester Public Utility Service Agency for resale to Fortunoff.

"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."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Carey, Mr. Pasquale stated that the industrial power allocation to the County of Westchester Public Utility Service Agency ("COWPUSA") would be used for retail purposes by the new Fortunoff store in White Plains, subject to special criteria established by COWPUSA, but that the power could be withdrawn on 60 days' notice if industrial uses for the power were identified. In response to another question from Trustee Carey, Mr. Carline said that the distribution of the power by COWPUSA did not fall directly under the Authority's guidelines and that in cases such as this, the Authority deferred to the Municipal Distribution Agency's judgment. Vice Chairman McCullough opined that the Fortunoff allocation was a positive development, enabling as it did the creation of 450 new jobs and a significant contribution to downtown White Plains' revitalization. A discussion ensued about the use of industrial power for retail purposes, with Mr. Vesce pointing out that because of the high cost of real estate in Westchester County, it was unlikely that this power could be used for industrial purposes. Mr. Carey opined that companies in Nassau and Suffolk Counties should look to the Long Island Power Authority as a source of lower-priced power.

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

RESOLVED, That the Authority hereby approves the allocations of 1,750 kW of industrial power to the Suffolk County Electrical Agency for resale to Crescent Duck Farm and Stellex Monitor Aerospace, Inc. and the allocation of 2,000 kW of industrial power to the County of Westchester Public Utility Service Agency for resale to Fortwest LLC ("Fortunoff") as described in the foregoing report of the President and Chief Executive Officer and substantially in accordance with the terms described in such memorandum; 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 an extension to the term of service for a 1,600 kW allocation of Expansion Power ('EP') to Norampac Industries ('Norampac') and a 4,600 kW allocation of EP to Motorola, Inc. ('Motorola'), 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 'Expansion Power' ('EP') to businesses within the state and 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 the eligibility, and (b), which sets forth the criteria for revitalization.

"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

Norampac Industries

"Norampac produces recycled corrugated medium for the construction of corrugated boxes. The company has a decreasing market share of a very competitive global market where only low-cost producers can survive. Norampac is at a disadvantage in the global market due to its competitors' lower requirements for environmental compliance and lower energy costs. With low-cost EP, Norampac can stabilize and/or reduce its electricity costs and help secure its future. Norampac has had a significant presence for the past 16 years in Niagara Falls and Western New York. Besides employing local residents, it has contributed to the local economy by using local suppliers and contractors. Norampac currently has a 1,600 kW EP allocation at its Niagara Falls facility that will terminate on August 31, 2004.

"Staff recommends that the Trustees approve an extension of the term of service for the 1,600 kW allocation for five years, until August 31, 2009, provided that service past the end of the current Niagara Project license on August 31, 2007 is 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 maintain its current employment level of 126 jobs.

Motorola Inc.

"Motorola is one of the world's leading manufacturers of electronic equipment and components. Its Elma plant manufactures sensors and power controls for use in the automotive industry. The company currently has a contract for 4,600 kW of EP with a commitment for 600 jobs. The contract expires on August 31, 2004. Motorola built its facility in Western New York due to the competitive advantage created by its EP allocation. The company, however, has never fully used the allocation and recently, through a change in corporate strategic planning, lost some business to Mexico.

"However, Motorola continues to reinvest in the facility, which has allowed the company to move the plant into a highly technical product and manufacturing base. The Elma plant is a 'best-in-class' Motorola facility and current management is positioning the facility for new business.

"Therefore, staff recommends that the Trustees approve an extension of the term of service for 3,600 kW for five years, until August 31, 2009, provided that service past the end of the current Niagara Project license on August 31, 2007 is subject to the Authority receiving a new license for Niagara from the FERC on terms allowing such extension. Staff also recommends that the Trustees reduce Motorola's job commitment from 600 to 400 positions.

"These extensions will help enable Norampac Industries and Motorola, Inc. to keep their costs down and compete more effectively. In addition, they will further 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 1,600 kW of Expansion Power to Norampac Industries to August 31, 2009, and 3,600 kW of Expansion Power to Motorola, 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 Manager – Business Power Allocations and Compliance also recommends that the Trustees reduce the job commitment for Motorola, Inc. from 600 to 400 positions.

"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."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Pasquale stated that Authority staff do not monitor customers' commitments to make capital improvements in their facilities. A discussion ensued, with a direction to staff that a mechanism similar to the periodic job commitment audits required of economic development program power be set up to facilitate Authority oversight of customers' capital improvement progress.

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 1,600 kW of Expansion Power to Norampac Industries 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 3,600 kW of Expansion Power to Motorola, Inc. and the reduction of its employment commitment to 400 positions and that such extension and reduction be, and hereby are, 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 approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. Transfer and Allocation of Hydro Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of 850 kW of Replacement Power ('RP') from Buffalo China, Inc. ('Buffalo China') to Niagara Ceramics Corporation ('Niagara Ceramics') and to approve an allocation of available Expansion Power ('EP') totaling 250 kW to Niagara Ceramics. Niagara Ceramics will commit to an employment level of 190 jobs as part of the company's acquisition of all of Buffalo China's manufacturing assets.

BACKGROUND

"Buffalo China has operated at this location since 1901, initially as Buffalo Pottery, then in 1956 as Buffalo China, Inc. Oneida Ltd. purchased the company in 1983 to augment its food service offerings. The Trustees have approved three allocations to Buffalo China totaling 1,100 kW: a 250 kW RP allocation on January 31, 1989 for 422 jobs, a 600 kW allocation on January 26, 1994 for 532 jobs and a 250 kW allocation on June 25, 2002 for 609 jobs. In August 2003, Buffalo China announced that it would be closing its manufacturing operation, as all products would soon be sourced from China.

"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 in the state located within 30 miles of the Niagara Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

DISCUSSION

"In November 2003, BC Acquisitions was formed by a management group at Buffalo China in the hope of negotiating a deal with Oneida Ltd. to purchase the facility. On January 17, 2004, the two parties reached a purchase agreement for the transfer of all manufacturing assets and work in process. Niagara Ceramics Corporation was chosen as the name for the going concern.

"The acquisition of Buffalo China by Niagara Ceramics is strongly supported by the Office of the Mayor of the City of Buffalo, the Office of the Erie County Executive, Empire State Development, the Buffalo Niagara Enterprise and many other elected officials representing the area.

"On October 22, 2003, the Authority, Niagara Mohawk, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding ('MOU') that outlines the process to coordinate marketing and allocating Authority hydro power. The entities noted above have formed the Western New York Advisory Group ('Advisory Group') with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydro power.

"Niagara Ceramics has indicated that hydro power is essential to the success of the company's acquisition in Western New York.

"Based on the Advisory Group's discussions, staff recommends that 250 kW of available power be allocated to Niagara Ceramics. This allocation will be made under the revitalization criteria set forth in economic development law. This project will help to maintain and diversify the industrial base of Western New York and will help retain 190 jobs.

"In accordance with Section 460.8 of the Authority's Rules and Regulations (Transfers of Industrial Power) (21 NYCRR 460(1988)), any transfer of an industrial power allocation from one customer to a new customer shall be specifically subject to Authority approval.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of 850 kW of Replacement Power from Buffalo China, Inc. to Niagara Ceramics Corporation as of March 12, 2004, and that the Trustees approve an allocation of 250 kW of Expansion Power to Niagara Ceramics Corporation.

"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."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Carey, Mr. Pasquale said that the total amount of this hydro power allocation was 1,100 kW.

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

RESOLVED, That the transfer of two of Buffalo China, Inc.'s Replacement Power allocations, totaling 850 kW, to Niagara Ceramics Corporation be, and hereby is, approved as of March 12, 2004; and be it further

RESOLVED, That the allocation of 250 kW of Expansion Power to Niagara Ceramics Corporation, 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.

9. Transfers of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of power allocations for five existing customers that have either changed their names for business reasons and/or moved the location of their business.

BACKGROUND

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

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

DISCUSSION

"The proposed transferees are as follows:

"**Curtis Screw Company, Inc.** ('Curtis Screw') is a manufacturer of precision machined parts. The company was allocated a 300 kW Replacement Power ('RP') allocation for 264 jobs by the Trustees at their meeting of January 31, 1989, a 350 kW RP allocation for 209 jobs on April 26, 1994 and a 300 kW Power for Jobs ('PFJ') allocation for 132 jobs on June 29, 1999. It will be moving into a new facility and plan to invest more than $12 million in that facility over the next three years.

"**Protective Closures Co. Inc.** ('PCI') was approved for a 250 kW Expansion Power ('EP') allocation on March 31, 1998 for a commitment to retain 310 jobs. The Buffalo company manufactures injection-molded caps/plugs and temperature-control equipment. PCI was acquired through an asset purchase by Protective Industries, LLC. The new ownership will run PCI under the new name Caplugs, LLC. The company's EP allocation has allowed it to remain competitive even in the face of the economy's downturn. PCI has been able to maintain its customer base and make some inroads in a larger market share. The new company will honor the employment commitments that the company met in the past under its former name.

"**Schilling Forge, Inc.** ('Schilling') was approved for a 250 kW PFJ allocation for its Syracuse facility at the Trustees' meeting of February 29, 2000, for a commitment to retain 42 jobs. Schilling manufactures unfinished forgings for various industries. Earlier this year, ALCAS Corporation acquired Schilling and its assets, with a formal name change to Syracuse Forge, d/b/a Schilling Forge. The new company, which will remain in the same location and employ the same people, will honor the employment commitments met in the past under the former company name.

"**Sonoco Flexible Packaging** ('Sonoco') was approved for an 800 kW PFJ allocation for its Fulton facility by the Trustees at their meeting of March 20, 2003, in return for a commitment to retain 123 jobs. Spear, USA, LLC ('Spear') intends to purchase Sonoco's equipment assets and lease the building and parcel of land. The Fulton plant will produce pressure-sensitive labels and products for the single-serve beverage market. Spear is requesting 600 kW from the Authority and will commit to an employment level of 35 positions.

"**Syracuse Plastics Inc.** ('Syracuse Plastics') was approved for a 400 kW PFJ allocation for its Fayetteville facility by the Trustees at their meeting of September 28, 1998, in return for a commitment of 203 jobs. The company's commitment was reduced to 123 jobs during the Phase 4 reallocation process. Syracuse Plastics manufactures plastic parts and components and performs finishing assembly and other contract manfacturing services. For accounting purposes, Syracuse Plastics changed its name to Syracuse Plastics LLC, with no change in ownership. The new company, which will relocate to Liverpool, will employ the same people and honor the employment commitments met in the past under the former company name.

RECOMMENDATION

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

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

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

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

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

10. Informational Item – Quarterly Review of Power for Jobs Employment 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 customers when their actual employment levels fall short of their agreed-upon employment commitments. Customers are having difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium extension retroactive to January 1, 2004. As a result, the following discussion of Power for Jobs ('PFJ') customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit '10-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 second quarter of 1998, 1999, 2000, 2001 and 2002. The Authority had 45 customers with 49 contracts first receiving power in the second quarter of 1998, 24 customers with 24 contracts first receiving power in the second quarter of 1999, 32 customers with 34 contracts first receiving power in the second quarter of 2000, seven customers with seven contracts first receiving power in the second quarter of 2001 and two customers with two contracts first receiving power in the second quarter of 2002.

DISCUSSION

"Staff reviewed a total of 110 customers with 116 contracts. The 116 contracts reviewed represent overall power allocations of 107.519 MW and total employment commitments of 48,440 jobs. In the aggregate, these customers reported actual employment of 46,958 positions, which represents about 96.94% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 39 customers with 41 contracts whose actual job levels are below the minimum threshold. They are discussed below and summarized in Exhibit '10-A.'

Allocations to Continue with No Change

Air-Flo Manufacturing Company, Incorporated, Prattsburg, Steuben County
Allocation: 130 kW of PFJ Power
Jobs Commitment: 110 jobs
Background: Air-Flo Manufacturing Company, Incorporated ('Air Flo') manufactures ice control equipment and truck bodies used in the construction industry. For the past year, Air-Flo averaged 95.50 jobs, i.e., 86.82% of its employment commitment. Air Flo is expanding with the opening of a new fabrication shop. The company just brought seven temporary employees on as permanent employees and has placed ads to fill 12 more jobs in the next month and a half. Air Flo would be in compliance if it filled those positions.

Alvin J. Bart & Sons Inc., Brooklyn, Kings County
Allocation: 700 kW of PFJ Power
Jobs Commitment: 171 jobs
Background: Alvin J. Bart & Sons, Inc. ('Alvin J. Bart') is a service-oriented printing firm that runs 24 hours a day, seven days a week. The company prints books, pads, internal newspapers, quarterly reports, four-color brochures, mail pieces and other commercial printing. For the past year, Alvin J. Bart averaged 117.08 jobs, i.e., 68.47% of its employment commitment. Currently, the company's employment level is at 113 jobs. Although

business has not really recovered since September 11th, the company is growing again. Alvin J. Bart hopes to grow by another 10 jobs by the end of the second quarter of 2004.

Anorad Corporation, Hauppauge, Suffolk County
Allocation: 600 kW of PFJ Power
Jobs Commitment: 398 jobs
Background: Anorad Corporation ('Anorad'), founded in 1972, manufactures precision motion-control equipment for the semiconductor industry. For the past year, Anorad averaged 191.75 jobs, i.e., 48.18% of its employment commitment. Due to continued sluggishness in the semiconductor industry, Anorad has had to reduce its workforce. Anorad uses full-time contract workers before hiring. However, the current employment level is 200 employees and there is a need for 20 new workers. Anorad feels optimistic that the semiconductor industry is rebounding, which should translate into job growth.

Audio Sears Corporation, Stamford, Delaware County
Allocation: 187 kW of PFJ Power
Jobs Commitment: 105 jobs
Background: Audio Sears Corporation ('Audio Sears'), founded in 1956, manufactures telecommunications equipment for the military and the private sector. For the past year, Audio Sears averaged 78.08 jobs, i.e., 74.29% of its commitment. Business has been stable, with the job level remaining stable as well. There is some indication that orders are increasing and hopefully the company will be able to hire some more employees this year.

Beech-Nut Nutrition Corporation, Canajoharie, Montgomery County
Allocation: 1,500 kW of PFJ Power
Jobs Commitment: 406 jobs
Background: Beech-Nut Nutrition Corporation ('Beech-Nut') was founded in 1891 to produce smoked hams and sliced bacon in glass jars. In 1931, Beech-Nut introduced baby food in glass jars, which is its current business at this site. For the past year, Beech-Nut averaged 321.00 jobs, i.e., 79.06% of its commitment. Last year, sales declined as a result of an overall market decline in baby food sales. In response, Beech-Nut launched a new marketing campaign in August that has resulted in a strong increase in sales. If this increased sales trend continues, it will stem further reductions in employment.

Blasch Precision Ceramics Corporation, Albany, Albany County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 77 jobs
Background: Blasch Precision Ceramics Corporation ('Blasch'), founded in 1979, designs and manufactures industrial ceramics for the aerospace, forging and casting, electronics, chemical and biochemical industries. For the past year, Blasch averaged 60.75 jobs, i.e., 78.90% of its employment commitment. Blasch had a major decline in sales, which resulted in an inability to add the number of employees they had projected.

Camillus Cutlery Company, Camillus, Onondaga County
Allocation: 450 kW of PFJ Power
Jobs Commitment: 154 jobs
Background: Camillus Cutlery Company ('Camillus'), in business since 1874, manufactures pocket and sports knives for sale under their own brand names and for private labels. For the past year, Camillus averaged 136.25 jobs, i.e., 88.47% of its employment commitment. Camillus had a sharp drop in sales last year that forced a reduction of about 35 positions. The company replaced its sales manager. Sales are now improving and Camillus hopes to add 40 jobs by the fourth quarter of 2004, which would bring the company into compliance.

Canterbury Printing Company of Rome, Inc., Rome, Oneida County
Allocation: 350 kW of PFJ Power
Jobs Commitment: 90 jobs
Background: Canterbury Printing Company of Rome, Inc, ('Canterbury'), founded in 1950, is primarily in the publication and commercial printing business. For the past year, Canterbury averaged 69.25 jobs, i.e., 76.94% of its employment commitment. The slow economy has hurt Canterbury's business and forced reductions in employment down to 62 jobs. Canterbury has no expansion plans based on current economic conditions.

Cooper Hand Tools, Cortland, Cortland County
Allocation: 2,200 kW of PFJ Power
Jobs Commitment: 190 jobs
Background: Cooper Hand Tools' ('Cooper') Cortland facility has been in business under various owners since 1834, and was acquired by Cooper Hand Tools in 1985. The company's business is forging, hot-dip galvanizing and manufacturing industrial fittings, clamps for lifting steel and block and tackle for the marine sector. For the past year, Cooper averaged 145.50 jobs, i.e., 76.58% of its contractual commitment. The slow economy hurt the company's sales. Although Cooper has hired five new employees, they do not intend to fill any other vacant positions.

Corning, Inc., Canton, St. Lawrence County
Allocation: 1,500 kW of PFJ Power
Jobs Commitment: 272 jobs
Background: Corning, Inc. ('Corning') has been in business since 1868, with the Canton facility in operation for a few decades. The Canton facility falls within the Corning Technologies sector, which develops and maintains Corning's glass and ceramics forming and melting technologies. The plant produces high-purity fused silica and micro lithograph lenses. For the past year, Corning averaged 212.50 jobs, i.e., 78.13% of its commitment. Corning's Canton facility has been negatively affected by the sluggish semiconductor industry and has reduced its workforce accordingly. However, with the semiconductor industry as a key focus, the company has invested in new equipment for a new calcium fluoride crystal product line. Corning plans to have 250 employees by the end of the year, which would put the facility in compliance.

Deck Brothers, Inc., Buffalo, Erie County
Allocation: 179 kW of PFJ Power
Jobs Commitment: 57 jobs
Background: Deck Brothers, Inc. ('Deck') has been in business as a machine shop since 1866. It has had the same two owners since 1977. Deck's business is custom precision machining. For the past year, Deck averaged 20.42 jobs, i.e., 35.82% of its employment commitment. Deck's largest customer sent its business overseas, forcing a layoff in November 2002. Currently, that same customer is poised to give back some of that business and Deck has also seen a strong increase in orders this year. The company is actively seeking out new customers and new work from previous customers, which should result in it being able to hire some new employees.

Eagle Electric Manufacturing Company, Inc., Long Island City, Queens County
Allocation: 750 kW of PFJ Power
Jobs Commitment: 1,050 jobs
Background: Eagle Electric Manufacturing Co., Inc. ('Eagle'), founded in 1920, purchased by Cooper Industries in 2001 and now known as Cooper Wiring Devices, manufactures electrical wiring devices, including switches and lamp holders, among thousands of products. For the past year, Eagle averaged 887.17 jobs, i.e., 84.49% of its employment commitment. Eagle is in the process of consolidating its business into one building, which has resulted in a job reduction. The company estimates that there will be about 600 employees this year.

Elmira Stamping and Manufacturing Inc., Elmira, Chemung County
Allocation: 275 kW of PFJ Power
Jobs Commitment: 148 jobs
Background: Elmira Stamping and Manufacturing Inc. ('Elmira'), founded in 1944, performs metal stamping, fabrication, welding and assembly. For the past year, Elmira averaged 73.25 jobs, i.e., 49.49% of its employment commitment. The company's original application for PFJ included all the employees at Elmira's three locations, rather than just the one location applying for power. The job numbers reported, which have remained steady throughout the program, are just for the location receiving power. Although the slow economy has negatively affected business, there have been no layoffs.

Endicott Interconnect Technologies, Inc., Endicott, Broome County
Allocation: 5,000 kW of PFJ Power
Jobs Commitment: 5,500 jobs
Background: Endicott Interconnect Technologies, Inc. ('EIT'), which was purchased from IBM in 2000, had been in the business of making bank machines, data processing equipment and information handling devices. For the past

year, EIT averaged 4,690.25 jobs, i.e., 85.28% of its employment commitment. The sluggish electronics market has hindered the company's rate of expansion. EIT has broadened its product line and customer base since purchasing the site from IBM in November 2002. A new contract for developing and producing a homeland security- based scanning product will add hundreds of new jobs over the next few years. EIT expects to meet its commitment by the next reporting period.

Federal Bakers Supply Corporation, Buffalo, Erie County
Allocation: 160 kW of PFJ Power
Jobs Commitment: 132 jobs
Background: Federal Bakers Supply Corporation ('Federal'), an ingredient distribution business, was founded in 1936 and sold in 1999 to BakeMark Ingredients. For the past year, Federal averaged 113.08 jobs, i.e., 85.67% of its employment commitment. Although Federal grew and met its employment commitment in the last couple of months reported, the company is in the process of consolidating operations at its two sites and has reduced its employment level to 89 workers. Federal is conducting a survey to determine if it will need to add staff this year.

Hammond & Irving, Inc., Auburn, Cayuga County
Allocation: 450 kW of PFJ Power
Jobs Commitment: 85 jobs
Background: Hammond & Irving, Inc. ('Hammond'), founded in 1919, manufactures seamless rolled rings and open die forgings for the bearings industry. For the past year, Hammond averaged 70.42 jobs, i.e., 82.84% of its employment commitment. Hammond has had a tough time in the steel industry, with increases in costs for raw material, energy and health insurance and increased competition with China. Hammond's goal is to maintain a stable employment level, which it is achieving through productivity improvements made to its manufacturing process.

Harding Manufacturing Corporation, Rome, Oneida County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 97 base jobs
Background: In business since 1981, Harding Manufacturing Corporation ('Harding') is a custom injection molding plastics manufacturer. The company serves the automotive, medical and telecommunications industries. For the past year, Harding averaged 46.00 jobs, i.e., 47.42% of its commitment. Harding lost four of its largest customers this past year to Chinese manufacturers. The company currently has 47 employees, with plans to hire one more person.

International Business Machines Corporation, Rochester, Monroe County
Allocation: 2,800 kW of PFJ Power
Jobs Commitment: 1,495 jobs
Background: International Business Machines Corporation ('IBM'), the computer software and hardware giant, opened this data center just over two years ago. For the past year, IBM averaged 727.25 jobs at this facility, i.e., 48.65% of its employment commitment. This site, although committed to 1,495 jobs (an aggregation of two transferred allocations' job commitments) needs only the current workforce level.

Jerrico Tools, Inc., Alden, Erie County
Allocation: 20 kW of PFJ Power
Jobs Commitment: 10 jobs
Background: Jerrico Tools, Inc. ('Jerrico') builds plastic injection molds. For the past year, Jerrico averaged 7.50 jobs, i.e., 75.00% of its commitment. Business has improved at Jerrico. This past year they added one worker, which currently brings the company to eight employees. Although Jerrico added molding machines and is getting increased work orders, its New York State Electric and Gas Corporation electric rates have increased, preventing the company from being able to bring on the new workers it needs.

Johnstown Leather Corporation, Johnstown, Fulton County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 35 jobs; **Phase 5 – 11 jobs, 50 kW**
Background: Johnstown Leather Corporation ('Johnstown'), a family-owned leather tannery, has been in business for nearly 40 years. The company processes raw deer hides into leather for customers that manufacture gloves and

shoes. For the past year, Johnstown averaged 19.08 jobs, i.e., 54.52% of its commitment. The company is currently winding down operations at this location.

Kaufman's Bakery Inc., Buffalo, Erie County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 254 jobs
Background: Kaufman's Bakery Inc. ('Kaufman's') has been in business for more than 65 years, baking a variety of breads and rolls, primarily for hospitals, restaurants and schools. In 2001, Stromann Bakers, which owns multiple bakeries, bought Kaufman's. As a result, Kaufman's had to discontinue several product lines and reduce its workforce. For the past year, the company averaged 202.08 jobs, i.e., 79.56% of its employment commitment, since it let more than 100 employees go. Currently, the company has 157 employees and that number will be reduced down to around 125.

Kintz Plastics Incorporated, Howe's Cave, Schoharie County
Allocation: 300 kW of PFJ Power
Jobs Commitment: 127 jobs
Background: Founded in 1976, Kintz Plastics Incorporated ('Kintz') manufactures thermoformed machined plastic parts for the biomedical and electronics industries. For the past year, Kintz averaged 88.33 jobs, i.e., 69.55% of its commitment. Kintz has closed its New Hampshire plant in order to consolidate its business in New York. Currently, the company is meeting its commitment with 134 FTEs. Orders are up and a new thermoforming machine has come on line.

KMS Plastics LLC, Oneonta, Otsego County
Allocation: 240 kW of PFJ Power
Jobs Commitment: 40 Jobs
Background: KMS Plastics LLC ('KMS'), a wholly owned subsidiary of Audio Sears Corp. since January 2002, manufactures injection-molded plastic parts for cell phone equipment. For the past year, KMS averaged 10.00 jobs, i.e., 25.00% of its commitment. Its current business will only accommodate the company's stabilized workforce of 10 employees.

Lancaster Knives Incorporated, Lancaster, Erie County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 53 jobs
Background: Lancaster Knives Incorporated ('Lancaster'), in business since 1896, manufactures industrial knives used in cutting, peeling and slicing such things as paper, plywood, metal and plastics. For the past year, Lancaster averaged 42.00 jobs, i.e., 79.25% of its employment commitment. The largest portion of Lancaster's business is with the plywood industry, which has suffered due to several natural disasters. Also, several of Lancaster's foreign customers have not been able to make payments as a result of political circumstances. While the company foresees some business improvement, it continues to view the market as volatile.

Mid-State Raceway, Inc., Vernon, Oneida County
Allocation: 600 kW of PFJ Power
Jobs Commitment: 148 jobs
Background: Mid-State Raceway, Inc. ('Mid-State') has live harness racing and simulcasts harness and thoroughbred races and special events. Because harness racing is seasonal, the company's workforce fluctuates. For the past year, Mid-State averaged 116.83 jobs, i.e., 78.94% of its employment commitment. Mid-State is opening a gaming facility and anticipates adding hundreds of jobs this year.

Niagara Fiberboard Inc., Lockport, Niagara County
Allocation: 216 kW of PFJ Power
Jobs Commitment: 33 jobs
Background: Niagara Fiberboard Inc. ('Niagara') dates back to 1910, but has been in business under its current owner since 1987. Niagara manufactures recycled paperboard products for manufactured housing and recreational vehicles, as well as products for the graphic art market. For the past year, Niagara averaged 28.00 jobs, i.e., 84.85% of its employment commitment. Niagara's primary market of mobile homes has been deeply hurt by the sluggish

economy. The company's increased sales to Canada and Mexico have been offset by increased overhead costs. The company predicts some growth in employment this year.

Norwich Aero Products, Inc., Norwich, Chenango County
Allocation: 200 kW of PJ Power
Jobs Commitment: 115 jobs
Background: Norwich Aero Products, Inc. ('Norwich') manufactures temperature sensors and accessories for the aerospace industry. For the past year, Norwich averaged 73.75 jobs, i.e., 64.13% of its employment commitment. Norwich had to reduce its workforce in late 2002 and again in 2003 due to a strong reduction in sales, which is still part of the ripple effect from September 11th. In June 2003, Esterline Technologies Group bought Norwich and is actively trying to grow its business. Furthermore, Esterline is moving some of its production from other facilities to this one, which will potentially add 35 jobs.

Optical Gaging Products Incorporated, Rochester, Monroe County
Allocation: 650 kW of PFJ Power
Jobs Commitment: 244 jobs
Background: In business for 57 years, Optical Gaging Products Incorporated ('Optical'), manufactures precision measurement instruments, particularly contour projectors and video measurement instruments used in the automotive, aerospace, ceramics, biomedical, plastics and electronics industries. For the past year, Optical averaged 202.25 jobs, i.e., 82.89% of its contractual commitment. Optical grew last year and continues to grow this year. The company purchased a product line that was manufactured out of state and brought it to Rochester, which has secured some jobs. Currently, Optical has 218 employees, less than two short of its job commitment. The company expects to grow modestly this year.

Photocircuits Corporation, Glen Cove, Nassau County
Allocation: 4,000 kW of PFJ Power
Jobs Commitment: 2,028 jobs
Background: Founded in 1986, Photocircuits Corporation ('Photocircuits') is one of the largest manufacturers of printed circuit boards in North America. For the past year, Photocircuits averaged 1,282.33 jobs, i.e., 63.23% of its commitment. Due to a slowdown in the auto industry over the past year, Photocircuits laid off nearly 200 employees in three waves. Since the layoffs, the company has filled 50 positions and is steadily filling the other vacancies. Currently, the company has 1,240 employees and an additional 50 FTE contract workers.

Racemark International, LP, Malta, Saratoga County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 234 jobs
Background: Racemark International, LP ('Racemark'), is a privately held company that has been in business for more than 30 years. Racemark manufactures mats for automotive manufacturers. For the past year, Racemark averaged 166.17 jobs, i.e., 71.01% of its contractual commitment. Racemark experienced an unexpected drop in demand last year. Currently, the company has 164 employees and has plans to hire 10 more people this year.

Rich Plan of Utica, Inc., New York Mills, Oneida County
Allocation: 200 kW of PFJ Power
Jobs Commitment: 61 jobs
Background: Rich Plan of Utica, Inc. ('Rich') has been in business since 1953. Rich processes meat and packs frozen foods for delivery to homes. For the past year Rich averaged 20.58 jobs, i.e., 33.74% of its employment commitment. In July 2003, the company relocated, but its allocation did not move with it. Rich says it would hire 20-40 more employees if it could reduce its power costs. The company's situation is pending.

Schilling Forge, Inc., Syracuse, Onondaga County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 42 jobs
Background: Schilling Forge, Inc. ('Schilling'), which has been in business for more than 30 years, produces raw forgings for medical instruments, hand tools, turbine blades and cutlery. For the past year, Schilling averaged 36.67 jobs, i.e., 87.30% of its employment commitment. Although sales declined by 30% last year, Schilling made major

cost reductions, allowing it to maintain its workforce. Schilling is less than one job short of meeting its commitment.

Seneca Foods Corporation, Leicester, Livingston County
Allocation: 1,000 kW of PFJ Power
Jobs Commitment: 176 jobs
Background: Seneca Foods Corporation ('Seneca') is a leader in the food processing industry, especially in the canned and frozen vegetables (which is produced at this location) and apple products sectors. For the past year, Seneca averaged 124.83 jobs, i.e., 70.93% of its commitment. The seasonal nature of this business explains the large fluctuation in employment throughout the year. There are no growth plans for this location.

Southern Container Corporation, Hauppauge, Suffolk County
Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 227 jobs
Background: Southern Container Corporation ('Southern Container'), in business for more than 50 years, manufactures packaging cartons of various sizes and shapes. This past year, Southern Container averaged 194.33 jobs, i.e., 85.61% of its commitment. Southern Container has had a good year business-wise and things are getting even better. The company's high turnover rate has kept its job level under its PFJ commitment. The company is working on ways to retain employees.

Spray Nine Corporation, Johnstown, Fulton County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 171 jobs
Background: In business for more than 50 years, Spray Nine Corporation ('Spray Nine') (formerly, Knight Marketing Corporation) manufactures cleaners and degreasers for the automotive industry. The company's flagship product is Spray Nine, the first ready-to-use all-purpose disinfectant cleaner to appear in the U.S. For the past year, Spray Nine averaged 120.75 jobs, i.e., 70.61% of its contractual commitment. The company has two new large accounts that it hopes will help increase its number of jobs. Spray Nine currently has 127 employees and is about to hire three more.

Syracuse Heat Treating Corporation, Syracuse, Onondaga County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 37 jobs; **Phase 5 – 19 jobs, 200 kW**
Background: Syracuse Heat Treating Corporation ('Syracuse'), founded in 1932, provides heat treating and brazing services to the local manufacturing community. Heat treating is a step in the manufacturing sequence of metal components. For the past year, Syracuse averaged 21.00 jobs, i.e., 56.76% of its original employment commitment. The high cost of electricity has strained the company, as electricity is its second largest operating cost. Syracuse is set to bring a new process, Nicor, to the market. The company sees growth of around five positions this year. Syracuse meets more than 100% of its Phase 5 commitment.

TMP Technologies, Inc., Wyoming, Wyoming County
Allocation: 268 kW of PFJ Power
Jobs Commitment: 60 jobs
Background: TMP Technologies, Inc. ('TMP'), a privately held company in business since 1954, manufactures highly engineered polyurethane foam, rubber and plastic products for the business machine, consumer, medical, household and industrial markets. This location is the site of the company's Advanced Foam Products Division. For the past year, TMP averaged 40.83 jobs, i.e., 68.06% of its commitment. TMP has worked on making major efficiency improvements to its operations and substantial improvements to many of its products. Additionally, the company has developed some unique new products. TMP hopes that the increased efficiency, new products and an aggressive plan for new customers and markets will bring employment levels back into compliance this year.

TMP Technologies, Inc., Buffalo, Erie County
Allocation: 250 kW of PFJ Power
Jobs Commitment: 89 jobs
Background: TMP Technologies, Inc. ('TMP'), a privately held company in business since 1954, manufactures highly engineered polyurethane foam, rubber and plastic products for the business machine, consumer, medical,

household and industrial markets. This location is the site of the Truly Magic Products Division. The company's customers are computer printer companies, such as Xerox, Canon and Lexmark. For the past year, TMP averaged 50.17 jobs, i.e., 56.37% of its commitment. TMP suffered a difficult year due to competition from China. However, lending its technical expertise to its sister company in Buffalo helped the company land a new customer, which added 60 jobs. That same customer is very interested in giving TMP a major project that will likely increase jobs at this location.

Tompkins Metal Finishing, Inc., Batavia, Genesee County
Allocation: 400 kW of PFJ Power
Jobs Commitment: 91 jobs
Background: Tompkins Metal Finishing, Inc. ('TMF') was established in 1993 as a metal- finishing line (anodizing) that performs chromate conversion coatings and electro-nickel plating on steel. All of TMF's customers are metal manufacturers, stampers and machine shops in the Buffalo and Rochester area. For the past year, TMF averaged 68.67 jobs, i.e., 75.46% of its employment commitment. Currently, TMF employs 75 people. The company just purchased a large plating line that will require 10-20 new employees. TMF expects to meet its commitment this year.

Ultralife Batteries, Inc., Newark, Wayne County
Allocation: 1,440 kW of PFJ Power
Jobs Commitment: 352 jobs
Background: Ultralife Batteries, Inc. ('Ultralife') was purchased from Kodak in 1991. The company makes lithium batteries for communications, security and medical applications. For the past year, Ultralife averaged 266.83 jobs, i.e., 75.80% of its contractual commitment. The weak economy forced a reduction in employment last year. However, Ultralife's business has increased dramatically, with current employment at 770 workers, i.e., 218.75% of its commitment.

Vail Ballou Press, Inc., Binghamton, Broome County
Allocation: 1,800 kW of PFJ Power
Jobs Commitment: 500 jobs
Background: Vail Ballou Press, Inc. ('Vail'), established in 1910, is a book manufacturer. For the past year, Vail averaged 433.50 jobs, i.e., 86.70% of its employment commitment. The slow economy had a negative impact on the company last year. Vail now employs 438 people and plans on hiring about a dozen more people in the next six months, which would bring the company into compliance.

Mr. Pasquale presented the highlights of staff's report to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Pasquale stated that the current PFJ contracts cannot be renewed unless legislation is enacted that extends the PFJ program.

Exhibit "10-A"
March 30, 2004

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Contract End Date	Type of Power	Alloc. (kW)	Employment Commitment	Average '02-'03 Jobs	Average Annual % Achieved
Air-Flo Manufacturing	3/31/98	4/30/04	PFJ	130	110	95.50	86.82
Alvin J. Bart & Sons	1/27/98	4/30/04	PFJ	700	171	117.08	68.47
Anorad Corp.	3/31/98	3/31/04	PFJ	600	398	191.75	48.18
Audio Sears	3/31/98	5/31/04	PFJ	187	105	78.08	74.29
Beechnut Nutrition Corp.	11/24/98	3/31/05	PFJ	1,500	406	321.00	79.06
Blasch Precision Ceramics	1/25/00	12/31/05	PFJ	400	77	60.75	78.90
Camillus Cutlery Co.	10/27/98	4/30/05	PFJ	450	154	136.25	88.47
Canterbury Printing Co. of Rome, Inc.	1/25/00	12/31/05	PFJ	350	90	69.25	76.94
Cooper Hand Tools	12/16/97	3/31/04	PFJ	2,200	190	145.50	76.58
Corning, Inc.	1/26/00	5/31/04	PFJ	1,500	272	212.50	78.13
Deck Bros., Inc.	3/31/98	5/31/04	PFJ	179	57	20.42	35.82
Eagle Electric Manufacturing Co., Inc.	9/28/98	5/31/05	PFJ	750	1,050	887.17	84.49
Elmira Stamping and Manufacturing	1/30/01	4/30/05	PFJ	275	148	73.25	49.49
Endicott Interconnect Technologies, Inc.	1/27/98	3/31/04	PFJ	5,000	5,500	4,690.25	85.28
Federal Bakers Supply Corp.	10/27/98	4/30/05	PFJ	160	132	113.08	85.67
Hammond & Irving, Inc.	1/27/98	3/31/04	PFJ	450	85	70.42	82.84
Harding Manufacturing Corporation	1/30/01	5/31/04	PFJ	300	97	46.00	47.42
International Business Machines Corp.	11/28/00	5/31/04	PFJ	2,800	1,495	727.25	48.65
Jerrico Tools, Inc.	3/31/98	4/30/04	PFJ	20	10	7.50	75.00
Johnstown Leather Corp.	2/29/00	12/31/05	PFJ	50	11	19.08	54.52
Kaufman's Bakery Inc.	1/27/98	3/31/04	PFJ	400	254	202.08	79.56
Kintz Plastics, Inc.	1/30/01	5/31/04	PFJ	300	127	88.33	69.55
KMS Plastics LLC	3/31/98	5/31/04	PFJ	240	40	10.00	25.00
Lancaster Knives, Inc.	3/31/98	5/31/04	PFJ	400	53	42.00	79.25
Mid-State Raceway, Inc.	3/28/00	12/31/05	PFJ	600	148	116.83	78.94
Niagara Fiberboard Inc.	3/31/98	5/31/04	PFJ	216	33	28.00	84.85
Norwich Aero Products, Inc.	3/31/98	5/31/04	PFJ	200	115	73.75	64.13
Optical Gaging Products Inc.	3/31/98	3/31/04	PFJ	650	244	202.25	82.89
Photocircuits Corporation	1/27/98	3/31/04	PFJ	4,000	2,028	1,282.33	63.23
Racemark International, Inc.	11/24/98	5/31/05	PFJ	250	234	166.17	71.01
Rich Plan of Utica, Inc.	3/31/98	5/31/04	PFJ	200	61	20.58	33.74
Schilling Forge, Inc.	2/29/00	12/31/05	PFJ	250	42	36.67	87.30
Seneca Foods Corporation/Leicester	2/24/99	12/31/05	PFJ	1,000	176	124.83	70.93
Southern Container Corp.	1/30/01	5/31/04	PFJ	500	227	194.33	85.61
Spray Nine Corporation	10/27/98	3/31/05	PFJ	400	171	120.75	70.61
Syracuse Heat Treating Corp.	3/28/00	12/31/05	PFJ	200	19	21.00	56.76
TMP Technologies, Inc.	3/31/98	5/31/04	PFJ	268	60	40.83	68.06
TMP Technologies, Inc.	3/31/98	5/31/04	PFJ	250	89	50.17	56.37
Tompkins Metal Finishing, Inc.	3/31/98	5/31/04	PFJ	400	91	68.67	75.46
Ultralife Batteries, Inc.	1/27/98	3/31/04	PFJ	1,440	352	266.83	75.80
Vail Ballou Press, Inc.	12/16/97	3/31/04	PFJ	1,800	500	433.50	86.70

11. Economic Development Power Programs – Service Tarriff Amendments
Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

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

BACKGROUND

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

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

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

DISCUSSION

"At their meeting of December 16, 2003, the Trustees authorized the filing of notice with the Department of State for publication in the New York State Register of the Authority's proposed action to adopt tariff amendments that would permit the Authority to recover all of the NYISO costs it incurs in connection with the deliveries of RP, EP and EDP by the two utilities. The tariff amendments would also permit the Authority to recover the same costs of any successor organization to the NYISO.

"No comments were received.

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[1] NMPC only.

[2] NMPC only.

"Based on discussions with the utilities, staff revised the proposed tariff language to accommodate their different administrative requirements. Attached are the revised amendments to Schedule NP-F1 (RP), Service Tariff No. 46 (EP) and Service Tariff No. 50 (EDP) reflecting these non-substantive changes.

FISCAL INFORMATION

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

RECOMMENDATION

"The Vice President – Major Accounts Marketing and Economic Development and the Director – Supply Planning, Pricing and Power Contracts recommend that the attached schedule of tariff amendments be approved. Billing will commence subsequent to the resolution of billing issues with the utilities.

"It is also recommended that the Secretary be authorized to publish notice of this action in the New York State Register, including notice of the availability of the Final Rate Modification Plan and other materials included in the record of these proceedings.

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

Mr. Yates presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Yates said that the service tariff changes would become effective in April and would be reflected in the bills sent out in May. Responding to a question from Chairman Ciminelli, Mr. Yates stated that up until now, the Authority had been absorbing the NYISO costs associated with delivering power to these customers.

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

WHEREAS, on December 16, 2003, the Authority authorized the Secretary to file notice of proposed action to amend certain tariffs to provide for the recovery of costs incurred by the Authority in connection with transmission under the Power Programs; and

WHEREAS, such notice was duly published in the New York State Register on December 31, 2003, and more than 45 days have elapsed since such publication;

NOW THEREFORE BE IT RESOLVED, That the proposed tariff amendments providing for the recovery of costs incurred by the Authority in connection with transmission under the Power Programs, and, in particular, the charges rendered to the Authority by the New York Independent System Operator or any successor organization, be approved as modified, all as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

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

RESOLVED, That the Secretary of the Authority be, and hereby is, directed to file notice of final action with the Secretary of State for publication in the New York State Register and to submit such other notice as may be required by statute or regulation; and be it further

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

Exhibit "11-A"
March 30, 2004

Schedule NP-FI (RP)

Add a new provision to the "Adjustments" section of Rate Schedule NP-F1 to read as follows:

For New York Independent System Operator Transmission and Related Charges:

Unless there are other arrangements between the Authority and individual Replacement Power Customers, the Contractor shall also compensate the Authority for the following Charges assessed on the Authority for services provided by the New York Independent System Operator, Inc. ("NYISO") or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with deliveries to the Replacement Power recipients:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

2. Marginal losses;

3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT; and

5. Any and all other charges, assessments or other amounts associated with deliveries to the Replacement Power customers that are assessed on the Authority by the NYISO under the provisions of its OATT or other tariffs.

The Authority shall designate to the Contractor which of the above NYISO Charges shall apply to the various Replacement Power customers on an account-by-account basis and in accordance with all applicable agreements. Such NYISO Charges are in addition to the Authority production charges that are charged to the Replacement Power Customers in accordance with other provisions of this tariff. The collection of such NYISO Charges from the Replacement Power customers by the Contractor shall be accomplished in a manner as may be mutually agreed upon between the Contractor and the Authority consistent with the Contractor's applicable retail tariffs.

Exhibit "11-B"
March 30, 2004

Service Tariff No. 46 (EP)

Add a new Special Provision to Service Tariff No. 46 to read as follows:

D. New York Independent System Operator Transmission and Related Charges

Unless there are other arrangements between the Authority and individual Expansion Power customers, the Company will compensate the Authority for the following Charges the Authority incurs for services provided by the New York Independent System Operator, Inc. ("NYISO") or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with deliveries to the Expansion Power customers:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

2. Marginal losses;

3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT; and

5. Any and all other charges, assessments, or other amounts associated with deliveries to the Expansion Power customers that are assessed on the Authority by the NYISO under the provisions of its OATT or other tariffs.

The Authority shall designate to the Company which of the above NYISO Charges shall apply to particular Expansion Power Customers on an account-by-account basis and in accordance with all applicable agreements. Such NYISO Charges are in addition to the Authority production charges that are charged to the EP Customers in accordance with other provisions of this tariff. The collection of such NYISO Charges from the EP Customers by the Company will be accomplished in a manner as may be mutually agreed upon between the Company and the Authority, consistent with the Company's applicable retail tariffs.

Exhibit "11-C"
March 30, 2004

Service Tariff No. 50 (EDP)

Add a new Special Provision to Service Tariff No. 50 to read as follows:

E. New York Independent System Operator Transmission and Related Charges.

Unless there are other arrangements between the Authority and individual Economic Development Power ("EDP") Customers, the Company shall compensate the Authority for the following Charges for services provided by the New York Independent System Operator, Inc. ("NYISO") or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with deliveries to the EDP Customers:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;

2. Marginal losses;

3. The New York Power Authority Transmission Adjustment Charge ("NTAC");

4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT; and

5. Any and all other charges, assessments or other amounts associated with deliveries to the EDP Customers that are assessed on the Authority by the NYISO under the provisions of its OATT or other tariffs.

The Authority shall designate to the Company which of the above NYISO Charges shall apply to the EDP Customers on an account-by-account basis and in accordance with all applicable agreements. Such NYISO Charges are in addition to the Authority production charges that are charged to the EDP Customers in accordance with other provisions of this tariff. The collection of such NYISO Charges from the EDP Customers by the Company shall be accomplished in a manner as may be mutually agreed upon by the Company and the Authority, consistent with the Company's applicable retail tariffs.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to take final action to approve an increase in the rates for the sale of firm power to government customers who are located primarily in New York City. The new rates represent a 6.5% increase over current production charges, a reduction from the originally proposed 7.2% increase. The overall impact on average total billed charges is 4.3% and will become effective with the April 2004 billing period.

BACKGROUND

"At their meeting of December 16, 2003, the Trustees authorized the publication in the New York State Register ('State Register') of notice that the New York Power Authority (the 'Authority') proposed to revise firm power sales rates to these customers by 7.2%.

"Notification of the proposed rate increases was published in the State Register on January 21, 2004. The first of two public forums was held on February 2, 2004. The Authority held an additional forum on March 1, 2004, and closed the public comment period on March 8, 2004.

"From the time the rates were proposed until the end of the public comment period, discussions were held among Authority staff, the government customers and the government customers' consultants. Six in-person or telephone conference meetings were conducted and more than 120 interrogatories were answered either in writing or at meetings.

DISCUSSION

"On the public comment period closing date of March 8, 2004, written comments were received from the Metropolitan Transportation Authority ('MTA') and the City of New York. The latter set contained the comments of the Department of Citywide Administrative Services on behalf of the City of New York, the New York City Economic Development Corporation and the New York City Housing Authority (collectively referred to hereinafter as 'the City'). Appendix '12-A', the Staff Analysis of Public Comments and Recommendations, contains the transcripts of the public forums and the written comments in Exhibits '12-A' and '12-B', respectively.

"Upon review of the entire record, Staff recommends that the Trustees adopt one significant adjustment to the rates as proposed in December 2003. It is recommended that certain 2004 Poletti plant operating and maintenance ('O&M') costs be spread out or 'normalized' over a three-year period instead of being recognized entirely in 2004. These costs relate to the last scheduled major maintenance outage for this facility, which is scheduled to close as early as 2008 as part of the settlement concerning the 500MW plant at the Poletti site. The effect of normalizing this expense is to reduce 2004 costs by $3.6 million. This cost reduction decreases the production rate percentage increase from 7.2% to 6.5%.

"Appendix '12-A' contains Staff's detailed description and analysis of the foregoing and other customer comments. Exhibit '12-C' of Appendix '12-A' contains the current production rates; Exhibit '12-D' shows the 2004 cost of service based on Staff's recommendations and Exhibit '12-E' shows the proposed final production rates.[3] Finally, Exhibit '12-F' shows the bill impacts for the governmental customers that result from the proposed final rates. Below is a summary of the issues raised by customers, along with Staff's analysis and recommended disposition.

[3] Exhibits "C," "D" and "E" are also attached to this resolution as Tables 1, 2 and 3, respectively.

Staff Analysis of Public Comments

1. Purchased Fuel, Capacity and Energy Price Forecasts. The City comments that while it did not conduct a detailed review of the modeling techniques to forecast prices, it concedes that the forecasts appear consistent with current futures prices and recent market prices. The City states that it intends to take the Authority up on its offer to have the City examine its price forecasting models and for NYPA to provide actual prices following the end of the year. The MTA states that if NYMEX future prices based on a November date was used instead of the September posted future prices, the gas costs and revenue requirement would decrease by $3.7 million. Staff has examined the NYMEX future prices, as well as recent market prices and has concluded that the market and more recent NYMEX futures prices have been considerably higher than the November prices cited by the MTA. In fact, the November futures prices cited by MTA represented a seven month low. Staff's 2004 natural gas price forecast upon which the rate proposal is based remains closer to recent market expectations than the MTA's. Therefore, no change is recommended.

2. Ancillary Services Price Forecasts. The City comments that while not objecting to the results of the Authority's forecast of New York Independent System Operator ('NYISO') ancillary services prices, the methodology relied more on qualitative judgments rather than a systematic forecasting procedure. The City's assessment of the current ancillary service market is accurate. There are no forward prices in the NYISO ancillary service market that can be used for forecasting. Staff has had to rely on recent history and informed judgments. Staff will continue to monitor the actual ancillary services charges and adjust its forecasting methodology in those areas where it may be deemed feasible and cost effective to do so.

3. Treatment of Blenheim-Gilboa Project ('BG'). The City contends that the Authority is inconsistent in the treatment of the cost of BG capacity as compared to the so-called 'dedicated resources' such as the Poletti Project and Indian Point 3 where the customers share in all costs and revenues. The City believes that since the governmental customers do not get the benefit of 'low-cost energy, and profits on sales of excess energy and ancillary services' from BG, they should not be charged the $1.87/kw-month tariff price of BG capacity as is reflected in the proposed rates. Instead, according to the City, the price should be reduced to a lower rest-of-state market price that would reduce the Cost-of-Service by 'at least $3.4 million.' The BG project has been a long-term capacity resource for the government customers for over 14 years. Since before the 1990 cost-of-service established the current government rates, BG has been used to supply the government customers. In fact, the rates for the BG project reflected in the governmental cost of service were last set at the same time as the current government rates, 14 years ago. Since the NYISO began operations, market prices for installed capacity have fluctuated above and below the $1.87/kw-month BG price. Because BG has been a stable long-term source of capacity for the governmental customers, it would be inappropriate to view its economics on a short-term basis as suggested by the City. Thus, Staff recommends no change in the treatment of BG at this time. However, Staff recommends that the use of BG as part of the resource plan for the governmental customers is an appropriate subject for discussion within the context of the anticipated joint planning process with the customers for 2005, as discussed in the Long-Term Issues below.

4. Peak Load Management Costs. The City seeks clarification on the Peak Load Management ('PLM') program. Specifically, it wants to ensure that the costs and benefits have been allocated fairly and that NYPA allocate the costs and benefits of the PLM program by 'customer group participation, not by relative share of revenue.' The PLM program was developed by NYPA as an alternative to securing generating capacity to meet the government customers' contribution to the Con Edison franchise area system peak load. First, the PLM program yields generalized societal benefits through reduced air pollution and the improvement in the overall electric system reliability which inure to all the governmental customers plus other regional consumers. Second, the demand reduction lowers the government customers' contribution to the Con Edison franchise area system peak demand, and therefore, their capacity obligations and costs. These benefits accrue only to members of the government class. Finally, PLM direct payments and bill credits flow directly to program participants but not all members of the government class. NYPA's administration of the PLM program is fully consistent with state regulatory precedents which permit utilities to exercise flexibility in allocating the costs and benefits of demand side management programs. Because, as noted above, the PLM Program has wide-ranging societal benefits it is appropriate that the costs and benefits be socialized across the NYPA governmental classes. Staff does not recommend a change in the allocation of costs and benefits of the PLM program in the 2004 Cost-of-Service. However, Staff recommends that the Authority initiate additional open discussions with the customers regarding program economics and how they

affect wider participation in the PLM program. Any changes in PLM program economics would be considered as part of a future rate proceeding.

5. Other Expenses. The MTA questions the amount of the 2004 'Other Expenses' item increase over 2003 levels. The 2003 estimate was $6.0 million and in 2004 it is a projected $13.6 million, an apparent increase of $7.6 million. In the preliminary 2003 estimate, the $6 million was comprised of two components; the U.S. Department of Energy Enrichment Plant Decontamination & Decommissioning (D&D) charge and the Post Retirement Benefits other than Pensions (PBOPs). The 2004 'Other Expenses' line included these two items, plus expenses for the Demand-side Management program cost amortization which had been listed elsewhere in the 2003 compilation. Comparing like items between years shows that the 2004 'Other Expenses' only increased $2.5 million. Therefore, no change in 'Other Expenses' is recommended.

6. Non-Fuel O&M Expenses. The MTA states that the non-fuel operation and maintenance (O&M) expenses of $28.2 million are too high, referring to the Poletti plant O&M expenses cited in Energy Information Agency Form EIA-412. Specifically, the MTA found that the 2004 O&M expenses appeared to be $9.4 million higher than the average O&M expense over the past five years. However, the reported amounts in the Form EIA-412 expense are not comparable to the costs in the 2004 projected O&M expense. The former does not include all the site and direct expenses, *e.g.*, employee benefits, as does the expense incorporated into the 2004 Cost-of-Service. However, Staff notes that the 2004 O&M expenses are higher than normal since it includes expenses associated with a scheduled Poletti maintenance outage, which is $5.4 million. The City requests that NYPA employ cost of service methodologies that are 'more consistent with typical utility practice.' Consistent with standard utility cost-of-service practices, if the outage costs were normalized over 3 years, the normal schedule for major maintenance outages at Poletti, the 2004 O&M expenses would be reduced by $3.6 million. Therefore, Staff recommends amortizing the outage costs over 3 years and proposes the 2004 O&M expense be reduced to $24.6 million.

7. Shared Services. The City questions a small portion of the $14.9 million allocation of shared services costs. Specifically, the City recommends the exclusion of $320,000 relating to Energy Services. This allocation of shared services costs relating to Energy Services is part of the Energy Service and Technology Business Unit and its allocation to the government customers represents those costs not allocated to specific projects, such as the Research and Technology and Electric Transportation Cost Centers. These costs are not recovered from the City or other governmental customers directly through their NYPA energy conservation agreements. They are part of the residual of costs incurred by NYPA's Energy Services and Technology Business Unit and are assigned to all NYPA customers on a labor-ratio basis, consistent with standard utility practice. No reduction in the assignment of shared services costs to the governmental customers is recommended.

8. Long-Term Issues. Both the MTA and the City identified matters not directly related to the proposed rate plan, but which address future cost-of-service studies and supply planning matters. The MTA expresses an interest in probing risk management and hedging policies, LBMP and transmission constraints relating to downstate prices, and the inclusion of the 500MW combined cycle plant in the 2005 Cost-of-Service. The City advocates extending and formalizing the rate making process, declaring that insufficient time provides little protection for customers. Secondly, the City states that NYPA should expand the cost-of-service studies to include all electric operations. Thirdly, they express an interest in playing a bigger role in NYPA's resource planning and regulatory intervention.

"NYPA agrees that cost determination, including supply portfolio, risk management, and hedge positions are appropriate matters for discussion within the context of a new long-term contract negotiations. The Authority's partnership with its customers would be enhanced by an exchange of information on supply costs and options. Staff recommends that NYPA accept the City's request to engage in a joint planning process. From a customer's perspective, there can never be enough time in a rate proceeding to garner sufficient information to fully explore the issues, and hence, articulate its position. However, a balance must be struck between the customers' desire to probe the details and NYPA's need to set rates on a timely basis in order to maintain its operational and financial integrity and the requirements of its bond covenants. That balance was reasonably struck in the current proceeding, consistent with the procedures required by the State Administrative Procedures Act and the Authority's own, more expansive procedures, which included two on-the-record public forums.

FISCAL INFORMATION

"The 6.5% rate increase for 2004 is designed to produce additional revenues of $22 million from the implementation date effective with the April 2004 billing period through the end of 2004.

RECOMMENDATION

"The Director – Supply Planning, Pricing & Power Contracts recommends that the Trustees adopt the rates for firm power and energy to the governmental customers located primarily in New York City as shown in Exhibit '12-E' and that the issues raised by the customers be resolved as recommended by the Staff in Appendix '12-A'.

"It is also recommended that the Secretary be authorized to publish notice of this action in the New York State Register.

"It is also recommended that the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee, be authorized to issue written notice of the final action, including a copy of the revised tariff leaves, as necessary, to the Authority's affected customers.

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

Mr. Brandeis presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Brandeis said that the rate increases would become effective with the April billing cycle.

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

WHEREAS, on December 16, 2003 the Authority authorized the Secretary to file notice of proposed action for publication in the New York State Register of its intention to adjust the affected southeastern New York governmental customer rates; and

WHEREAS, such notices were duly published in the State Register on January 21, 2004 and February 4, 2004 and more than 45 days have elapsed since such publication; and

WHEREAS, Public Forums were held on February 2, 2004 and March 1, 2004 and written comments were received concerning the proposed rates; and

WHEREAS, Staff responded to over 120 interrogatories and data requests and upon request met with affected customers to answer questions and explain the reasons for the proposal;

NOW THEREFORE BE IT RESOLVED, That the rates for sale of firm power and energy to governmental customers located primarily in New York City, as recommended in the attached Staff Analysis of Public Comments and the foregoing report of the President and Chief Executive Officer, are hereby approved effective with the April 2004 billing period; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee be, and hereby is, authorized to issue written notice to such customers with respect to modification in the rates, and to revise the applicable tariff leaves, as necessary; and be it further

RESOLVED, That the Secretary of the Authority be, and hereby is, directed to file notice of final action with the Secretary of State for publication in the State Register and to submit such other notice as may be required by statute or regulation.

APPENDIX "12-A"

VOLUMINOUS DOCUMENT

COPIES CAN BE OBTAINED FROM THE SECRETARY'S OFFICE

GOVERNMENTAL CUSTOMERS
CURRENT CONVENTIONAL PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**Base Energy Rates Cents / kWh ***
62	General Small	**	6.439
64	Commercial & Industrial Redistribution	8.78	3.315
65	Electric Traction Systems	6.48	3.825
85s	NYC Transit Authority Substation	7.22	3.522
85p	NYC Transit Authority Plant	***	***
66	Westchester Streetlighting	**	5.413
68/82	Multiple Dwellings Redistribution	7.76	3.420
69	General Large	6.40	3.581
80	NYC Streetlighting	7.06	3.409
91/93/98	NYC Public Buildings	6.54	3.790

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

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

*** No longer served.

GOVERNMENTAL CUSTOMERS
CURRENT TOD PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**On-Peak Base Energy Rates Cents / kWh**	**Off-Peak Base Energy Rates Cents / kWh**
64	Commercial & Industrial Redistribution	7.21	4.779	2.643
68/82	Multiple Dwellings Redistribution	6.96	4.941	2.706
69	General Large	5.30	5.110	2.662
91/93/98	NYC Public Buildings	5.36	5.487	2.683

Notes:
(1) The on-peak period for demand is weekdays from 8AM to 6 PM, including holidays.
(2) The on-peak period for energy is weekdays from 8AM to 10 PM, including holidays.
(3) The off-peak period for demand and energy is all other hours.
(4) Demand rates apply to peak demand during the on-peak period.
(5) In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.

TABLE "12-2"
March 30, 2004

NEW YORK POWER AUTHORITY
2004 FINAL COST-OF-SERVICE
GOVERNMENT CUSTOMERS
(Millions of dollars)

Cost Component	Amount
Operating & Maintenance	24.6
Fuel Expense	126.9
Purchased Power	
Energy	236.7
Entergy	294.4
Capacity	41.2
Subtotal Purchased Power	572.3
Shared Services (Admin Support)	16.7
Bond Service	40.7
Ancillary Services	34.4
Other Expenses	13.6
Allocation to Capital	(1.8)
Subtotal Revenue Requirement	827.4
Investment and Other Income	(2.1)
Total Revenue Required	825.3
Revenue:	
At Existing Rates	500.2
ISO Revenues	288.4
Ancillary Services	4.4
Total Revenues	793.0
Revenue Deficiency	
Overall Revenue Shortfall @ Existing Rates	(32.3)
Percent of Current Production Rate	6.5
Percent of Total Delivered Rate	4.3

GOVERNMENTAL CUSTOMERS
2004 FINAL CONVENTIONAL PRODUCTION RATES****

Service Class		**Demand Rates $/kW-mo.**	**Base Energy Rates Cents / kWh ***
62	General Small	**	6.858
64	Commercial & Industrial Redistribution	9.35	3.530
65	Electric Traction Systems	6.90	4.074
85s	NYC Transit Authority Substation	7.69	3.751
66	Westchester Streetlighting	**	5.413***
68/82	Multiple Dwellings Redistribution	8.26	3.642
69	General Large	6.82	3.814
80	NYC Streetlighting	7.52	3.631
91/93/98	NYC Public Buildings	6.97	4.036

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

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

*** No change from current rates.

**** Increases as allowed by contract.

GOVERNMENTAL CUSTOMERS
2004 FINAL TOD PRODUCTION RATES

Service Class		**Demand Rates $/kW-mo.**	**On-Peak Base Energy Rates Cents / kWh**	**Off-Peak Base Energy Rates Cents / kWh**
64	Commercial & Industrial Redistribution	7.68	5.090	2.815
68/82	Multiple Dwellings Redistribution	7.41	5.262	2.882
69	General Large	5.64	5.442	2.835
91/93/98	NYC Public Buildings	5.71	5.844	2.857

Notes:
(1) The on-peak period for demand is weekdays from 8 AM to 6 PM, including holidays.
(2) The on-peak period for energy is weekdays from 8 AM to 10 PM, including holidays.
(3) The off-peak period for demand and energy is all other hours.
(4) Demand rates apply to peak demand occurring during the on-peak period.
(5) In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.
(6) Increases as allowed by contract.

13. Approval of 2004/2005 Capital Expenditure Authorization Request and Contract Award for the Energy Resource Management Data Portal

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve implementation of an Energy Resource Management Data Portal ('Data Portal'), enhancements to the Henwood application and the award of a $3,400,000 contract to Accenture LLP based on formal bids received after a Request for Proposal ('RFP') in November 2003.

"The Data Portal will increase the energy traders' productivity and provide a single gateway of information for the Energy Resource Management ('ERM') traders, energy market analysts, risk analysts and management. The Data Portal will significantly reduce manual data entry and data integration, thereby providing the traders additional time to concentrate on analyzing and capturing opportunities within the energy markets. The Data Portal will ultimately allow for better-informed trading decisions in shorter cycle times.

"Authorization is requested for this system of $4,200,000 of which $250,000 has been expended for work completed to date. The President has previously authorized $1,995,000 based on an estimate of the costs developed in August 2002. The estimate was based on the cost of the presentation level of the Data Portal and did not include the additional infrastructure required, including the data management engine and the data integration component necessary to implement a Data Portal for the Authority. These additional needs were identified as a result of the architectural blueprint work completed in 2003.

BACKGROUND

"The Authority's ERM Group is responsible for developing generation bid strategies for the following generating facilities: St. Lawrence/FDR Power Project, Niagara Power Project, Charles Poletti Power Project, Blenheim-Gilboa Pumped Storage Power Project, Small Clean Power Plant Generation Project and five Small Hydro Projects. ERM is responsible for optimizing the value of the generation assets on behalf of its customers.

"The Authority's generator and ancillary bids are transmitted to the New York Independent System Operator ('NYISO') by using the Henwood System Trading Platform. The NYISO has authority to control generators, transmission facilities and other facilities required to operate the New York State power system in a reliable manner.

"The three main NYISO markets in which the ERM traders currently participate are:

1) Day-Ahead Market ('DAM')
2) Real-Time Market ('RTM')
3) Ancillary Services

"A total of 1,200 DAM and RTM bid curves are developed daily by the ERM power traders to optimize the benefits of this generation portfolio for the Authority's customers and for New York State electric ratepayers.

"The roles and responsibilities of the ERM group changed significantly with the startup of the NYISO in November 1999. Prior to the NYISO's introduction of energy markets, the Authority's long-term customer contracts were fulfilled with Authority power and any energy purchased under contract arrangements with other utilities, dispatched through the New York Power Pool. In this old model of the New York marketplace, ERM's primary function was to market excess power and energy in the short-term markets.

"The NYISO now acts as a centralized marketplace for the exchange of all physical energy and ancillary services. In turn, the ERM power traders are now responsible for effectively bidding all Authority generation into the market to achieve optimal energy/ancillary service selections for the benefit of the Authority's customers consistent with the operating capability of the generation units. As the NYISO market is maturing, as with

implementation of Standard Market Design 2.0 ('SMD2'), which will facilitate overall market efficiency improvements, the Authority must manage its generation assets with an increasingly more sophisticated bidding strategy and support system to enable the Authority to benefit from the design features of SMD2.

"The ramifications of the SMD2 changes to the current real-time energy market and practices are significant. Among the changes are an increase from a 6-point to a 12-point bid curve and real-time market bid curve evaluation every 15 minutes instead of the current hourly real-time evaluation. The 12-point bid curve change will require the traders to spend additional time on bid curve development and analysis to ensure completion of the desired generator bid curve for market conditions. With NYISO's evaluation of real-time bids increased from once every hour to four times an hour, traders will be required to check the NYISO Web page every 15 minutes to determine the market status of each Authority project and react accordingly.

DISCUSSION

"At present, the energy traders manually collect/review essential data for developing bid curves (e.g., weather, load profile, transfer limitations, Desired Net Interchange ('DNI') and pricing) from many different sources and manually enter pertinent data into spreadsheet programs for analysis and trending prior to developing bid curves and transferring them to the NYISO. This manual data collection and trending effort is inefficient and results in the staff spending less time on market analysis, which can lead to less-than-optimal bid curves and, ultimately, missed opportunities. It is also susceptible to data entry errors.

"In March 2002, ERM contacted Information Technology ('IT') to initiate a study of the ERM energy trading function for the purpose of evaluating the potential efficiency improvements to be obtained from optimizing data collection, aggregation and analysis associated with ERM's business processes.

"The results of this study identified numerous areas where technology could be used to improve the efficiency of ERM's power trader business processes. This study led to the development of a capital budget request for $1,995,000 in August 2002 based on a review of previous implementations provided by Data Portal vendors that centered on the data presentation layer of the project, but did not account for the required underlying data integration and data management components, which were unknown at the time of the capital budget request. The capital budget for $1,995,000 was approved by the Trustees at their meeting of December 17, 2002.

"In February 2003, IT initiated a competitive bid process to solicit proposals from qualified vendors for consulting services to develop a Technical Architectural Blueprint for a proposed Data Portal for the Authority and to evaluate the data integration requirements, data presentation portal and installed infrastructure within the Authority to support a Data Portal application.

"In September 2003, a RFP was issued describing the scope requirements of the ERM Data Portal. This procurement was advertised in the New York State Contract Reporter.

"Of the six proposals received, four were not completely compliant with the Functional and Technical Requirements. These vendors were eliminated from consideration, as identified in the following table.

Henwood	Software component only for data extraction function from existing Power Trader application. **No consulting services offered.**
Teledata Informatics Ltd.	Did not complete questionnaire as required to facilitate analysis of Functional and Technical Requirements. Proposed solution only addressed Presentation Level of Data Portal. **No prior experience with Portal implementations.**
Software by Design Inc.	Did not complete questionnaire as required to facilitate analysis of Functional and Technical Requirements. Proposed solution only addressed Presentation Level of Data Portal. **No prior experience with Portal implementations.**
Sybase	Technical Requirements requested a Microsoft tool set based on existing Authority infrastructure. Sybase supplied its own tool set, which was deemed less desirable. **Implementation schedule was longest of all vendors at 16 months**.

"The Evaluation Committee, comprising personnel from IT and ERM, analyzed the remaining proposals fromTCS and Accenture LLP ('Accenture') in depth. These two proposals differed in terms of their proposed schedules: TCS had a 12-month schedule and Accenture had a 7-month schedule. The following table compares the evaluated costs with an assigned penalty based on schedule.

Category	Accenture	TCS
Development/Implementation	$2,135,000	$2,427,720
Cost of Software	800,000[1]	800,000[1]
Cost of Maintenance	135,500[1]	135,000[1]
Training Services	65,000	105,400
Travel / Expenses	300,000[2]	300,000[2]
Opportunity Cost impact due to duration of schedule	0[3]	585,000[3]
Totals	$3,435,500	$4,353,120

[1] TCS and Accenture provided costs for multiple technical platforms. Since the software and maintenance costs will be equivalent regardless of implementation vendor, a level estimate has been provided for both vendors.

[2] Based on the variation in travel expenses provided by each vendor, an estimated proxy amount for both vendors was used, since the selected vendor will be required to make travel arrangements with the Authority's Travel Desk.

[3] The opportunity cost, which represents the cost of not receiving benefits from the implementation, is estimated to be approximately $1.41 million annually or $117,000 each month as documented in the return-of-investment document developed in support of this project. Because TCS's schedule was five months longer than Accenture's, TCS was assigned a five-month opportunity cost penalty.

"Both Accenture's and TCS's costs were significantly higher than the original estimate. A major contributing factor to the increased cost is the inclusion of data integration and data management components and the associated amount of consulting time necessary to develop a fully integrated design for a Data Portal. Since Accenture's was the lowest evaluated cost, the Evaluation Committee recommended that a contract for implementation services be awarded to Accenture.

"Accenture also demonstrated more significant experience in providing services of the type required by the Authority. Its proposal was the most detailed and responsive to the Authority's requirements from both a business and a technical perspective. Accenture has completed more than 110 integration solutions and currently has more than 100 implementations ongoing, many for utilities. TCS had only completed a single Data Portal for a utility in Europe.

"The Data Portal will have the ability to collect and disseminate current and projected information using an integrated infrastructure that can link together applications and diverse data systems. The Data Portal will increase the ERM traders' productivity and provide a single gateway of information for the traders, financial analysts, risk analysts and executives, including a real-time console, a 'digital dashboard,' that will highlight key market positions, such as generator output and financial and physical positions. The Data Portal will significantly reduce manual data entry and data integration, thereby providing the traders with additional time to concentrate on analyzing and capturing opportunities within the energy markets. The Data Portal will ultimately allow for better-informed trading decisions in shorter cycle times.

"The introduction of SMD2 by the NYISO, currently scheduled for the fourth quarter of 2004, will provide significant additional challenges and opportunities for the power traders, thus increasing the need for additional data acquisition and analysis to enable them to optimize Authority generation assets. The ERM Data Portal will provide

the traders with the necessary tools to meet these additional challenges. The substantial benefits to the ERM trading group resulting from the Data Portal will result in an estimated return of investment in four years, which will provide concrete benefits for the Authority's customers and allow the Authority to continue to optimize the benefits of its energy portfolio for the New York State.

Project Costs:

"The Trustees are requested to approve expenditures for consulting and Authority direct costs to continue orderly planning, design and implementation, as follows:

Expended to date:		
1)	Henwood enhancements	$ 210,000
2)	Portal architecture blueprint	40,000
Remaining Work:		
3)	Award to Accenture:	
	a) Integration services	2,400,000
	b) Software	1,000,000
4)	Hardware	150,000
5)	Contingency	200,000
6)	Authority overhead	200,000
		$4,200,000

FISCAL INFORMATION

"Payments associated with this project will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Energy Resource Management and the Chief Information Officer – Information Technology recommend that the Trustees approve the revised Capital Expenditure Authorization Request of $4,200,000, and approve the award of the contract for Data Portal development to Accenture LLP at a contract value of $3,400,000.

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

Mr. Eccleston presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Eccleston explained that the two separate amounts being submitted for approval were for (1) the entire Data Portal project, including funds spent to date, and (2) the contract with Accenture LLP, respectively.

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

RESOLVED, That pursuant to the Expenditure Authorization Procedures adopted by the Authority, the Capital Expenditure Authorization Request for Energy Resource Management ("ERM") Energy Data Portal implementation be, and hereby is, approved in the amounts and for the purposes listed below:

Description	Current Estimate	Previously Authorized	Current Request	Total Authorized Amount
Data Portal Development	**$3,990,000**	**$1,785,000**	**$2,205,000**	**$3,990,000**
Henwood Enhancements	**$ 210,000**	**$ 210,000**	**-**	**$ 210,000**
Totals	**$4,200,000**	**$1,995,000**	**$2,205,000**	**$4,200,000**

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement contract to Accenture LLP be, and hereby is, approved as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose indicated below:

Contract Award	Contract Amount
Accenture LLP	**$3,400,000**

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.

14. Distributed Generation Program – Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize establishment of a Distributed Generation ('DG') Program that combines the already approved Emission Offset, New York City Department of Environmental Protection ('NYC DEP') Owls Head and SUNY-ESF Projects with DG Projects for other SENY customers, other Authority customers, municipalities, counties and public entities in New York State ('NYS'). The Trustees are also requested to approve additional funding in the amount of $10 million for the permitting, design, engineering and procurement for such DG Program, bringing the total authorization to $26 million.

"This request for authorization also includes approval to enter into agreements with SENY customers, other Authority customers, municipalities, counties and public entities in NYS for the development of DG Projects.

BACKGROUND

"The Authority is a national leader in the application of DG solutions to meet customer needs. To date, the Authority has installed 12 fuel cells totaling 2.4 MW, numerous solar photovoltaic ('PV') projects totaling 576 kW and 90 kW of microturbines powered by natural gas and renewable anaerobic digester gas ('ADG'). Public customers, state agencies, authorities, campuses and other NYS organizations call on the Authority for guidance and assistance in implementing a variety of clean DG projects. These include New York City Transit Authority, Metro North Railroad, New York City Department of Environmental Protection, NYS Office of Parks, Recreation and Historic Preservation, New York City Department of Design and Construction, State University of New York and City University of New York, to name a few. In response to these requests, the Authority has completed various DG Project feasibility studies and identified significant project environmental benefits.

"The proposed DG Program would consist of the following technologies: PV, fuel cells, microturbines, small combustion turbines, reciprocating engines and energy storage. The DG Program would rely on a variety of fuels, such as solar, natural gas and renewable opportunity fuels from wastewater treatment facilities and landfills. Wherever feasible, the DG technology would be installed in a combined heat-and-power ('CHP') configuration to use waste heat and maximize efficiency. In some applications, the DG technology would be configured to be able to provide back-up power to the customer's facility in the event of a utility shutdown. The primary goals of the DG Program would be to decrease emissions while increasing energy efficiency, renewable fuel use and energy reliability.

"In accordance with the Authority's regulations implementing the State Environmental Quality Review Act ('SEQRA'), all DG Projects will undergo a thorough environmental impact assessment. The Trustees will be requested to authorize the construction of the DG Projects once the requisite SEQRA assessments are completed and all the required procedural steps are documented.

DISCUSSION

"The DG Program would expand the Authority's activities with fuel cells, microturbines, PV, reciprocating engines, small combustion turbines and energy storage technologies. These technologies will use renewable fuel where available and be configured in a CHP mode where applicable. Projects would range in size from several kilowatts up to five megawatts.

Ownership, Operation and Maintenance

"The DG Projects implemented through this program would be owned either by the Authority or by participating entities in the DG Program, subject to site-specific contract negotiations and agreements. The Authority would operate and maintain the DG systems that it owns and sell the output consistent with the requirements of the Power Authority Act.

Environmental and Economic Benefits

"Governor Pataki's Executive Order No. 111 ('EO 111'), entitled 'Green and Clean State Buildings and Vehicles,' calls for the use of renewable power (10% by 2005 and 20% by 2010) for electricity in state buildings using the following technologies: wind, solar thermal, PV, sustainably managed biomass, tidal, geothermal, waste methane and fuel cells. The Authority is well situated to assist the State in meeting EO 111. In addition, the NYS Legislature has authorized the use of Petroleum Overcharge Restitution ('POCR') funds to support the Authority's activities in these areas.

"A major factor in meeting EO 111 requirements is the cost of renewable power. The Authority's assistance in developing DG projects, obtaining available state and federal co-funding to reduce costs and facilitating power sales to interested state agencies will help to assure timely and economic compliance with EO 111 requirements.

"DG applications that do not use renewable fuels can also provide significant environmental benefits over conventional power sources. DG technologies such as fuel cells and microturbines generate very low levels of air emissions while consuming natural gas. When configured in a CHP mode, these DG systems recover thermal energy for use on site, resulting in system efficiencies of 70% and higher.

FISCAL INFORMATION

"Additional funding of $10 million is requested to implement the DG Program in addition to those DG Program projects already approved. The funding would be provided from the Capital Fund and/or the proceeds of the Authority's Commercial Paper Notes and Extendible Municipal Commercial Paper Notes. In addition, unless otherwise determined by the Senior Vice President – Energy Services and Technology, each DG Project will be funded, in part, with POCR funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered within a repayment period not to exceed 20 years, consistent with other Energy Services and Technology Programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Director – Research and Technology Development, recommend that the Trustees authorize the establishment of the Distributed Generation Program and additional funding for this Program in the amount of $10 million, and approve contracting with SENY customers, other Authority customers, municipalities, counties, and public entities in New York State for the development of Distributed Generation Projects as described herein.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Vice President – Controller and Acting Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, 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 a Distributed Generation Program is hereby authorized as described in the foregoing report of the President and Chief Executive Officer, which Program shall include the Fuel Cell Emission Offset, Owls Head Wastewater Treatment Facility and SUNY College of Environmental Science and Forestry projects previously authorized by the Trustees; and be it further

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Senior Vice President – Energy Services and Technology or such other officer designated by the President and Chief Executive Officer, to execute agreements and other documents between the Authority and the Distributed Generation Program participants, which may consist of SENY customers, other Authority customers, counties, municipalities and public entities in New York State, and to execute agreements and other

documents with implementation contractors, in such form as may be approved by the Executive Vice President, Secretary and General Counsel or his designee, to facilitate the development of the Distributed Generation Program, that the authorized funding level for the Program be $10 million in addition to the $16 million previously authorized for the Fuel Cell Emission Offset, Owls Head Wastewater Treatment Facility and SUNY College of Environmental Science and Forestry projects (collectively, the "Approved Projects"):

Capital Fund/ Commercial Paper Program/ Extendible Municipal Commercial Paper Program	**Expenditure Authorization**
Distributed Generation Program	
Previously Authorized	**$16 million**
Additional Funding	**10 million**
Total Amount Authorized	**$26 million**

AND BE IT FURTHER RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, and the Authority's Extendible Municipal Commercial Paper Notes ("Extendible CP") may be issued to finance the Distributed Generation Program costs, provided that the aggregate amount of Commercial Paper Notes and Extendible CP proceeds and Capital Fund monies used for such costs (excluding costs associated with the Approved Projects) shall not exceed $10 million; and be it further

RESOLVED, That unless otherwise determined by the Senior Vice President – Energy Services and Technology, each Distributed Generation Project will be deemed to be an energy services project within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the "Section (7) POCR Legislation") and will be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) POCR Legislation; and be it further

RESOLVED, That POCR funds allocated to the Authority by the Section (7) POCR Legislation may be used to the extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President – Energy Services and Technology to finance in part each project undertaken under the Distributed Generation Program; and be it further

RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares the following official intent to finance. The Authority intends to reimburse to the maximum extent permitted by law with the proceeds of tax-exempt Commercial Paper Notes and/or Extendible Municipal Commercial Paper Notes to be issued by the Authority, all expenditures that have been and may be made in connection with the Authority's Distributed Generation Program, with the maximum principal amount of obligations to be issued for such purpose expected to be $26 million; and be it further

RESOLVED, That a copy of these resolutions shall be part of the records of the Authority that are available to the general public and shall be continuously available for public inspection in the office of the Secretary of the Authority during normal business hours on every business day of the Authority; and be it further

RESOLVED, That the Chairman, President and Chief Executive Officer, Executive Vice President, Secretary and General Counsel, Senior Vice President – Energy Services and Technology, Vice President – Controller and Acting Chief Financial Officer, Treasurer, Deputy Treasurer, Deputy Secretary and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

15. Procurement Services Contract – St. Lawrence/FDR Power Project Relicensing – Construction Management Services

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement contract to Bernier Carr & Associates, PC ('Bernier Carr') for construction management services for recreation and environmental improvements at the St. Lawrence/FDR Power Project. The term of the contract will be through 2007, with options for extensions through 2009. The total cost of the contract is $1.2 million.

BACKGROUND

"The Federal Energy Regulatory Commission ('FERC') issued the New License for the St. Lawrence/FDR Power 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 rehabilitate existing and build new recreational facilities and construct habitat improvement projects, including a substantial rehabilitation of the Wilson Hill Wildlife Management Area. The Authority proposed in its revised Recreation Plan submitted to FERC in January 2004 that this work would start in 2004. In December 2003, the Trustees authorized a total of $169.0 million for expenditures related to compliance with the new license, including the costs of construction management.

DISCUSSION

"To meet the requirements of the new license, the Authority needs to hire a construction management firm to oversee the construction of the recreation and environmental improvements between 2004 and 2009. The duration of the contract is through 2007, with options for extensions through 2009.

"On January 26, 2004, the Authority issued a Request for Proposal ('RFP') for the above services, including a notice in the New York State Contract Reporter. Proposals were received from: (1) Bernier Carr, (2) Bovis Lend-Lease, (3) Burley-Guminiak, (4) C&S Design Build, (5) Hardesty & Hanover ('H&H'), (6) Paul Rizzo & Associates and (7) Tasmithassociates, Inc ('Tasmith').

"Staff from the Authority's Licensing, Environmental and Procurement divisions evaluated the proposals for technical qualifications and pricing (i.e., direct payments and fixed-fee and fixed-overhead charges). The initial review focused on technical qualifications and rates for proposed personnel. Based on their technical qualifications and rates, further consideration was not given to the proposals of three firms: Tasmith, H&H and Bovis Lend-Lease.

"Based on the interviews with the two lowest-priced, qualified bidders, it is recommended that the contract be awarded to Bernier Carr of Watertown, New York. The term of the contract would commence on April 1, 2004, and end on December 31, 2007 (with two options for one-year extensions); the award amount is $1.2 million. Bernier Carr has the technical qualifications and experience to provide the construction management services and is also the lowest-qualified bidder.

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 Senior Vice President – Public and Governmental Affairs, the Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Director – Environmental Programs, and the Regional Manager – Northern New York recommend that the Trustees authorize award of a contract to Bernier Carr for $1.2

million for construction management services to oversee recreation and environmental improvements in support of compliance with the New License and the Local Government Settlement Agreement.

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

Mr. Suloway presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Suloway said that in the event staff recommended exercising the option(s) to extend the contract beyond 2007, they would bring such recommendation(s) back to the Trustees for review and approval.

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, subject to approval as to the form thereof by the Executive Vice President, Secretary and General Counsel, for a period commencing on April 1, 2004 and ending on December 31, 2007 (with options for two one-year extensions) to Bernier Carr & Associates, PC in an amount not to exceed $1.2 million for construction management and other related technical and administrative services in support of implementation of Recreation and Environmental improvements in compliance with the New License Settlement Agreement, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor	**Contract Approval**
Bernier Carr & Associates, PC	**$1.2 million**

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

16. Procurement Services Contracts – Business Units and Facilities – Awards, Extensions, Approval of Funding and Increases in Compensation Ceilings

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 '16-A' for the Authority's Business Units/Departments, as well as for its Facilities. The Trustees are also requested to approve the continuation and funding of the procurement contracts listed in Exhibit '16-B' in support of projects and programs for the Authority's Business Units/Departments and Facilities. In addition, the Trustees are requested to approve increases in the compensation ceilings of the contracts with ALSTOM Power Inc. and Van Ness Feldman P.C., as well as the release and allocation of previously approved funding to the contract with Voith Siemens Hydro Power Generation, Inc. A detailed explanation of the recommended awards and extensions is set forth in the discussion below.

BACKGROUND

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

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

"The Authority's Expenditure Authorization Procedures also 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

Awards

"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 $500,000 to $3,000,000. 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 a cost and efficiency standpoint. In many cases, reduced prices can be negotiated for these long-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award long-term contracts than to rebid these services annually.

Extensions

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

"Extension of each of the contracts identified in Exhibit '16-B' 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) an Authority or external regulatory agency schedule change has delayed, re-prioritized or otherwise suspended required services; (3) the original consultant is uniquely qualified to perform services and/or continue its presence and rebidding would not be practical or (4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

The following is a detailed summary of each recommended contract award, extension, approval of additional funding or increase in compensation ceiling.

Contract Awards in Support of Business Units/Departments and the Facilities:

"The contract with **Boswell Underwater Engineering (Q-02-3313; PO # TBA)** would become effective on April 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for professional diving and engineering services, on an 'on call, as needed' basis, in support of the operation and maintenance of the Authority's hydroelectric, pumped storage, fossil fuel, and transmission facilities. Services will consist mainly of routine and emergency underwater inspections, as well as minor underwater repairs, including a report of each such inspection. Requests for Proposal were sent to 48 firms, including any that may have responded to a notice in the New York State Contract Reporter. Six bids were received and evaluated commercially and technically by an Authority team. The primary evaluation criteria included: professional qualifications and experience of key personnel and backup staff, size and depth of organization and resources, ability to respond quickly to requests for services and quality of proposal. Boswell Underwater Engineering was the lowest qualified bidder. Based on its technical experience, qualifications, resources and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Boswell. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, $525,000.

"The contract with **GE Aeroderivative and Package Services, Inc. (PO # TBA)** would become effective on April 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for critical field maintenance services and non-stock parts ordering for the Authority's LM6000 gas turbine units, installed as part of the Small Clean Power Plant {'SCPP'} Generation Project, on an emergency basis, as needed. Such services would include a major overhaul of the units and/or maintenance services beyond the scope of routine maintenance and troubleshooting services performed by Centric (formerly Conectiv Operating Services Company) under a separate contract. The subject award is made on a sole-source basis, since GE was the original equipment manufacturer of the LM6000 gas turbine units. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a not-to-exceed total amount authorized for the term of the contract, $3,000,000, which will only be committed as services are required.

"Due to time constraints, the contract with **GE Power Systems (4500086472)** became effective on March 1, 2004. Interim approval to commence services was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, subject to subsequent Trustees' ratification and approval. The purpose of this contract is to provide for specialized operator training and technical support services for the 500 MW Project, as well as for the services of a GE training coordinator. The additional specialized training is above and beyond the initial operators' training currently included in the existing 500 MW contract with General Electric; such base training also includes Maintenance, Instrumentation & Control and Electrical training. The new contract was awarded on a sole-source basis, since GE is the original designer and equipment manufacturer of the critical power island components for the 500 MW plant and, as such, is most qualified to provide training services related to its specialized equipment. The subject contract will provide specialized training in the aforementioned areas for additional personnel in multiple sessions, including repeat sessions of certain courses, in order to accommodate the Authority's five shift operations. Two additional technician training courses for the Mark VI SPEEDTRONIC Control System and EX2100 Excitation System will also be included. The GE training coordinator will provide technical and training support for plant start-up, including training assistance to the team, writing training manuals for 'on-the-job' training for future operating technicians and developing various operating and preventive maintenance procedures. The intended term of this contract is 16 months, 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, $918,050.

"The contract with **In-Place Machining Company (4600001207)** would become effective on April 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for on-site machining services in support of the Lewiston Pump Generating Plant ('LPGP') overhaul at the Niagara Power Project. Six firms were invited to bid for such services, including any that may have responded to a notice in the New York State Contract Reporter. 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 In-Place Machining Company, the lowest qualified bidder of the four bids received. Staff also recommends the award of a backup contract to **Metal Locking Service ('MLS'; PO # TBA)**, subject to vendor shop inspection and qualification to be performed by the Authority's White Plains/Niagara Quality Assurance department. The intended term of these contracts is four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the total term of the two contracts, $350,000.

"For the last 25 years, the Authority's in-house counsel has handled legal services in connection with the ongoing St. Regis Indian land claim, including settlement negotiations and preparation of motions to dismiss the complaint, responsive pleadings and oppositions to plaintiffs' motions to strike or dismiss the defendants' affirmative defenses and counterclaims. This significant litigation, now pending in federal district court in Syracuse, is expected to enter the discovery phase shortly, during which the parties will exchange a sizeable quantity of documents and depose each other's witnesses, including experts. Due to attrition of the Authority's legal staff intimately familiar with the case and responsible for its defense, as well as the need for additional legal staff and more experience (including computer systems) to manage a large number of documents and expert witnesses, the Authority determined that it would be prudent to engage outside counsel to assist the Authority's in-house team in this effort. To this end, the Authority conducted a competitive search of 13 firms that had responded to a notice in the New York State Contract Reporter; four firms with expertise in Native American legal issues were identified and contacted. Two of these firms were not considered further, as one cited conflict of interest and the other was deemed not fully suitable for this effort. As a result, the two remaining firms were interviewed and assessed by a selection committee on a variety of criteria, including prior experience with complex and politically sensitive litigation, fee structure, effectiveness during the interview, knowledge of local courts and practices, capacity to handle document production and coding and the reputation of the partners in charge. Based on significant factors, such as depth of complex litigation experience and reputation of the key partners, the **Manatt, Phelps & Phillips, LLP** firm **('Manatt')** was determined to be the most technically qualified. The committee therefore recommends the award of the contract to Manatt. The Manatt contract **(PO # TBA)** would become effective on April 1, 2004, subject to the Trustees' approval, in order to provide for outside counsel and legal services in connection with the St. Regis Indian land claim litigation. It should be noted that the firm agreed to reduce its discounted rates, bringing them in line with rates paid by the Authority to other large law firms in comparable cases. 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 term of the contract, $2,000,000, which includes funding for significant litigation; such funding will only be committed as services are required.

"The Authority has an existing contract with Xenergy, Inc. for electric rate consulting services related to the Authority's government and business customer groups. Services, which include various analyses and studies concerning proposed rate changes, as well as rate case support activities, have been performed by Xenergy's principal consultant, John Chamberlin. The consultant began work in 2003 on the 2004 rate modification plan for the Authority's government customers, but has not addressed the rate design and other rate considerations for 2005 and beyond. Recently, Mr. Chamberlin joined a new firm, **Quantec, LLC**. Mr. Chamberlin's services are required to continue his services in three primary areas: completion of the aforementioned government rate work related to production rates for 2005 and beyond, assistance to the Authority as an intervenor in the upcoming Con Edison rate modification plan before the Public Service Commission (expected to continue into 2006) and assistance to the Authority with pricing issues involved in long-term contract negotiations with government customers. In view of the ongoing services, as well as the consultant's unique qualifications, staff recommends the award of a new contract, on a sole-source basis, to Quantec, LLC. Mr. Chamberlin has extensive knowledge of government rate methodology, the Authority's most current supply needs and assets, transmission resources and internal working procedures that would be difficult, if not impossible, to replicate. It would not be practicable or prudent to continue

services with another consultant. The intended term of this contract is two 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, $500,000.

"The **Shaw Pittman** firm provides legal representation services in ongoing high-level radioactive waste litigation against the United States Department of Energy under an existing contract. The firm currently represents the Authority in a claim filed against the United States in the Court of Federal Claims, where the Authority is seeking monetary damages caused by the government's breach of contract to accept high-level waste by January 31, 1998 from the Indian Point Unit No. 3 and James A. FitzPatrick nuclear power plants, formerly owned by the Authority. Recently, the Authority's case, together with other similar cases, was released from an order staying all proceedings pending resolution of several threshold issues, which the courts wanted to decide in six test cases selected for fast-track treatment. Since the stay has been lifted, a high level of legal work and associated consulting work is anticipated to fully develop the Authority's claim. The government is vigorously defending the claim and the case will continue to have intensive document discovery, motion practice and claim development activity through possible trial in 2005-2006. The existing contract is due to expire on March 31, 2004. In view of the ongoing activity, such services are required to extend and build upon prior work performed by Shaw Pittman attorneys, who are uniquely qualified in this highly specialized field, and are knowledgeable of the law and of the Authority's facts. It would not be practicable or prudent to have another firm continue such services. Staff therefore recommends the award of a new agreement on a sole-source basis, in accordance with the Authority's Guidelines for Procurement Contracts, with the same terms and conditions as the existing contract; the new agreement would become effective on April 1, 2004, subject to the Trustees' approval. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $500,000.

Contract Extensions in Support of Business Units/Departments and the Facilities:

"The contract with **Automatic Data Processing ('ADP, Inc.;' S96-77659)** provides for payroll processing services for all Authority employees. At their meeting of September 27, 1995, the Trustees approved the award of a five-year agreement in the amount of $1,125,000, with the intent of integrating the payroll processing system with the Authority's human resources and benefits tracking systems. The original contract, which was awarded as the result of a competitive search, became effective on January 1, 1996. At their meeting of March 27, 2001, the Trustees approved an extension through December 31, 2002 and a revised compensation ceiling of $1,925,500. Services were subsequently rebid and the Trustees approved the award of a new five-year agreement to Ceridian Corp. at their meeting of March 26, 2002. However, due to other work priorities and the limited availability of key staff resources, the transition to Ceridian Corp. could not be implemented during 2002. As a result of this deferral, as well as technical issues encountered during the payroll conversion process, subsequent extensions through March 31, 2004 and additional funding of the ADP contract were authorized by senior management in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The 'go live' conversion date to the Ceridian Corp. payroll system is currently projected to be July 1, 2004. An additional nine-month extension of the ADP contract is now requested in order to continue services while the transition of the payroll processing function to Ceridian continues, and also to provide any additional carryover services that may be needed during the subsequent six-month period. The current contract amount is $2,132,000; it is anticipated that an additional $175,000 will be required for the extended term. The Trustees' approval is requested to ratify the previously authorized contract extensions and additional funding through March 31, 2004, to approve the extension of the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Aquatech Environmental, Inc. (4500072837)** provides for routine zebra mussel testing and analysis services for the Niagara Power Project. Services include all labor, equipment and disbursement to complete a weekly sampling program for zebra mussel veligers, and consulting services, as may be required. The original award, which was competitively bid, became effective on June 1, 2003 for an initial term of one year, with an option, as noted in the New York State Contract Reporter, to extend for two additional years. A two-year extension is now requested in order to exercise this option and continue services, as needed. The current contract amount is $10,000; it is anticipated that an additional $20,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2006 and to approve the additional funding requested.

"The contract with **Asplundh Brush Control Co. (4600001159)** provides for bare ground vegetation management services at Authority substations, switchyards and related facilities, as well as along reservoir dikes. The contractor furnishes all equipment, materials, tools, skilled labor and supervision required to provide such services and holds all required New York State- certified pesticide applicator licenses. Services include the application of various chemical herbicide formulations for the purpose of removing or preventing the emergence of undesirable vegetation at the Authority's electrical facilities. The contractor also performs such ancillary work as mechanical services (i.e., mowing) to curtail the excessive rate of plant growth caused by higher levels of precipitation and warmer temperatures. The original award, which was competitively bid, became effective on July 1, 2003 for an initial term of one year, with an option to extend for three additional years. A three-year extension is now requested in order to exercise this option and continue services, as needed. In order to be most effective, primary services would need to commence in May and be completed before the summer. The current contract amount is $100,000; it is anticipated that an additional $500,000 may be required for the extended term. The increased level of funding would accommodate any additional treatments that may be required due to difficult-to-control plant species that resist the first chemical treatment, as well as to allow for additional Authority facilities, currently serviced by in-house crews, to be so treated at a future date. The Trustees' approval is requested to extend the subject contract through June 30, 2007 and to approve the additional funding requested.

"The two contracts with **EGW Associates (4500071132) and NESCO Resource (4500071133)** provide for the services of temporary drafting personnel to support O&M and capital projects at the Niagara Power Project. The original awards, which were competitively bid, became effective on May 1, 2003 for an initial term of less than one year. Due to limited staff resources, an extension through December 31, 2004 is now requested to continue such services to support the RMNPP upgrade and the LPGP overhaul, as well as to provide secondary support for other capital site improvements at the Niagara Project, as needed. The current contract amounts are $119,460 and $71,479, respectively; it is anticipated that an additional $90,000 and $47,000, respectively, will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Elemco Testing Co. (4500071028)** provides for fuel cell power plant inspection and testing services at New York City Department of Environmental Protection ('NYC DEP') Waste Water Treatment Facilities located in the Bronx (Hunts Point), Brooklyn (26th Ward and Red Hook), and Staten Island (Oakwood Beach) as part of the Offset Emissions Fuel Cell program. Services consist of electrical interconnection testing of the fuel cells for final acceptance by Con Edison prior to interconnection to the utility grid system. The original award, which was competitively bid, became effective on May 1, 2003 for an initial term of less than one year. An extension through April 30, 2004 was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts. A five-month extension is now requested to complete all such services to meet Con Edison's requirements. The current contract amount is $46,400; it is anticipated that no additional funding will 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 September 30, 2004 and to approve the additional funding requested.

"The two contracts with **Fresh Meadow Mechanical Corp. (4500064855 and 4500067187)** provide for fuel cell installation services at New York City Department of Environmental Protection ('NYC DEP') Waste Water Treatment Facilities located in Brooklyn (26th Ward and Red Hook), the Bronx (Hunts Point) and Staten Island (Oakwood Beach) as part of the Offset Emissions Fuel Cell program. Services include all labor, equipment, material and tools required for the installation of eight 200kw fuel cells. The original awards, which were competitively bid, became effective on January 6 and February 7, 2003, respectively, for an initial term of less than one year. An interim extension of both contracts through March 31, 2004 was approved in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional extension of both contracts through September 30, 2004 is now requested in order to complete all such requisite services. The current contract amounts are $1,562,121 and $1,733,992, respectively. No additional funding will be required for the extended term of the former contract. It is anticipated that an additional $300,000 will be required for the extended term of the latter contract (4500067187); it should be noted that this additional amount will be reimbursed to the Authority by the NYC DEP. Rates will remain firm for the duration of the contracts. The Trustees' approval is requested to extend the subject contracts through September 30, 2004 and to approve the additional funding requested for the latter contract (4500067187).

"The contract with **Haverfield Corp. (4600001108)** provides for comprehensive aerial inspection of approximately 1,400 miles of designated sections of the Authority's 13.8kV, 115kV and 230kV transmission lines and associated structures, as well as the maintenance/repair of 230kV, 345kV and 765kV transmission lines located throughout New York State. The maintenance is performed from a helicopter platform on energized lines owned and maintained by the Authority in 23 counties in New York State and is scheduled as necessary throughout the year. The original award, which was competitively bid, became effective on July 1, 2003 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option and continue services, as needed. The current 'target value' is $330,000; it is anticipated that an additional $600,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2006 and to approve the additional funding requested.

"The contract with **H. J. Murphy Associates, Inc. (S98-01709)** provides for consulting services to assist the Authority's senior officers in connection with commercial claims arising out of defective parts or operation of the Authority's power plants; the sale, repowering or expansion of the Charles A. Poletti Power Project and/or any transactions involving the sale, disposition, use or purchase of assets by the Authority. Such services include technical, engineering and strategic advice and analysis. The scope has also included assistance in evaluating construction claims for the Small Clean Power Plant Project and, more recently, work associated with the 500MW Project. The original contract became effective on March 1, 1998 for an initial term of one year, with an option to extend for two additional years. At their meetings of December 15, 1998, December 19, 2000, and December 18, 2001, respectively, the Trustees approved contract extensions through February 28, 2004 and a total contract amount of $280,000. In view of the many ongoing issues, an additional 15-month extension is now requested in order to continue services in support of the aforementioned matters. The current contract amount is $280,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2005, with no additional funding requested. A competitive search will be conducted in the first half of 2005 if similar services will be required beyond the extended term.

"The contract with **Industrial Medical Associates ('IMA'; 4600001060)** provides for medical examinations (annual physicals, pre-employment physicals and return-to-work examinations) and related medical services for employees of the Frederick R. Clark Energy Center, as required by all applicable safety and health standards, federal and state requirements and Authority policy. Services also include, but are not limited to: fitness-for-duty testing, respirator clearance tests, exposure to asbestos or high noise and fitness of crane operators. The original award, which was competitively bid, became effective on January 1, 2003 for an initial term of one year, with an option to extend for two additional years. An interim extension through March 31, 2004 was approved in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A two-year extension is now requested to exercise this option and continue such services, as may be required. The current 'target value' is $30,000; it is anticipated that an additional $70,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

"Pursuant to the Authority's lease agreement with the New York State Office of Alcohol and Substance Abuse Services ('OASAS'), the Authority is required to provide janitorial services for the space leased by OASAS on the eighth and ninth floors of 501 Seventh Avenue in New York City. The contract with **Laro Service Systems, Inc. (4500022824)** provides for such janitorial services for OASAS, as well as for the Authority's New York Office. Services include rubbish removal; maintenance of carpet, kitchen and coffee station, glass entrance door and partition and tile floor and providing lavatory supplies. The original award, which was competitively bid, became effective on May 1, 2000 for an initial term of one year, with an option to extend for two additional years. At their meeting of March 26, 2002, the Trustees approved an extension through April 30, 2003 and a total contract amount of $150,000. A further extension through April 30, 2004 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures and additional funding was subsequently authorized. An additional five-month extension is now requested to continue services and allow for rebidding in conjunction with similar services for the White Plains Office. The current contract amount is $213,157; it is anticipated that an additional $30,000 will be required for the extended term. The Trustees are requested to ratify and approve the previously authorized additional funding, and to approve the extension of the subject contract through September 30, 2004, as well as the additional funding now requested. It should be noted that any expenses incurred in excess of the base (i.e., first-year) expenses for such services shall be reimbursed to the Authority as additional rent.

"The contract with **Life Science Laboratories, Inc. (4600001100)** provides for analytical laboratory and sampling services for the St. Lawrence/FDR Project. Such environmental sampling includes the identification of contaminants in drinking water, wastewater, outfalls, waste oils, soil samples and hazardous waste. Services are conducted by this certified laboratory in accordance with specified New York State Department of Health and Department of Environmental Conservation methodologies, and also include State Pollution Discharge Elimination System ('SPDES') analyses. The original award, which was competitively bid, became effective on June 5, 2003 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option and continue services, as required. The current target value is $12,000; it is anticipated that an additional $50,000 may be required for the extended term. The increased level of funding requested includes additional funding to support relicensing implementation activities. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through June 4, 2006 and to approve the additional funding requested.

"The contract with **Most Healthcare Systems, Inc. (4600001089)** provides for on-site annual physical examinations for employees of the Blenheim-Gilboa Project, as required by all applicable safety and health standards, federal and state requirements and Authority policy. Services also include, but are not limited to: respirator clearance tests; tests for exposure to asbestos or high noise; fitness of crane operators and medical recordkeeping. The original award, which was competitively bid, became effective on May 1, 2003 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option and continue such services, as may be required. The current 'target value' is $30,000; it is anticipated that an additional $40,000 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 April 30, 2006 and to approve the additional funding requested.

"The contract with **Northern Ecological Associates, Inc. (4500071198)** provides for zebra mussel monitoring and sampling services to determine zebra mussel water veliger densities and mortality percentages at a minimum of seven locations within the vicinity of the St. Lawrence/ FDR Project. The original award, which was competitively bid, became effective on May 1, 2003 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option and continue services, as required. The current contract amount is $12,809; it is anticipated that an additional $80,000 may be required for the extended term. Such sampling is required on a monthly basis; if veligers are detected, weekly sampling would be required through the end of the year. The increased level of funding requested provides for such weekly sampling, as may be required. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through April 30, 2006 and to approve the additional funding requested.

"The contract with **Stuntz Davis & Staffier, P.C. (S98-00459)** provides for legal advice and counsel to the Authority in connection with the Authority's relicensing of the Niagara and St. Lawrence/FDR Power Projects ('Projects'). The firm also participates in the Authority's Strategic Planning conference. The original contract, which was awarded as the result of a competitive search, became effective on February 1, 1998 for an initial term of one year. At their meetings of December 15, 1998 and December 17, 2002, the Trustees approved contract extensions through January 31, 2004 and a total contract amount of $300,000. Since the continuation of this firm's experience and expertise is needed to assist in-house counsel on relicensing and implementation matters for the Projects, as well as on strategic planning matters, an additional 15-month extension is now requested. The current contract amount is $304,448; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2005, with no additional funding requested. A new competitive search will be conducted in the first half of 2005 if similar services will be required beyond the extended contract term.

"The contract with **Testwell Laboratories, Inc. (4500066360)** provides for fuel cell power plant inspection and testing services at New York City Department of Environmental Protection ('NYC DEP') Waste Water Treatment Facilities located in the Bronx (Hunts Point), Brooklyn (26th Ward and Red Hook) and Staten Island (Oakwood Beach) as part of the Offset Emissions Fuel Cell program. Services consist of field inspection, sampling services and field and laboratory testing of concrete and soil, and also include welding inspections. The original award, which was competitively bid, became effective on January 20, 2003 for an initial term of less than one year. An interim extension through March 31, 2004 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional 10-month extension is now

requested to complete all requisite testing and inspection services, which have been affected by additional work items associated with fuel cell installation (performed under a separate contract by another contractor). The current contract amount is $40,000; it is anticipated that an additional $8,000 will 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 January 19, 2005 and to approve the additional funding requested.

"The contract with **Vara-Science Inc. (4500063447)** provides for pressure grouting services of stator and lower bracket sole plates to support the upgrade of the remaining turbine generator units at the Robert Moses Niagara Power Project ('RMNPP'). Such services are required to stabilize certain sole plates that exhibit vertical movement during testing (also known as a 'soft foot' condition). The original award, which was competitively bid, became effective on November 8, 2002 for an initial term of one year, with an option to extend for two additional years. An interim extension through March 31, 2004 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The original schedule called for the upgrade of the second and third units to be performed in 2004 and the fourth unit in 2005. The upgrade has been rescheduled to one unit per year to allow sufficient time for preventive maintenance to be performed. A three-year extension is now requested to exercise the two-year option and to extend for an additional year, in order to accommodate the revised schedule and to continue such services through completion of the upgrade. Vara-Science has provided quality services to the Authority at competitive prices, and has the necessary resources and proven track record to continue services to support this effort. The current contract amount is $80,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2006 with no additional funding requested.

Increases in Compensation Ceilings

"The contract with **ALSTOM Power Inc. ('ALSTOM'; C98-Z045**) provides for runner replacement and turbine overhaul of the first eight units at the St. Lawrence/FDR Power Project, as part of the Life Extension and Modernization program. At their meeting of July 28, 1998, the Trustees approved the award of a contract to Alstom in the amount of $11,344,090. The contract value was subsequently increased to $12,700,000, as authorized in accordance with the Authority's Expenditure Authorization Procedures. At their meetings of March 27, 2001, January 29, 2002 and April 29, 2003, respectively, the Trustees approved the release and allocation of the previously approved funding for the manufacture of additional units and associated work. At their meeting of February 24, 2004, the Trustees authorized expenditures for the sixth through eighth units and approved a revised Capital Expenditure Authorization Request ('CEAR'). The St. Lawrence turbines had not been disassembled during their 40-year lifespan. The 'as-found' conditions discovered during the overhaul raised significant unforeseen issues regarding the refurbishment of components. This, in turn, has resulted in the increased costs and the need for additional funding. The current contract amount is $12,700,000; it is projected that an additional $4,300,000 will be required to complete the requisite factory and site work, including the remaining three units. The Trustees' approval is now requested for additional funding in the amount of $4,300,000 to be released and allocated to the subject contract from the aforementioned previously approved CEAR, thereby increasing the compensation ceiling to $17,000,000.

"The contract with **Van Ness Feldman P.C. ('VNF'; S98-00371)** has provided for strategic advice and counsel to the Authority relating to the relicensing process for the Niagara and St. Lawrence/FDR Power Projects ('Projects') and the substantive issues involved. In addition, this firm has significant experience and familiarity with the Federal Energy Regulatory Commission ('FERC') and with issues of national policy relating to environmental and hydro-licensing concerns, and has the resources to supplement the efforts of Authority staff when necessary. The original agreement became effective on February 1, 1998 for an initial term of one year. At their meetings of December 15, 1998, December 19, 2000 and December 17, 2002, respectively, the Trustees approved contract extensions through January 31, 2005 and a revised compensation ceiling of $2,701,735. An additional $500,000 was subsequently authorized in accordance with the Authority's Expenditure Authorization Procedures. VNF has been an integral part of the relicensing teams for both Projects and it is anticipated that the firm will continue to play a critical role in the relicensing process, as well as in the implementation phase. VNF has also been instrumental in helping the Authority recover $1.48 million in FERC overcharges, based on the inclusion of unwarranted administrative costs submitted by eight federal agencies under the Energy Policy Act of 1992. In addition, the Authority will require the assistance of experienced FERC counsel in Washington, DC to address federal energy policy issues involving reform of the licensing and relicensing process under the Federal Power Act, and VNF is

well suited for this role. The current contract amount is $3,201,735; it is estimated that an additional $500,000 will be required for the previously approved contract term to support the aforementioned efforts. The Trustees' approval is requested to approve an additional $500,000, thereby increasing the compensation ceiling to $3,701,735.

Release and Allocation of Previously Approved Funding

"The contract with **Voith Siemens Hydro Power Generation, Inc. ('Voith'; 4500016211)** provides for the engineering, design, fabrication and delivery of a new Generation Control System ('GCS') at the St. Lawrence/FDR Power Project, as part of the Life Extension and Modernization program. At their meeting of October 26, 1999, the Trustees approved the award of a contract to Voith in the approximate amount of $11,500,000. The Trustees authorized the release of additional funding from the previously approved award amount at their meeting of March 27, 2001. At their meeting of June 25, 2002, the Trustees approved an additional $10,000,000, as well as a revised compensation ceiling of $21,504,806. Subsequent authorization to release additional previously approved funding was obtained at the Trustees' meeting of April 29, 2003. The current contract amount is $21,512,206; to date, $13,909,109 has been authorized for release and allocation and approximately $13,790,000 has been expended for equipment and services in connection with the first four units. The Trustees are now requested to authorize the release and allocation of an additional $4,300,000 (from the aforementioned previously approved contract amount) to provide for the continuation of GCS engineering/design and site support services for the second set of four units, as well as for the manufacture of additional unit control boards. (This would increase the total amount authorized for release and allocation to $18,209,109, leaving a balance of $3,303,097.).

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 ('CEAR').

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President and Chief Engineer, the Vice President – Project Management, the Vice President – Procurement and Real Estate, the Director – Supply Planning, Pricing and Power Contracts, the Director – Research and Technology Development, the Director – Corporate Services, the Director – Accounting, the Regional Manager – Western New York, the Regional Manager – Central New York, the Regional Manager – Northern New York, the Regional Manager – Southeast New York and the General Manager – Transmission Maintenance, recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '16-A,' and the extensions, additional funding and increases in the compensation ceilings, as well as the release and allocation of previously approved funding of the procurement contracts listed in Exhibit '16-B' and as discussed above.

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

The following resolution, as submitted by the 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 "16-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 pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "16-B," 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 Executive Vice President – Power Generation; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, increases in the compensation ceilings of the contracts with ALSTOM Power Inc. and Van Ness Feldman P.C., as well as the release and allocation of previously approved funding to the contract with Voith Siemens Hydro Power Generation, Inc., are hereby approved, as recommended in the foregoing report of the Executive Vice President – Power Generation, in the amounts and for the purposes listed below:

O&M	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for legal services re hydroelectric relicensing matters for NIA & STL and energy policy issues:		
Van Ness Feldman P.C. S98-00371		
Additional Funding Requested	**$ 500,000**	**01/31/05**
Previously Approved Contract Amount	**$2,701,735**	
Additional Funding Authorized per EAPs	**$ 500,000**	
REVISED COMPENSATION CEILING	**$3,701,735**	

Capital		
Provide for runner replacement and turbine overhaul of first 8 units at STL, as part of the LEM program:		
ALSTOM Power Inc. C98-Z0045		
Additional Funding Requested	**$ 4,300,000**	**06/30/06**
Previously Approved Contract Amount	**$12,700,000**	
REVISED COMPENSATION CEILING	**$17,000,000**	

Authorization for Release and Allocation of previously approved funding:

Capital	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide for engineering, design, fabrication and delivery of a new Generation Control System at STL, as part of the LEM program:		
Voith Siemens Hydro Power Generation,Inc. 4500016211		
Additional Funding Requested for Release and Allocation (from previously approved amount)	**$ 4,300,000**	**12/31/14**
Previously Authorized Total for Release and Allocation	**$13,909,109**	
NEW TOTAL AUTHORIZED FOR RELEASE & ALLOCATION	**$18,209,109**	
PREVIOUSLY APPROVED CONTRACT AMOUNT	**$21,504,806**	

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

17. Lease of Office Space, Clarence D. Rapplyea Building – Community Mutual Savings Bank 7th Floor – Hodagaya Chemical (USA), Inc. 9th Floor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of two separate lease transactions. The first is a lease of approximately 7,344 square feet of office space on the 7th floor of the Clarence D. Rappleyea Building, White Plains, New York (hereinafter 'Building') as generally shown on Exhibit '17-A' attached hereto, by the Authority as Landlord to Community Mutual Savings Bank (hereinafter 'Community Bank') as Tenant. The proposed lease to Community Bank is for a term of 10 years and 7 months, at an average fixed rent of $22.00 per square foot, plus the Tenant's use of electricity and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit '17-B' attached hereto.

"The second lease transaction is an Amendment of Lease with an existing tenant, Hodogaya Chemical (USA), Inc. (hereinafter 'Hodogaya') of approximately 2,675 square feet of office space on the 9th floor of said Building as generally shown on Exhibit '17-C' attached hereto. The lease amendment is for a term of six years at an average fixed rent of $23.50 per square foot (including electricity), and adjustments to recover increases in taxes and operational expenses as more specifically described in Exhibit '17-D' attached hereto.

BACKGROUND

"The Authority acquired the Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. The Authority has no present or foreseeable need to occupy the aforementioned space within the Building.

DISCUSSION

"At their meeting on January 27, 1998, the Trustees authorized the execution of a Lease Agreement for said Community Bank premises with TPG Financial Systems, Inc. (hereinafter 'TPG'). The TPG lease was for a term of seven years and four months expiring on November 30, 2005. TPG sold all of its assets (including its interest in its leasehold) to State Street Bank and Trust Company, which subsequently assigned its rights and obligations to SSB Realty, LLC (hereinafter 'SSB') by assignment and assumption of lease dated August 29, 2001. SSB now wishes to terminate its lease and has agreed to pay the Authority 50% of its remaining obligation under the existing lease from April 1, 2004, through November 30, 2005, the expiration date. Pursuant to discussion with Community Bank and the Authority, a proposal has been made to enter into a new lease agreement with Community Bank for a term of 10 years and 7 months, as more specifically described in the basic lease terms in Exhibit '17-B.'

"Hodogaya has been a tenant in the Building since 1994. The current lease expires as of May 31, 2004. Through negotiations with Authority staff, Hodogaya desires to extend its lease for an additional six years as more particularly set forth in the basic lease terms described in Exhibit '17-D.'

"Authority staff has reviewed rent comparables for Westchester County and a review of these comparables and the local market conditions indicate that these transactions compare favorably with other space being offered in downtown White Plains.

FISCAL INFORMATION

"Payment for tenant improvements and architectural and engineering fees as set forth in Exhibits '17-B' and '17-D' and any leasing commission will be made from the Operating Fund.

RECOMMENDATION

"The Vice President – Procurement and Real Estate, the Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into a lease agreement with Community Mutual Savings Bank for commercial office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '17-B' attached hereto and that the Trustees also approve entering into a termination of lease with SSB Realty, LLC, on terms substantially in accordance with the foregoing.

"The Vice President – Procurement and Real Estate, the Director – Real Estate and the Director – Corporate Support Services recommend that the Trustees approve entering into an amendment of lease with Hodogaya Chemical (USA), Inc. for commercial office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '17-D' attached hereto.

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

Mr. Hoff presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman Ciminelli, Mr. Hoff said that the Authority had to pay a broker's fees for lease extensions only if a broker was involved in the original lease transaction. Vice Chairman McCullough opined that these two leases were beneficial to the Authority, since the rents being charged under the leases were at going rates for downtown White Plains.

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

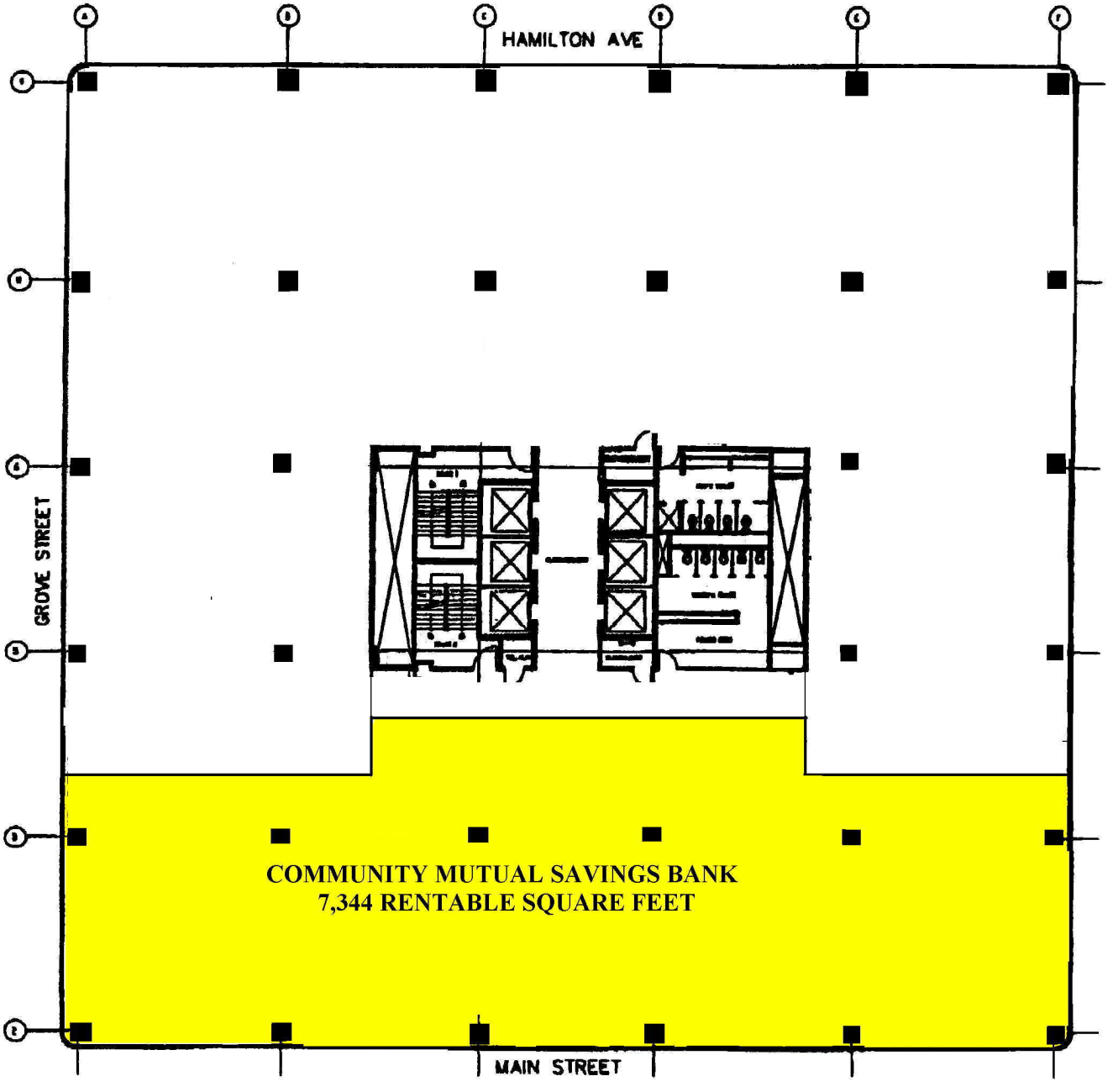
RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Corporate Services and Administration and/or the Vice President – Procurement and Real Estate be, and hereby are, authorized to enter into a termination of lease with SSB Realty, LLC for office space in the Clarence D. Rappleyea Building on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer, and subject to approval of the termination documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Corporate Services and Administration and/or the Vice President – Procurement and Real Estate be, and hereby are, authorized to enter into a lease agreement for office space in the Clarence D. Rappleyea Building with Community Mutual Savings Bank, on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and the attached Exhibit B and subject to approval of the lease documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Corporate Services and Administration and/or the Vice President – Procurement and Real Estate be, and hereby are, authorized to enter into a lease amendment for office space in the Clarence D. Rappleyea Building with Hodogaya Chemical (USA), Inc., on substantially the terms set forth in the foregoing report of the President and Chief Executive Officer and the attached Exhibit D and subject to approval of the lease documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

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

EXHIBIT A



PORTION OF THE 7TH FLOOR
COMMUNITY MUTUAL SAVINGS BANK
(NOT TO SCALE)

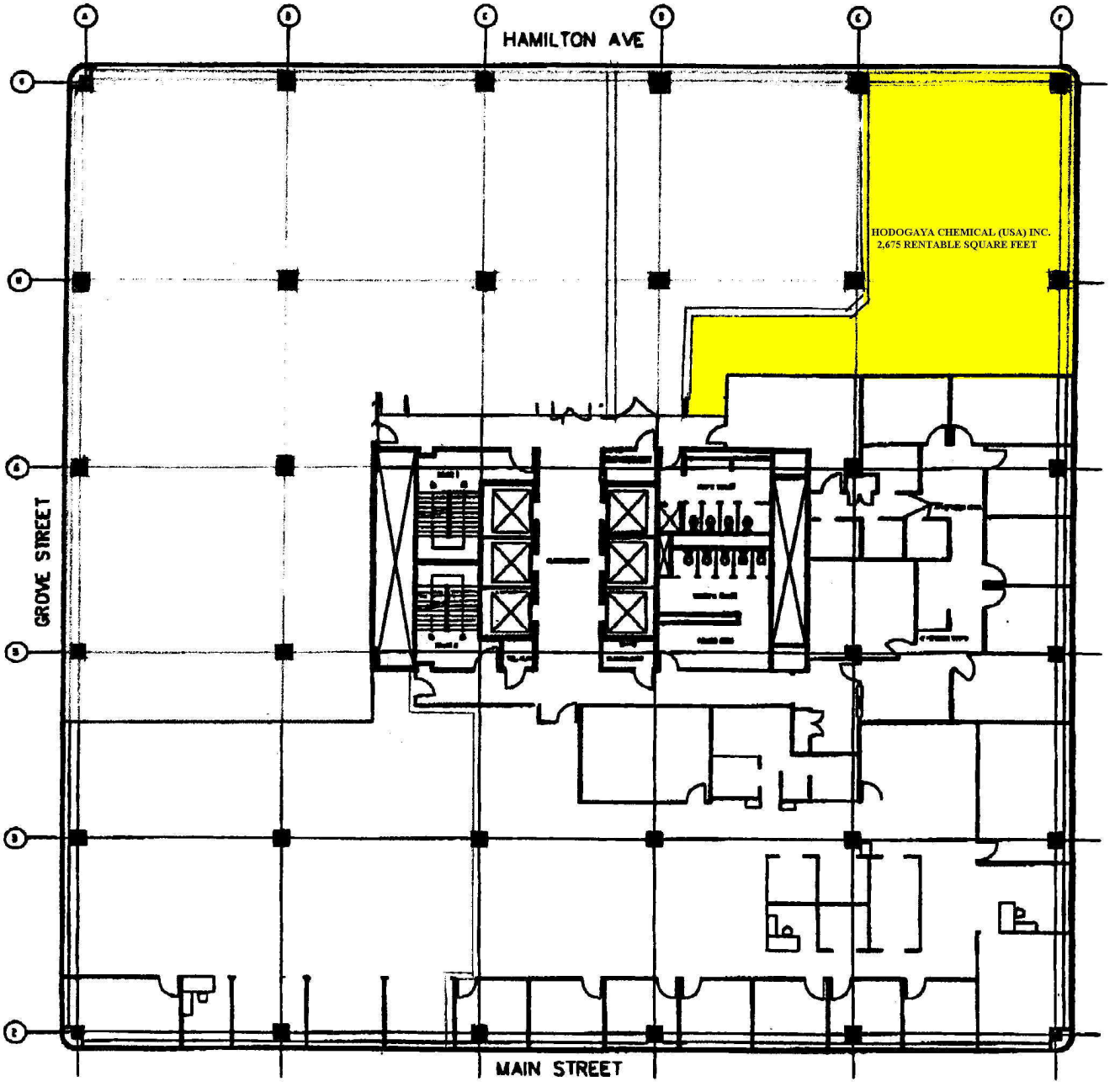
BASIC LEASE TERMS

Authority to Community Mutual Savings Bank

Term:	10 years, 7 months	
Premises:	Years 1-5	6,325 rsf
	Years 6-7	6,665 rsf
	Years 8-9	7,005 rsf
	Year 10	7,344 rsf
Rent Abatement:	7 months	
Electric:	Tenant's use of electricity will be submetered or provided by Landlord at $2.75/rsf.	
Fixed Annual Rental Rate:[4]	From the substantial completion date to the day preceding the 6-year anniversary of the substantial completion date, $21.00/SF or $132,825 per annum. From the 6-year anniversary of the substantial completion date to the day preceding the 8-year anniversary of the substantial completion date, $23.00/SF or $153,295 per annum. From the 8-year anniversary of the substantial completion date to the day preceding the 10-year anniversary of the substantial completion date, $23.00/SF or $161,115. From the 10-year anniversary of the substantial completion date through the day preceding the 10-year, 7-month anniversary of the substantial completion date, $23.00/SF or $168,912.	
Landlord's Contribution:	Construction of the premises not to exceed $146,880, including architectural and engineering fees. Any costs that exceed Landlord's contribution are to be paid for by Tenant.	
Escalations:	Proportionate share of increases in operating expenses over base year of 2005. Proportionate share of increases in real estate taxes over base year of 2005.	

[4] Fixed rent is exclusive of electricity.

EXHIBIT C



PORTION OF THE 9TH FLOOR
HODOGAYA CHEMICAL (USA) INC.

(NOT TO SCALE)

	Note: initial 6,325 SF represents 1.51% of the space at 123 Main Street.
Option:	Two five-year options with 12 months' prior written notification to Landlord.
Parking:	Authority can provide 1.75 parking spaces per 1,000 SF. Reserved spaces are $105.00/month for each space and unreserved spaces are $85.00/month for each space.
Brokerage Commission:	CB Richard Ellis Real Estate Services will receive one full market commission.

BASIC LEASE TERMS

Authority to Hodogaya Chemical (USA), Inc.

Terms:	6 years
Premises:	2,675 rsf
Electric:	From 6/1/04 – 5/31/05 $2.00 SF or $5,350.00 per annum. 6/1/05 – 5/31/07 $2.25 SF or $6,018.75 per annum. 6/1/07 – 5/31/10 $2.50 SF or $6,687.50 per annum.
Fixed Annual Rental Rate:[5]	From 6/1/04 – 5/31/05 – $22.00 SF or $58,850 per annum. 6/1/05 – 5/31/06 $22.75 SF or $60,856.25 per annum. 6/1/06 – 5/31/07 $23.25 SF or $62,193.75 per annum. 6/1/07 – 5/31/08 $24.00 SF or $64,200 per annum. 6/1/08 – 5/31/10 $24.50 SF or $65,537.50 per annum.
Landlord's Contribution:	Improvements to the premises not to exceed $7,700. Any upgrades or changes requested by Tenant that exceed $7,700 will be paid for by Tenant.
Escalations:	Proportionate share of increases in operating expenses over base year of 1994. Proportionate share of increases in real estate taxes over base year of 1994-1995. Note: 2,675 SF represents 0.68 of the space at 123 Main Street.
Option:	None.
Parking:	Authority will provide one reserved space at $95.00/month and three unreserved spaces at $75.00/month for each space.
Brokerage Commission:	There will be no brokerage commission associated with this transaction.

[5] Fixed rent is inclusive of electricity.

18. <u>Next Meeting</u>

The Annual Meeting of the Trustees will be held on **Tuesday, April 27, 2004,** unless otherwise designated by the Chairman with the concurrence of the Trustees , at a location to be determined.

19. <u>Closing</u>

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 11:54 a.m.

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