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

February 23, 2005

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

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

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
Joseph Del Sindaco	Senior Vice President and Chief Financial Officer
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Edward Hubert	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
Arthur T. Cambouris	Assistant General Counsel – Litigation
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Gerald G. Goldstein	Assistant General Counsel – Regulatory and Contracts
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
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
Frederick E. Chase	Executive Director – Hydro Relicensing
Paul W. Belnick	Director – Energy Services and Technology
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
Joseph Leary	Director – SENY Public and Governmental Affairs
James F. Pasquale	Director – Business Power Allocations, Regulation and Billing
Daniel Wiese	Director – Corporate Security/Inspector General
Michael J. Huvane	Manager – Business Marketing and Economic Development
John Grzan	Senior Project Manager
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Louise Nestler	Assistant Ethics and Compliance Officer
Bonnie Fahey	Executive Administrative Assistant
Noelle M. Zandri	Secretary to General Counsel
Bill Helmer	Special Licensing Counsel
Michael A. Saltzman	Senior Information Specialist
Brian G. Warner	Senior Policy Specialist
John Cashin	Executive Administrator, Battery Park City Authority

Richard Schwartz	Reporter, BOC
Lenny Stalica	Vice President, Bloomberg

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

1. **Approval of the Minutes**

The minutes of the Regular Meeting of January 25, 2005 and the Special Meeting held on February 9, 2005 were unanimously adopted.

2. Financial Reports for the Twelve Months Ended
<u>December 31, 2004 and the Month of January 2005</u>

Mr. Bellis provided the Financial Reports for the twelve months ended December 31, 2004 and the month of January 2005.

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

No report.

4. Power for Jobs Program – Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve extended benefits for 90 Power for Jobs ('PFJ') customers as listed in Exhibits '4-A' and '4-B.' The Economic Development Power Allocation Board ('EDPAB') has recommended that these customers receive such extended benefits.

BACKGROUND

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

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

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

"In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as 'phase five' of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants. The program's sunset date is December 31, 2005.

"In 2004, provisions of the approved state budget extended the benefits for PFJ customers whose contracts expire before the end of the program in 2005. Such customers may choose to receive an 'electricity savings reimbursement' rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

"PFJ customers whose contracts expired on or prior to November 30, 2004 are eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers may choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004 through the end of the PFJ program on December 31, 2005.

"PFJ customers whose contracts expired after November 30, 2004 will be eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expire through the sunset of the program at the end of 2005.

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

DISCUSSION

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees approve the allocations and/or electricity savings reimbursement rebates to the 90 businesses listed in Exhibits '4-A' and '4-B.' Exhibit '4-A' lists businesses that have requested and are being recommended for contract extensions, while Exhibit '4-B' lists those businesses that have requested and are recommended to receive an electricity savings reimbursement. Collectively, these organizations have agreed to retain more than 57,500 jobs in New York State in exchange for the contract extensions or rebates. The contracts will be extended and the rebate program will be in effect until December 31, 2005, the program's sunset. The power will be wheeled by the investor-owned utilities as indicated in the exhibits.

"The Trustees are requested to approve contract extensions for the companies listed in Exhibit '4-A,' and the payment and funding of rebates for the companies listed in Exhibits '4-A' and '4-B' through November 30, 2004, in a total amount currently not expected to exceed $2,500,000. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present to the Trustees requests for additional funding for rebates for some of the companies listed on Exhibit '4-B' in the future.

"Completed applications were reviewed by EDPAB and recommendations were made at their meeting on February 22, 2005.

RECOMMENDATION

"The Senior Vice President and Chief Financial Officer and the Director – Business Power Allocations, Regulation and Billing recommend that the Trustees approve the contract extensions for, and the payment of electricity savings reimbursements to, the Power for Jobs customers listed in Exhibits '4-A' and '4-B.'

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Public and Governmental Affairs, the Vice President – Major Account 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 questions from Trustee Seymour, Mr. Pasquale said that the sunset date for the Power for Jobs program legislation is December 31, 2005, and that the funds to pay for the contract extensions and rebates had been included in the Authority's 2005 budget.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve contract extensions and electricity savings reimbursements to the Power for Jobs customers listed in Exhibits "4-A" and "4-B," respectively;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves contract extensions for those companies listed in Exhibit "4-A" and the payment of electricity savings reimbursements and/or contract extensions to the companies listed in Exhibit "4-B," as submitted to this meeting, and that the Authority finds that such extensions and payments for electricity savings

reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That based on the recommendation of staff, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report from the President and Chief Executive Officer in the aggregate amount of up to $2,500,000 and it is hereby found that amounts may properly be withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing report upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503 (1) (a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; 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 negotiate and to execute any and all documents necessary or desirable to effectuate the foregoing; and be it further

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

New York Power Authority **Exhibit "4-A"**
Power for Jobs Extended Benefits **February 23, 2005**
Recommendations for Contract Extensions

Line	Company	City	County	IOU	KW	Jobs	Jobs/MW	Type	Description
1	Citi Group	New York	New York	CONED	5,000	1,500	300	Large	Provides banking services
2	Coca Cola Bottling Co. NY	Hawthorne	Westchester	CONED	1,250	3,618	2,894	Large	Bottles liquid non-alchoholic refreshments
3	Cumberland Packaging	Brooklyn	Kings	CONED	750	273	364	Large	Manufactures "Sweet & Low" sugar substitute
4	Kinray, Inc.	Whitestone	Queens	CONED	450	420	933	Large	Pharmaceuticals
5	Maimonides Medical Center	Brooklyn	Kings	CONED	1,350	4,645	3,441	NFP	Medical center
6	Montefiore Medical Center	Bronx	Bronx	CONED	1,750	10,984	6,277	NFP	Medical center
7	San-Mar Laboratories Inc.	Elmsford	Westchester	CONED	250	324	1,296	Small	Pharmaceuticals and cosmetics
8	Sound Shore Medical Center of Westchester	New Rochelle	Westchester	CONED	1,000	1,322	1,322	NFP	Medical services
9	The Jewish Museum	New York	New York	CONED	200	155	775	NFP	Museum
10	The Mount Vernon Hospital	Mount Vernon	Westchester	CONED	600	687	1,145	NFP	Community health care center and hospital
11	Whitney Museum of American Art	New York	New York	CONED	400	182	455	NFP	Museum
12	Yeshiva University	New York	New York	CONED	3,000	3,808	1,269	NFP	Educational institution
	Consolidated Edison		**Subtotal**	**12**	**16,000**	**27,918**	1,745		
13	Fortunoff	Uniondale	Nassau	LIPA	1,000	360	360	Large	Warehousing and distribution/back office
14	Gurwin Jewish Geriatric Center	Commack	Suffolk	LIPA	500	642	1,284	NFP	Nursing home
15	Kleer-Fax Inc.	Amityville	Suffolk	LIPA	200	130	650	Small	Manufactures paper and plastic products
	Long Island Power Authority		**Subtotal**	**3**	**1,700**	**1,132**	666		
16	Agri-Link, Inc.	Fulton	Oswego	NIMO	1,500	252	168	Large	Food processing and marketing company
17	Allied Frozen Storage, Inc.	Buffalo	Erie	NIMO	400	70	175	Large	Frozen food storage facility
18	AMF Bowling Inc.	Lowville	Lewis	NIMO	500	100	200	Large	Manufactures bowling pins and lanes
19	Amsterdam Printing & Litho	Amsterdam	Montgomery	NIMO	500	976	1,952	Large	Personalized imprinting technology
20	Anoplate Corp.	Syracuse	Onondaga	NIMO	450	167	371	Large	Metal finishing
21	Bonded Insulation Company, Inc.	Hagaman	Montgomery	NIMO	300	31	105	Small	Manufactures cellulose insulation and fire retardant
22	Brooks Memorial Hospital	Dunkirk	Chautauqua	NIMO	400	384	960	NFP	Comprehensive health care facility
23	Brownville Specialty Paper Products	Brownville	Jefferson	NIMO	600	67	112	Large	Manufacturers specialty papers
24	Byrne Dairy, Inc.	Syracuse	Onondaga	NIMO	300	35	117	Small	Dairy products and ice cream
25	Charles T. Sitrin Health Care Center	New Hartford	Oneida	NIMO	300	337	1,123	NFP	Health care center
26	Clinton's Ditch Cooperative Company	Cicero	Onondaga	NIMO	800	193	241	Large	Soft drink producer
27	Di Highway Sign & Structure Corp.	New York Mills	Oneida	NIMO	170	93	547	Small	Makes bridge and guide railing and sign structures
28	Ethox Corp.	Buffalo	Erie	NIMO	500	164	328	Large	Disposable products for the health care industry
29	Faster Form Corp.	Frankfort	Herkimer	NIMO	50	54	1,080	Small	Makes accessories for floral arrangements
30	Gehring Tricot Corp.	Dolgeville	Herkimer	NIMO	450	114	253	Large	Dyes and finishes knitted fabrics
31	Gernatt Asphalt Products, Inc.	Collins	Erie	NIMO	800	97	121	Large	Asphalt products
32	H. P. Hood, Inc.	Oneida	Madison	NIMO	1,000	197	197	Large	Fluid milk products
33	Hebeler Corporation	Tonawanda	Erie	NIMO	350	149	426	Small	Process equipment for various industries
34	Helmont Mills	St. Johnsville	Montgomery	NIMO	250	84	336	Small	Knitted fabric production
35	Indium Corporation of America	Utica	Oneida	NIMO	600	259	432	Large	Manufactures indium metal for industry
36	Matt Brewing Company	Utica	Oneida	NIMO	600	147	245	Large	Brewery
37	Mayer Bros. Apple Products, Inc.	West Seneca	Erie	NIMO	300	74	247	Small	Juice pressing and bottling
38	Mercy Hospital	Buffalo	Erie	NIMO	1,000	1,982	1,982	NFP	General hospital
39	Mount Saint Mary's Hospital	Lewiston	Niagara	NIMO	350	703	2,009	NFP	Community hospital

New York Power Authority
Power for Jobs Extended Benefits
Recommendations for Contract Extensions

Exhibit "4-A"
February 23, 2005

Line	Company	City	County	IOU	KW	Jobs	Jobs/MW	Type	Description
40	Native Textiles	Glens Falls	Warren	NIMO	500	172	344	Large	Tricot textile manufacturer
41	Niagara Falls Medical Center	Niagara Falls	Niagara	NIMO	500	873	1,746	NFP	Community hospital
42	Norlite Corp.	Cohoes	Albany	NIMO	500	67	134	Large	Manufactures nonmetallic mineral products
43	Oneida Healthcare Center	Oneida	Madison	NIMO	400	737	1,843	Large	General hospital
44	Onondaga Beverage Corp.	Liverpool	Onondaga	NIMO	120	125	1,042	Small	Warehouses and distributes beverages
45	Ontario Foods, Inc.	Medina	Orleans	NIMO	1,000	239	239	Large	Manufactures dry food products
46	Orion Bus Industries	Oriskany	Oneida	NIMO	300	596	1,987	Small	Assembles state-of-the-art transit buses
47	Peak Resorts Inc., dba Greek Peak	Cortland	Cortland	NIMO	2,200	169	77	Large	Ski resort
48	Precision Systems Mfg., Inc.	Liverpool	Onondaga	NIMO	200	76	380	Small	Machining and sheet-metal manufacturing
49	Rensselaer Polytechnic Institute	Troy	Rensselaer	NIMO	1,675	1,838	1,097	NFP	Education and research
50	St. Lawrence University	Canton	St. Lawrence	NIMO	800	794	993	NFP	Institution of higher education
51	Suit-Kote Corp.	Cortland	Cortland	NIMO	1,400	447	319	Large	Asphalt company
52	The Beeches of Rome, Inc.	Rome	Oneida	NIMO	300	116	387	Small	Conference center
53	Trans World Entertainment	Albany	Albany	NIMO	400	600	1,500	Large	Corporate offices and distribution facilities
54	Utica Converters, Inc.	Utica	Oneida	NIMO	1,400	197	141	Large	Tire cord manufacturer
	Niagara Mohawk		**Subtotal**	**39**	**24,165**	**13,775**	570		
55	Cameron Fabricating Corporation	Horseheads	Chemung	NYSEG	325	158	486	Small	Supplies metal fabrications and machinery
56	Elrae Industries	Alden	Erie	NYSEG	300	59	197	Small	Contract metal stamper
57	Lancaster Steel Service Co., Inc.	Lancaster	Erie	NYSEG	500	150	300	Large	Steel distribution warehouse
58	Novapak Corporation	Philmont	Columbia	NYSEG	700	159	227	Large	Blowmolder of plastic containers
59	PCB Piezotronics, Inc.	Depew	Erie	NYSEG	600	512	853	Large	Capacitive/piezoelectric quartz instruments
60	NYSARC, Inc. - Columbia County Chap	Mellenville	Columbia	NYSEG	450	113	251	NFP	Trains and educates developmentally disabled citizens
	New York State Electric and Gas		**Subtotal**	**6**	**2,875**	**1,151**	400		
61	Delphi Automotive Systems	Rochester	Monroe	RGE	5,000	2,523	505	Large	Manufactures auto fuel and emission systems
62	J. C. Plastics, Inc.	Rochester	Monroe	RGE	150	29	193	Small	Plastic injection molding
	Rochester Gas and Electric		**Subtotal**	**2**	**5,150**	**2,552**	496		

Summary Data	Number	kW	Jobs	Jobs/MW
Large Business	**30**	**31,750**	**14,946**	**471**
Small Business	**16**	**3,865**	**2,133**	**552**
Not for Profit	**16**	**14,275**	**29,449**	**2,063**
Total	**62**	**49,890**	**46,528**	**933**

5. **Information Technology Initiatives – Approval of Capital Expenditure**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $4.7 million for the implementation of Information Technology ('IT') Initiatives in 2005 as per the Authority's Expenditure Authorization Procedures. These expenditures have been budgeted in the 2005 approved Capital budget.

BACKGROUND

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

"For each of the past 10 years, in concert with the Business Units, IT has developed a list of initiatives designed to meet business needs by taking advantage of evolving technology applications. These application developments have been funded from a capital program called IT Initiatives. This capital program, which has typically totaled less than $3 million annually, has been approved by the Trustees in the Authority's Capital budget authorized each December. Since the request for 2005 is greater than $3 million, Trustee approval is requested as per the Authority's Expenditure Authorization Procedures.

DISCUSSION

"The following lists the 2005 IT Initiatives, along with the estimated cost of each Initiative:

- **Corporate Performance Measurement** **$ 305,000**
  The SAP Business Warehouse and Strategic Enterprise Management modules are currently used by the Authority to support financial management reporting and annual budget input processing. This initiative is for services in connection with expanding the above to incorporate additional information that will support Accounts Payable, Inventory Accounting and Fixed Assets reporting. Additionally, work is to be performed to develop web-based reports and associated menus for executive information retrieval.

- **Time & Attendance** **$ 330,000**
  This project entails replacement of the TESS payroll time-entry system with the SAP R/3 CATTS module. The existing TESS time-entry system is used by staff to feed the external payroll-processing environment, as well as for internal reporting. The new system will become an integral part of the SAP R/3 environment and eliminate existing interfaces.

- **Records Management** **$ 1,100,000**
  This project will replace the existing Records Management system, which is no longer able to meet the Authority's requirements, with a new Document Management System. The new system will allow electronic storage, retrieval and automated retention rules on all types of documents, including memos, reports, policies and e-mails.

- **Marketing Forecasting** **$ 500,000**
  This project will develop a new Long-Term Marketing Forecast System as an added functionality of the existing Short-Term Load Forecasting System, EVE.

- **SAP R/3 – Database Archiving** **$ 360,000**
  This project will implement an archiving solution for the existing SAP R/3 environment, which has been accumulating transactions since its inception with no process to extract transactions that no longer need to be retrieved online. This solution will improve performance by migrating records no longer needed off the online system, but retaining them in an archive.

- **ERM Henwood System** **$ 200,000**
  The Henwood System, the main application for submitting bids into the NYISO market, will be upgraded to Standard Market Design version 2 in early 2005. The ERM system will then be able to process more data and submit four bids per hour instead of one.

- **Traders Portal** **$ 450,000**
  This project represents Phase II enhancements to the new portal system that went online in December 2004. A number of enhancements and additional reports postponed until after completion of Phase I are planned for the second quarter of 2005.

- **Employee Communications** **$ 230,000**
  This project will upgrade and enhance the Scrolling Monitor system used to inform plant staff who don't have designated work locations or desktop computers of Authority news and information. These displays are strategically located in lunch and meeting rooms at the Authority's facilities.

- **ERAC** **$ 150,000**
  This project, to be implemented by an outside vendor, will enhance the Risk Management Forward Price Curve system developed by the Electric Power Research Institute.

- **MAXIMO** **$ 140,000**
  This project will enhance the Power Generation Workforce Management System by upgrading and consolidating existing databases to gain better efficiencies at all facilities.

- **Billing Systems** **$ 500,000**
  This project, which will develop a Data Integration Repository to automate many existing manual processes, will streamline the process of getting data into the existing billing system and thus shorten the time and reduce the work needed to generate customer bills. This work will be reusable and save time when the replacement of the billing system scope is finalized. This replacement billing system work is expected to begin in 2006.

- **Direct IT Support Labor** **$ 435,000**

Total **$4,700,000**

FISCAL INFORMATION

"Payments associated with these projects will be made from the Capital Fund.

RECOMMENDATION

"The Chief Information Officer – Information Technology recommends that the Trustees approve the Capital Expenditure of $4,700,000 for Information Technology Initiatives.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – 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 said that the funding requested was all for new initiatives to be carried out in 2005. Responding to a question from Trustee Seymour, Mr. Eccleston said that most of the Information Technology Initiative contracts would be competitively bid.

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

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

Capital	**Expenditure Authorization**
Information Technology Initiatives 2005	**$4,700,000**

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.

6. Blenheim-Gilboa Power Project – 345 kV Power Circuit Breakers Replacement

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $6.2 million to replace the six remaining Brown Boveri DLF 345kV Power Circuit Breakers at Blenheim-Gilboa Power Project ('B-G') over a six-year period beginning in 2005, and ending in 2010. Specific contract approvals will be made as the program advances, in accordance with the Authority's Expenditure Authorization Procedures.

BACKGROUND

"In September 2000, B-G experienced a catastrophic failure on substation power circuit breaker ('PCB') 3202. This failure created severe collateral damage. For more than 18 months, two B-G units were using one breaker, which, if it had failed, would have blocked their use to generate 520 MW of electricity. An emergency order was immediately placed with High Voltage Breaker, Inc. ('HVB') for fabricating and delivering a new SF_6 HVB circuit breaker. The failed breaker was replaced in 2002.

"The second and third circuit breakers were successfully replaced in 2003 and 2004 with the new HVB circuit breakers. This request is to establish a program for orderly replacement of the six remaining 345kV Brown Boveri DLF circuit breakers with SF_6 design power circuit breakers similar to the ones previously installed.

DISCUSSION

"The six remaining Brown Boveri DLF breakers are the original complicated and high-maintenance equipment purchased and installed in the late 1960s and early 1970s. Maintenance is required every three years with a major overhaul every nine years. The DLF breakers are obsolete, so obtaining some spare parts is an increasing problem. Their associated current transformers ('CT') are the oil type and are 30 years old. Failure of these oil-type CTs could also cause severe collateral damage. The SF_6 design breakers use internal bushing current transformers and the SF_6 design does not exhibit violent failure modes, since no insulating oil is required.

"Replacing the six DLF breakers will minimize further risk of potential violent failures of equipment in the substation and will significantly reduce maintenance activities.

"The HVB breakers using SF_6 technology are inherently safer to operate than the air-blast DLF breakers. Twelve of these SF_6 HVB circuit breakers have been installed at Marcy's 345kV substation, with three installed at B-G. Marcy and B-G staff have confirmed their excellent operating performance and minimal maintenance requirements.

"An estimated expenditure of $1.0 million for one breaker replacement is included in the 2005 budget.

FISCAL INFORMATION

"Payments will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President and Chief Engineer, the Vice President – Procurement and the Regional Manager – Central New York recommend that the Trustees approve the capital expenditure of $6.2 million for the Blenheim-Gilboa 345kV Power Circuit Breaker Replacement program.

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

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the Blenheim-Gilboa Power Project in the amounts and for the purposes listed below:

Capital	**Expenditure Authorization**
Blenheim-Gilboa 345kV Circuit Breaker Replacement Program	**$6.2 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.

7. Procurement (Services) Contract – Blenheim-Gilboa Power Project Supervisory Control and Data Acquisition (SCADA) Computer System Replacement – Siemens Power Transmission and Distribution, Inc. – Contract Award

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a contract to Siemens Power Transmission and Distribution, Inc. of San Jose, California ('Siemens'), in an amount not to exceed $875,000, for a replacement Supervisory Control and Data Acquisition ('SCADA') Computer System for the Blenheim-Gilboa Power Project ('B-G'). Delivery of the new system would occur in 2006, prior to commencement of B-G Plant Life Extension and Modernization ('LEM') activities.

"The award would be subject to negotiation of acceptable terms and conditions.

BACKGROUND

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

"The B-G operators use the SCADA System to monitor and control the B-G Pumped Storage Hydroelectric Power Plant, the local 345 kV switchyard, several small hydro facilities and the Authority's transmission system stations in central New York. Data is collected for and control signals received from the New York Independent System Operator ('NYISO') via the SCADA System. The Marcy 345/765 kV facilities, including the FACTS equipment, which are at a critical NYISO system interface point, are monitored and controlled via the SCADA System.

"These operations encompass plants and water control structures critical to the operation of water supply and barge transportation facilities in the area. The SCADA System also provides local water management and control capability required in agreements with the Federal Energy Regulatory Commission ('FERC') and downstream interests.

DISCUSSION

"The existing B-G SCADA is in need of replacement due to the obsolescence of critical hardware components and decreasing vendor support in the area of future modifications and expansions. Procurement is required at this time in order to have an up-to-date expandable system in place to handle expected additional requirements associated with B-G Plant LEM.

"Budgetary estimates were solicited from several SCADA vendors, and based on our analysis of the estimates a Capital Expenditure Authorization Request ('CEAR') in the amount of $3.85 million was prepared and approved by the Trustees at their meeting of July 27, 2004. Funds allocated for new SCADA procurement totaled $2.3 million. A Request for Proposals, including detailed technical specifications, was released on August 10, 2004. Competitive bids were received from five vendors on October 7, 2004.

"Siemens' proposal for a standard system with minimal customization had the lowest cost of all bids received. Technical and commercial questions were submitted to the bidders and they were encouraged to offer additional options to correct weaknesses with their proposed systems. Engineering, B-G technical and B-G operations personnel visited the two finalists, including Siemens, and participated in the technical evaluations of the proposed systems.

"After careful consideration, Siemens' proposal for its standard SCADA System is recommended for purchase at a price of $792,030, including options. This cost is below the base bid price of the next lowest bidder. Since the SCADA is being purchased before all technical details of the upcoming B-G LEM Project are finalized, it is expected that additional requirements may arise requiring a change of scope for the SCADA vendor. The Authority is, therefore, requesting approval for a total award cost of up to $875,000 to allow for potential change orders. This cost is substantially less than the amount requested in the CEAR and will result in an expected reduction of $1.1 million in total CEAR cost. This represents the decrease in SCADA procurement expense, adjusted by Authority costs associated with application of a standard product.

FISCAL INFORMATION

"Payments will be made from the Capital Fund.

"The requested maximum award amount is within the fund allocation in the approved B-G SCADA CEAR for SCADA Master Station procurement.

RECOMMENDATION

"The Vice President and Chief Engineer – Power Generation and the Regional Manager – Central New York recommend that the Trustees authorize award of a contract in the amount of up to $875,000 to Siemens Power Transmission and Distribution, Inc. of San Jose, California, for replacing the Blenheim-Gilboa Power Project's Supervisory Control and Data Acquisition Computer System.

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

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

RESOLVED, That pursuant to the Authority's Guidelines for Procurement Contracts, the award of a contract to Siemens Power Transmission and Distribution, Inc. is approved as recommended in the foregoing report of the President and Chief Executive Officer, for an amount not to exceed $875,000 for hardware, software licenses and development associated with the Blenheim-Gilboa Supervisory Control and Data Acquisition Computer System replacement; and be it further

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

8. New York State 2005 "Stay Cool!" Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority ('NYSERDA') to support the coordinated 2005 statewide 'Stay Cool!' program to promote the use of energy-efficient ENERGY STAR® products and increase public awareness of the need for energy conservation through New York Energy $mart℠.

BACKGROUND

"To address the urgent energy challenges facing New York State in the summer of 2001, Governor George E. Pataki directed state agencies to engage in a variety of energy demand reduction initiatives. Among those efforts was a coordinated campaign involving NYSERDA, the New York Power Authority ('Authority') and the Long Island Power Authority ('LIPA') in cooperation with the New York State Public Service Commission ('PSC') to promote more prudent use of electricity in New York State with an ENERGY STAR® Awareness campaign and an air-conditioner bounty program for the purchase of residential ENERGY STAR® room air-conditioning equipment and the return of old, inefficient units.

DISCUSSION

"The public awareness campaign is focused on educating consumers about the value of energy efficiency, providing advice on ways to stay cool during the summer months while controlling energy costs. The public appeal highlights the need to use power sensibly, coupled with ways to be more energy efficient. The program has used assorted communications media, including television, radio, newspapers and direct mail. Promotional materials direct consumers to ENERGY STAR® retailer partners, participating state government websites and the toll-free consumer hotline: 1-877-NYSMART. It is noteworthy that more than three-quarters of New York State consumers recognize the ENERGY STAR® label, compared to one-third in 1999.

"The 'Keep Cool' Air Conditioner Replacement Bounty Program was designed to ensure that old, inefficient air conditioners were taken out of circulation, recycled and replaced with highly efficient ENERGY STAR® models. In 2001 and 2002, state residents could receive a $75 bounty when they turned in an old, working room air-conditioner and purchased an ENERGY STAR® model. The bounty was reduced to $35 in 2003. Market share of ENERGY STAR® room air conditioners increased to approximately 70%, compared to 14% in 1999. More than 200,000 older units were removed from operation, reducing residential peak demand by 83 megawatts statewide. The Authority's participation in the program specifically enabled residential customers of municipal electric systems and rural electric cooperatives to become eligible for the bounty program. From 2001 through 2003, municipal and cooperative customers turned in more than 4,500 units. In 2004, the bounty was no longer viewed as a necessary component of the program given the significant market penetration achieved by ENERGY STAR® room air-conditioners. Consequently, a revised 'Stay Cool!' program was instituted to sustain public awareness of energy-efficient products and focus on energy conservation during the summer peak demand period through New York Energy $mart℠, a statewide program to promote 'clean, energy-efficient products and solutions.'

FISCAL INFORMATION

"In 2001, the Trustees authorized a contribution of up to $2 million for 'Keep Cool,' of which $1.097 million was transferred to NYSERDA for the program. In 2002, the Trustees authorized a contribution of up to $2 million, of which $1.47 million was transferred to NYSERDA for the program. In 2003, the Trustees authorized a contribution of up to $1.25 million, of which $1.05 million was transferred to NYSERDA for the program. In 2004, the Trustees authorized a contribution of up to $750,000, the full amount of which was transferred to NYSERDA. In 2005, the Trustees are requested to authorize a contribution of up to $300,000 to be withdrawn from the Authority's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Public and Governmental Affairs and the Senior Vice President – Energy Services and Technology recommend that the Trustees authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority for the purpose of providing New York Power Authority support to New York State's 2005 'Stay Cool!' and New York Energy $mart℠ summer energy conservation awareness programs.

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

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

Trustee Carey noted that the market share of Energy Star® room air conditioners was now nearly 70%, as compared with 14% in 1999, and said that all of the sponsors of the "Stay Cool!" program should be proud of that.

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

RESOLVED, That the energy challenges facing New York State require sustained public attention to the need for energy efficiency; and be it further

RESOLVED, That Section 1001 of the Power Authority Act states "that it is desirable that the authority give its fullest cooperation to the energy research and development authority in advancing and promoting the development and implementation of new energy technologies … "; and be it further

RESOLVED, That Section 1854(3) of the Public Authorities Law empowers the New York State Energy Research and Development Authority to contract with the New York Power Authority with respect to "the construction and operation of experimental or developmental facilities which implement new energy technologies which have prospects of reducing the economic, environmental and social costs of energy production and utilization"; and be it further

RESOLVED, That such energy technologies as are referred to in the foregoing statutory provisions include advanced high-efficiency products promoted under the ENERGY STAR® program; and be it further

RESOLVED, That a coordinated effort directed by the Governor of the State of New York among and between New York State agencies and authorities is a proven effective means to educate consumers about the value of energy efficiency and raise public awareness of the availability of high-efficiency ENERGY STAR® products; and be it further

RESOLVED, That the President and Chief Executive Officer of the Authority be, and hereby is, authorized to execute, on behalf of the Authority with the New York State Energy Research and Development Authority, an agreement to provide support by the Authority, including a contribution of up to $300,000 for the New York State 2005 'Stay Cool!' and New York Energy $mart℠ summer energy conservation awareness programs, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

9. <u>Motion to Conduct an Executive Session</u>

"Mr. Chairman, I move that the Authority conduct an executive session to discuss: (i) the financial history of particular corporations and matters leading to the award of contracts to particular corporations and (ii) matters related to ongoing or potential administrative or judicial litigation relating to particular persons and corporations."

On motion duly made and seconded, an Executive Session was held.

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

"Mr. Chairman, I move to resume the meeting in Open Session." On motion duly made and seconded, the meeting resumed in open session.

11. Niagara Power Project Relicensing – Settlement Offers

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the making of offers of settlement with certain stakeholders participating in the relicensing of the Niagara Power Project (the 'Niagara Project').

BACKGROUND

"The license issued to the Authority under the Federal Power Act ('FPA') to construct and operate the Niagara Project expires on August 31, 2007. By law, the Authority must file its application for a new Niagara Project license no later than August 31, 2005. In 2002, the Authority proposed that development of the application for the new license be governed by the Alternative Licensing Process ('ALP') provided for by Federal Energy Regulatory Commission ('FERC') regulations. FERC approved the request on July 15, 2002.

"FERC's regulations provide for filing settlement agreements pursuant to which license applicants and settling parties can reduce the number of contested issues involved in a relicensing. The regulations also require that an applicant release a draft license application for review and comment; in order to meet the August 2005 statutory deadline for filing its license application, the Authority plans to release a draft license application for stakeholder review in late February 2005 ('Draft Application'). A Settlement Schedule timeline showing the projected course of the ALP through October 2007 is attached hereto as Exhibit '11-A.'

DISCUSSION

"Negotiations with interested stakeholders participating in the Niagara Project ALP began in August 2004. During the fall and winter of 2004-05, significant progress was made with respect to formulating the basic elements of the settlements described below (each, a 'Settlement Package'), and the draft application will assume implementation of the Settlement Packages pursuant to the new license and/or a final settlement agreement or final settlement agreements. Therefore, Trustee authorization of the general terms contained in the Settlement Packages is necessary and appropriate at this point.

"It should be noted that any such agreement or agreements will be conditioned on issuance of a license by FERC that is fully consistent with the terms set forth therein and that FERC's action on the final license application must be preceded by and based on review of associated environmental impacts pursuant to the National Environmental Policy Act.

"It should also be noted that the Trustees will be asked at a subsequent meeting to authorize filing the final application for a new license for the Niagara Project with FERC ('Final Application') and to authorize execution and filing of any and all relicensing settlement agreements.

"Should any stakeholder reject or propose terms that would significantly alter a settlement as described herein, staff will refrain from entering into any settlement with such stakeholder unless and until the Trustees have acted to authorize staff to proceed. The basic Settlement Packages authorized hereby are described below:

- Greenway

  On September 21, 2004, Governor Pataki signed into law legislation creating the Niagara Greenway Commission ('Greenway Commission'), a new entity charged with developing and implementing a plan to create a greenway that will 'enhance waterfront access, complement economic revitalization of the communities along the river and ensure the long-term maintenance of the greenway' once it has been established (Environmental Conservation Law § 39.07). The establishment of funds for purposes consistent with these objectives had already been discussed in connection with a number of proposed Settlement Packages, and the new legislative framework provides a convenient means of structuring these funds. The aggregate amount of the greenway Settlement Packages is calculated by assuming $7,000,000 per year is made available for the term of a 50-year license. The net present value of this settlement is estimated at $113,257,513.[1]

- Ecological

  Pursuant to Section 401 of the federal Clean Water Act ('CWA'), the New York State Department of Environmental Conservation ('DEC') will condition the new license issued by FERC for the Niagara Project through the issuance of a certificate confirming that the license will comply with CWA requirements. In addition, the FPA confers authority on federal and state wildlife agencies to recommend conditions to be included in the FERC license. In view of these provisions, the Authority has engaged in discussions with DEC, the Fish and Wildlife Service of the U.S. Department of the Interior and certain other interested organizations regarding appropriate enhancement and protection of ecological resources in and around the Niagara River. The resulting Settlement Package includes construction, operation and maintenance of 10 'Habitat Improvement Projects,' a Fish and Wildlife Habitat Enhancement and Restoration Fund, a Land Acquisition Fund and certain public access improvements. The net present value of this settlement is estimated at $30,746,347. In addition, $1,000,000 per year of the greenway fund discussed above will be earmarked for ecological projects.

- Recreational

  The original design of the Niagara Project involved the creation of Reservoir State Park within the Niagara Project Boundary established by FERC pursuant to the original license ('Current Boundary'). Studies conducted as a part of the relicensing of the Niagara Project confirmed that Reservoir State Park and a number of other recreational facilities located on Authority lands within or in the vicinity of the Niagara Project Boundary are in need of repair, maintenance and/or rehabilitation. To address this concern, a Settlement Package was developed around a series of improvements to be undertaken at Reservoir State Park, the Niagara Project Intakes, the Niagara Discovery Center and Artpark. The improvements to be made at these facilities, to the extent that they fall within the Niagara Project Boundary as defined by the new license, will be made part of the Recreation Plan that FERC will require as a condition of that license. The net present value of this Settlement Package is estimated at $11,087,938. In addition, $3,000,000 per year of the greenway fund discussed above will be earmarked for state parks recreation and tourism projects.

- Groundwater Infiltration Abatement

  Pursuant to Section 10(a) of the FPA, FERC has jurisdiction to require the modification of a project to address adverse impacts arising out of project operations. Studies conducted as part of the relicensing of the Niagara Project have confirmed that, in the vicinity of the intersection of the Niagara Project Conduits ('Conduits') and the Falls Street Tunnel ('Tunnel'), which has been incorporated into the wastewater treatment system operated by the Niagara Falls Water Board, the hydraulic influence of the Conduits causes an increase in the infiltration of groundwater into the Tunnel. Given the demonstrated impact of the Project on the Tunnel, a Settlement Package was developed around a project that involves reducing infiltration of groundwater into the tunnel. The net present value of this Settlement Package is estimated at $19,000,000.

- Tuscarora Nation

  To address a number of concerns advanced by the Tuscarora Nation ('Nation'), including cultural, environmental and historical concerns, a Settlement Package was developed involving establishment of a community fund, the conveyance of certain surplus land and the provision of up to one megawatt of low-cost power to serve the Nation's needs. The net present value of this Settlement Package is estimated at $27,568,500 (including the value of the power allocation).

[1] All dollar amounts are expressed in terms of net present value using 2007 as the base year.

- Host Communities

  The Current Boundary encompasses lands within seven taxing jurisdictions: Niagara County, the Towns of Lewiston and Niagara, the City of Niagara Falls and three school districts. While some of these lands were acquired by the Authority from entities that were already tax exempt (e.g., Niagara University and the Tuscarora Nation), most of the land so acquired became tax exempt at the time the Niagara Project was created. To address this concern and a number of other concerns advanced by these municipal entities, including socioeconomic concerns, a Settlement Package was developed that involves establishing a community fund, conveying certain surplus land and providing 25 megawatts of low-cost power. The net present value of this settlement is estimated at $182,625,349 (including the value of the power allocation). In addition, $3,000,000 per year of the greenway fund discussed above will be earmarked for local projects aimed at enhancing recreation and tourism in Niagara County.

"Settlement Packages have been discussed by staff in connection with issues raised by Niagara University and by Erie County and the City of Buffalo, but no formal action by the Trustees is being requested at this time in connection with these Settlement Packages.

FISCAL INFORMATION

"The Settlement Packages identified above are estimated to cost approximately $384,285,647 (2007 dollars), inclusive of the value of the power allocations, as well as the capital and operations and maintenance costs associated with the settlement elements contained in each Settlement Package.

RECOMMENDATION

"The President and Chief Executive Officer recommends that the Trustees authorize the Executive Director – Hydropower Relicensing and the Director – Niagara Relicensing under the direction of the Executive Director – Hydropower Relicensing to make offers of settlement as described above, with certain parties participating in the relicensing of the Niagara Power Project.

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

Mr. Chase presented the highlights of staff's recommendations to the Trustees. President Zeltmann complimented Chairman Ciminelli on the role he played in reaching the Settlement Agreements and Chairman Ciminelli responded by thanking staff for their hard work on this effort.

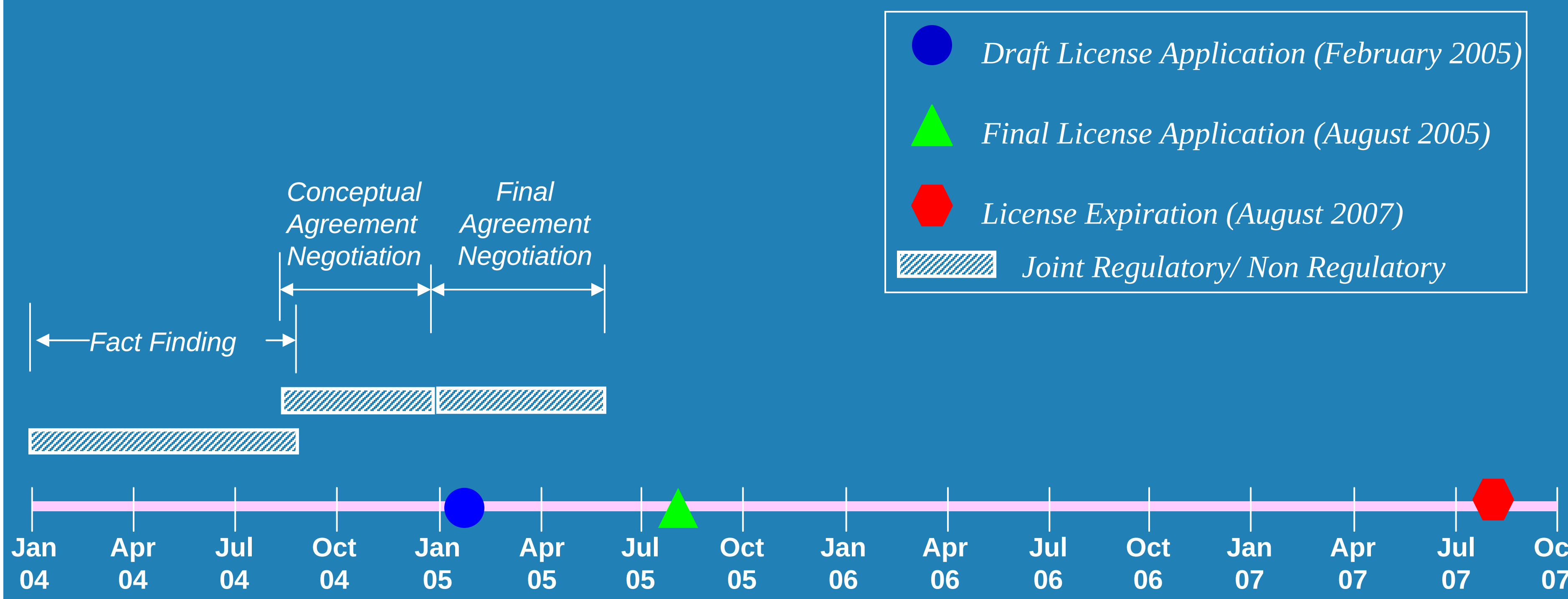
The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Executive Director – Hydropower Relicensing and the Director – Niagara Relicensing, under his direction, be, and hereby is/are, authorized to make offers of settlement as described in the foregoing report of the President and Chief Executive Officer to the Trustees; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and the Senior Vice President – Public and Governmental Affairs 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 to effectuate the foregoing resolution, subject to the approval as to form of any relevant documents by the Executive Vice President, Secretary and General Counsel.

NIAGARA POWER PROJECT

Settlement Schedule



12. Authorization to Execute Long-Term Agreements to Provide Energy and Capacity Supplies

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of long-term agreements with Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3, LLC (collectively, 'Entergy Nuclear'), Morgan Stanley Capital Group Inc. ('Morgan Stanley') and Zilkha Renewable Energy, LLC ('Zilkha'), to provide the Authority with base-load energy and on-peak energy supply in the case of Entergy and Morgan Stanley, respectively, and to provide renewable energy in the form of wind power from Zilkha. These energy supplies are intended to serve the Authority's governmental customers in New York City ('Governmental Customers').

BACKGROUND

"The Authority has served and will continue to serve its Governmental Customers in large part with self generation and market purchases. Under purchase agreements, the Authority has previously secured base-load energy supplies in the amount of 600 megawatts ('MW') from January 1, 2005 through December 31, 2008.

"Based on the new Long-Term Agreements with the Governmental Customers, the Authority needs to purchase energy starting in 2008 in order to provide those customers' requirements.

"On June 4, 2004, the Authority issued a Request for Proposals ('RFP') for long-term, stable, predictably priced supplies of up to 500 MW of In-City Unforced Capacity ('UCAP'), and sufficient energy to be supplied as early as February 1, 2008, for a term of preferably at least 10 and up to 20 years. Under the RFP, energy supply could take the form of physical deliveries from a specified generating facility or financial Contracts for Differences ('CFDs'), which, through a financial hedge, would effectively allow the Authority to purchase energy on the open market at a fixed price, ensuring protection against price volatility. UCAP could take the form of physical power plants located within New York City (New York Independent System Operator ('NYISO') Zone J) or dedicated transmission lines connected to Zone J and associated with one or more generating sources so as to meet the NYISO criteria for consideration as Zone J UCAP. The RFP also specifically invited proposals for renewable energy supplies.

"Establishment of the RFP scope and bid evaluations were done in parallel with the negotiation of Long-Term Agreements with certain Governmental Customers under a 'Joint Planning Process' established by the Authority and certain of the Governmental Customers (hereinafter, the 'Participating Governmental Customers') at their request. The Participating Governmental Customers include the City of New York, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey and the New York City Housing Authority. Both the Participating Governmental Customers and the Authority retained outside consulting firms to assist in the evaluation process.

"The Authority's consultant in this process, Quantec LLC, provided analytical support throughout the bid evaluation and portfolio development process. Quantec used an analytic model to evaluate the bids and compare alternative portfolios to meet RFP requirements.

"The Authority received bids from 33 prospective suppliers, containing more than 60 separate bid options, which included financial products, physical unit contingent products, new generation and transmission products and renewable resource products. Multiple rounds of bidding were conducted to narrow the field of prospective suppliers, which led to certain suppliers being chosen for final consideration. This was based on their ability to meet the criteria outlined in the RFP, subject to the Authority's credit and risk criteria.

"At their meeting of December 14, 2004, the Trustees approved the negotiation of contracts with certain suppliers under final consideration. Further negotiations, including a final round of bidding and detailed discussion of the legal and credit terms, were held with those bidders.

DISCUSSION

"The decision to purchase base-load energy from Entergy Nuclear, on-peak energy in the form of CFDs from Morgan Stanley and renewable energy (wind power) in the form of a CFD from Zilkha, was done in collaboration with the Participating Governmental Customers and their consultants as part of the Joint Planning Process discussed above. The Participating Governmental Customers have requested that the Authority proceed with the purchases described below.

"The contracts to be executed with Entergy Nuclear are for a total of 200 MW split evenly between the Indian Point 2 and Indian Point 3 units for a term beginning January 1, 2009 and running through September 28, 2013, to coincide with the expiration of the operating license for Indian Point 2. The contract with Morgan Stanley for on-peak energy would commence in February 2008 and run through the end of 2010. The contract with Zilkha for wind power would commence in 2008 and run for 10 years, for 35.5 MW. The confidential pricing information has been provided to the Trustees by separate document.

"PSEG In-City I LLC ('PSEG'), the preferred supplier for UCAP, withdrew its bid on February 3, 2005. Staff is proceeding to work with the Participating Governmental Customers to explore the next best options available for in-city capacity.

"The terms and quantities for energy supplies are less than amounts originally requested in the RFP. This approach is based on the 'laddering' strategy developed with the Participating Governmental Customers. Under such an approach, multiple purchases of smaller quantities are made over time in order to mitigate risk and reduce exposure to price spikes. Additional RFPs will be issued to meet supply needs when market or other conditions are appropriate.

ENVIRONMENTAL DISCUSSION

"With respect to Zilkha Renewable Energy, where supply will not come solely from existing assets, any contracts pursuant to this Trustee authorization could be considered only after Zilkha's projects have been the subject of the requisite environmental reviews, including the issuance of the appropriate findings and permits. Zilkha shall provide the Authority with the findings and permits or other authorizations to construct new transmission or generating facilities, which the Authority will consider in its SEQRA evaluations (21 NYCRR Section 461.13(b)).

"The authorization to the President and Chief Executive Officer to execute contracts with Entergy Nuclear, which will fulfill its contractual obligations to the Authority through existing generation or transmission facilities only, constitutes an authorized Type II action under SEQRA (21 NYCRR Section 461.17(r)).

"The agreement with Morgan Stanley, which is for a financial hedge contract only, does not involve an environmental action for the Authority.

FISCAL INFORMATION

"It is estimated that the base-load energy purchase will cost, in the aggregate, approximately $368 million over the period 2009 through 2013, averaging approximately $77 million on an annual basis. The on-peak energy purchases will cost, in the aggregate, approximately $137 million over the period 2008 through 2010, averaging approximately $47 million on an annual basis. The wind energy could cost, in the aggregate, approximately $65 million over the period 2008 to 2017, averaging approximately $6.5 million per year, for 35.5 MW name plate, based on certain assumed wind conditions and resultant capacity factors. Under the terms of the Long-Term Agreements with the Governmental Customers, costs associated with these purchases will be collected under cost-of-service-based rates.

RECOMMENDATION

"The Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and the Director – Supply Planning, Pricing and Power Contracts recommend that the President and Chief Executive Officer be authorized to enter into agreements with Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3, LLC, Morgan Stanley Capital Group Inc. and appropriate documents with Zilkha Renewable Energy, LLC, having such terms and conditions as he deems necessary or advisable based on the Long-Term Agreements with the Governmental Customers in New York City and those customers' concurrence with those purchases. The confidential pricing information has been provided to the Trustees by separate document.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Treasurer, the Vice President – Controller, the Vice President – Finance, the Vice President, Chief Risk Officer – Energy Risk Assessment and Control and I concur in the recommendation."

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

WHEREAS, the Authority has contractual obligations to serve various governmental customers in New York City; and

WHEREAS, the source of energy and power to serve the needs of these customers has been and continues to include, among other things, existing power-purchase agreements and financial supply agreements; and

WHEREAS, such power-purchase agreements and financial supply arrangements terminate at the end of 2008;

NOW, THEREFORE, BE IT RESOLVED, That the President and Chief Executive Officer is hereby authorized on behalf of the Authority to negotiate and execute agreements between the Authority and Entergy Nuclear Indian Point 2, LLC, Entergy Nuclear Indian Point 3, LLC, Morgan Stanley Capital Group Inc. and Zilkha Renewable Energy, LLC, as described in the foregoing report of the President and Chief Executive Officer, including, but not limited to (a) Master Power Purchase and Sale Agreements ("MPPSAs"), ISDA Master Agreements and any transactions, schedules or confirmations related to such MPPSAs or ISDA Master Agreements, (b) any transactions, schedules, amendments or confirmations related to any existing MPPSAs or ISDA Master Agreements between the Authority and any of the above-described entities, (c) as required, memoranda of understanding relating to SEQRA or (d) any other alternative form of agreement ("Other Alternative Agreements") with any of the above-described entities, having such terms and conditions as discussed in the foregoing report of the President and Chief Executive Officer, and as are deemed necessary or advisable by the President and Chief Executive Officer to effectuate the long-term arrangements to provide energy or capacity supplies for the Authority as discussed in the foregoing report of the President and Chief Executive Officer, with the execution of such MPPSAs, ISDA Master Agreements, agreements, transactions, amendments, schedules, memoranda of understanding and confirmations and Other Alternative Agreements being subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and provided that the Treasurer and the Vice President, Chief Risk Officer – Energy Risk Assessment and Control have given their approval as to the credit arrangements set forth in such agreements, amendments, transactions, confirmations and schedules; 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 necessary or advisable to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

13. Direct Firm Power Service – Service Tariff Amendment – Notice of Adoption

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve final action on revisions to an Authority service tariff for High Load Factor ('HLF') power and energy that currently affects two upstate industrial customers (BOC Gases and Reynolds Metals), to permit recovery from those customers of charges incurred by the Authority arising out of actions by the New York Independent System Operator ('NYISO'). As proposed, these tariff revisions would become effective with the March 2005 billing cycle. Authority staff recommends that to mitigate the impacts of the original proposal, the recovery of these charges be phased in over the remainder of calendar year 2005. The Authority would also phase in the recovery of similar charges from certain other HLF customers and downstate business customers in like manner. Any amounts deferred in 2005 would be recovered over the 12 monthly billing periods covering service in 2006.

BACKGROUND

"At their meeting of October 26, 2004, the Trustees authorized the filing of notice with the New York State 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 NYISO costs associated with service to these customers.

"Notification of the proposed rate increases was published in the State Register on November 10, 2004. In accordance with state law, the deadline for filing public comments was December 27, 2004.

"The Authority proposed this tariff change (Exhibit '13-A') in order to recover NYISO costs incurred by the Authority attributable to providing service to these two upstate industrial customers. As explained in the October 26th item, the Authority serves as the Load Serving Entity ('LSE') for these customers in accordance with the requirements of the NYISO. Thus, the Authority is responsible for purchasing ancillary services from the NYISO, as well as numerous other NYISO charges that must be borne by the LSE in order to facilitate delivery of these Authority allocations to the customers.

"Service Tariff No. 1 ('ST-1') pre-dates formation of the NYISO, and did not contemplate the Authority's need to recover the NYISO costs associated with these allocations.

"This action is consistent with the collection of NYISO costs from the Authority's other business customers. Such billings are in accordance with applicable Authority service tariffs or customer contracts. Through its public outreach to industrial customers that started last November, Authority staff sent letters indicating that the Authority would commence billing for NYISO costs in 2005. Upstate sale-for-resale customers are not affected by the instant tariff change, but, through tariff amendments authorized by the Trustees last year, became subject to billings for the NYISO costs.

DISCUSSION

"On December 23, 2004, the Authority received comments filed jointly by Air Products and Chemicals ('Air Products') and BOC Gases ('BOC') (collectively, 'Joint Commenters') and individual comments from Reynolds Metals ('Reynolds') that were filed by Alcoa, owner of the Reynolds facility.

"The Joint Commenters request that the final tariff amendments give Authority staff the flexibility to assess the NYISO charges in a manner that reduces the financial impact on Air Products and BOC and similarly situated customers. In particular, the Joint Commenters request tariff changes or contract interpretations that would 'reduce the level' of the charges imposed on them, permit these customers to exercise 'self-help' with respect to the NYISO charges and require a phase-in over three to five years of the full amount of the NYISO charges. Joint Commenters at 2-3. The Joint Commenters say this relief is justified because the full imposition of the NYISO charges would be detrimental to the operations of their facilities and conflict with the Authority's 'stated goal of job creation and retention in the State of New York.' *Id.* at 2. The Joint Commenters note that the imposition of these NYISO charges would have the effect of raising the cost of this electricity substantially. *Id.*

"The Joint Commenters do not question the Authority's ability to make the proposed tariff amendments nor do they admit that the size of the prospective rate increase reflects the fact that the customers' existing rates are very low compared to the market. In addition, with respect to Air Products, the only other customer under ST-1, the Joint Commenters do not contest that its long-term contract extension with the Authority explicitly permits the pass-through of NYISO charges. They only request that the final tariff permit Authority staff to act flexibly so that 100% of the NYISO costs are not fully imposed upon them at one time.

"Furthermore, the Joint Commenters misstate the Authority's goals with respect to these HLF power allocations when they argue that the proposed tariff amendments conflict with the Authority's 'stated goal of job creation and retention.' Unlike other Authority power programs, these early HLF program customers have no job commitments or capital investment requirements associated with their allocations, so the Joint Commenters are free to use the power unencumbered by any Authority oversight. Finally, the Joint Commenters do not explain what they mean by their request to exercise 'self-help.' If, for example, they request the right to take actions that will minimize the level of NYISO charges imposed on their facilities, the Authority agrees to cooperate to that end.

"Reynolds argues that the Authority cannot impose the NYISO charges unilaterally because its Application for Service with the Authority states that Reynolds shall pay only such transmission charges for electricity supplied 'between the Authority's FitzPatrick plant and the point of delivery specified herein as *shall be determined by mutual agreement.*' Reynolds at 1 (emphasis added). Thus, contends Reynolds, the Authority's proposed tariff amendment should be restated to make the imposition of NYISO charges permitted only if the customer's contract so states. *Id.* at 2. Reynolds further states that the imposition of the NYISO charges would have a 'significant impact' on a facility 'struggling to remain cost competitive' and that it has not received a rate impact analysis from the Authority; Reynolds also requests at least 180 days to assess such impacts before the Authority imposes any additional charges. *Id.*

"Reynolds' argument that it should be shielded from these NYISO costs is unsupported. The Authority no longer owns the FitzPatrick plant and, because of the expiration of power purchase contracts associated with that unit on December 31, 2004, the Authority no longer procures any electricity from FitzPatrick. Thus, any commodity provided to Reynolds under ST-1 will come from resources other than FitzPatrick and involve transmission paths different from the path between FitzPatrick and Reynolds referenced in the Application for Service. Reynolds cannot enjoy commodity purchases under its contract that do not originate from FitzPatrick while at the same time claiming that it is not responsible for the transmission charges associated with these resources. Neither the Application for Service nor ST-1, as revised, bars the collection of these third-party transmission-related charges.

"Second, Reynolds overstates the impact of these charges. While the cost of its 13 MW of HLF power and energy will effectively be increased, the Reynolds plant receives a far larger amount of hydroelectric power at very low cost. Reynolds' receipt of 239 MW of hydroelectric power blunts the impact of these NYISO charges based on a percentage of total electric usage.

"Finally, with respect to Reynolds' claims that it needs 180 days to assess the impact of these charges, staff notes that Reynolds, a unit of Alcoa, is a large, sophisticated energy user that is fully aware of the costs associated with service in the NYISO market. On numerous occasions since the NYISO's start-up, the Authority has transacted with the NYISO on Reynolds' behalf to purchase market energy when the Authority's interruptible power was no longer available to serve Reynolds. On such occasions, the Authority has billed Reynolds for these very same NYISO costs.

"Nonetheless, the Authority is mindful of the impacts associated with the subject NYISO costs on the customers served under the proposed tariff amendment. The comments received on the proposed tariff amendment reflect the general concern of these customers that there needs to be more time given to them to prepare for the new charges. Thus, it is recommended that the attached proposed amendment to ST-1 be adopted and that the entire cost-recovery program proceed, with some mitigation to address customer concerns. To mitigate the impacts of the program, it is proposed that recovery not begin until the March 2005 billing period for any customer. Recovery of these charges would be phased in over the remainder of calendar year 2005; 25% of charges would be collected in the March 2005 billing period; 50% in the April to June 2005 billing periods; 75% in the July to September 2005 billing periods and 100% starting in the October 2005 billing period. The Authority would also phase in the recovery of similar charges from certain other HLF customers and downstate business customers whose contractual language already permits the recovery of these charges. Any amounts deferred in 2005 would be recovered over the 12 monthly billing periods covering service in 2006. The amount deferred to 2006 would not include an interest charge.

FISCAL INFORMATION

"The total annualized NYISO-related costs for the customers affected by the recommended tariff change, and for certain other HLF customers and downstate business customers whose contractual language already permits the recovery of these charges, is estimated to be $13.7 million. Implementation of the NYISO cost-recovery program will result in estimated additional revenues of $8.0 million in 2005 and the collection of $3.4 million deferred in 2005 over the 12 monthly billing periods covering service in 2006. The amount of foregone revenue for the January and February 2005 billing periods would be $2.3 million.

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development and the Director – Supply Planning, Pricing and Power Contracts recommend that the attached tariff amendments be approved to be effective with the March 2005 billing cycle and that the Trustees approve full implementation of the New York Independent System Operator cost-recovery program from the customers listed in Exhibit '13-B.' Administration of the tariff amendments and application of the cost-recovery program for the other customers affected by the program will be subject to the phase-in outlined above.

"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 Rule 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 Senior Vice President and Chief Financial Officer and I concur in the recommendation."

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

WHEREAS, on October 26, 2004, the Authority authorized the Secretary to file notice of proposed action to adopt a tariff amendment allowing the recovery of NYISO-related costs incurred by the Authority in connection with its role as Load Serving Entity for the customers under the Authority's Service Tariff No. 1, provided that to mitigate the impacts of the original proposal, the customers affected by the imposition of these charges under such Service Tariff or otherwise will have these charges phased in over the remainder of calendar year 2005 with the deferred amounts collected over 12 monthly billing periods covering service in 2006 with no interest; and

WHEREAS, such notice was duly published in the New York State Register on November 10, 2004, and more than 45 days have elapsed since such publication;

NOW THEREFORE BE IT RESOLVED, That the proposed tariff amendment allowing the recovery of NYISO-related costs incurred by the Authority in connection with its role as Load Serving Entity for the customers under the Authority's Service Tariff No. 1 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 full implementation of the NYISO cost-recovery program relating to the customers listed be implemented effective in March 2005, but that the customers will have these charges phased in over the remainder of calendar year 2005, with the deferred amounts collected over 12 monthly billing periods covering service in 2006 with no interest; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee(s) 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 "13-A"
February 23, 2005

Service Tariff No. 1 (Direct Firm Power Service) (effective January 1, 1993)

Add a new Special Provision to Service Tariff No. 1 to read as follows:

F. New York Independent System Operator-Related Charges.

Notwithstanding any provision herein to the contrary, the rates for service under this Service Tariff shall be subject to increase by the Authority at any time to require the Customer to compensate the Authority for the following Charges for services provided by or which are a result of 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 the Authority's responsibilities as Load Serving Entity for the Customer:

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 providing electricity to the Customer that are incurred by the Authority and associated with the Authority's responsibilities as Load Serving Entity for the Customer under the provisions of NYISO's OATT or other tariffs.

Exhibit "13-B"
February 23, 2005

Customer Name

Adecco
Administrator for the Professions
Air Industries
Air Products & Chemicals
Alcan Packaging
American Broadcasting Co.
American International Group
BAE Systems
Barnes and Noble
Bear, Stearns
BOC Gases
Brenner Paper Products
Burton Industries
Castella Imports
CBS
Ciba Specialty Chemical Corp.
Citibank
CitiGroup (Salomon Smith Barney)
Cold Spring Harbor Laboratories
Columbia University (Audobon Tech Ctr)
Computer Associates
Crescent Duck Farm
Crystal Window & Door Systems
Del Global Technologies
Disc Graphics
Ellanef Manufacturing
Elmhurst Dairy (Honeywell Farms)
Engelhard Corporation
Excelsior Transparent Bag Mfg.
Fortunoff
Fortwest, LLC
General Semiconductor
Hughes Treitler
Hunts Point Cooperative Market
IBM - Watson Research Center
Island Container
J. J. Cassone Bakery
J.P. Morgan/Chase
Kozy Shack
Montefiore Medical Center
Nature's Bounty
NBC
New York Post
New York Times
Newsday
Norampac Industries
Oceanside Institutional Laundry
Pfizer
Plascal
Precision Valve
Republic Bank (HSBC)
Reynolds Metals Company (Alcoa)
SCA Tissue
Sigmund Cohn
Steinway & Sons
Stellex/Monitor Aerospace Corporation
Tartan Textiles
Tyco Plastics (World Class Film Group)
U.S. Department of Energy (Brookhaven)
Ultra Flex Packaging
Uniflex

14. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, March 29, 2005, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:10 p.m.

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