

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

**June 27, 2006**

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Clarence D. Rappleyea Building at 11:10 a.m.

Present: Frank S. McCullough, Jr., Chairman  
Michael J. Townsend, Vice Chairman  
Elise M. Cusack, Trustee  
Robert E. Moses, Trustee  
Thomas W. Scozzafava, Trustee  
Leonard N. Spano, Trustee

Joseph J. Seymour, Trustee – Excused

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Timothy S. Carey	President and Chief Executive Officer
Joseph Del Sindaco	Executive Vice President and Chief Financial Officer
Thomas J. Kelly	Executive Vice President and General Counsel
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Edward A. Welz	Senior Vice President and Chief Engineer – Power Generation
Anne B. Cahill	Corporate Secretary
Joseph J. Carline	Assistant General Counsel – Transmission
Thomas P. Antenucci	Vice President – Project Management
Richard J. Ardolino	Vice President – Engineering
Arnold M. Bellis	Vice President – Controller
Robert J. Deasy	Vice President – Energy Resource Management
John M. Hoff	Vice President – Procurement and Real Estate
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environmental Management
Tom H. Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Account – Marketing and Economic Development
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
William Helmer	Special Licensing Counsel
Angela D. Graves	Deputy Corporate Secretary
Frederick Chase	Executive Director – Hydro Relicensing
James F. Pasquale	Director – Business Power Allocation and Regulation
Keith Silliman	Director – Niagara Relicensing
Daniel Wiese	Inspector General and Director – Corporate Security
Richard Hackman	Program Manager – Energy Services and Technology
Arnold J. Schuff	Manager – Operations Planning - Transmission
William Helmer	Special Licensing Counsel
Denise D’Ambrosio	Principal Attorney I
Jacqueline Carmody	Attorney I
Oksana U. Karaczewsky	Senior Procurement Compliance Coordinator
Michael A. Saltzman	Senior Information Specialist
Mary Jean Frank	Associate Corporate Secretary
Lorna M. Johnson	Assistant Corporate Secretary
John Murphy	Special Advisor to President and Chief Executive Officer
Jeffrey Carey	Special Assistant to President and Chief Executive Officer
Charles I. Lipsky	Former Vice President and Chief Engineer

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Chairman McCullough presided over the meeting. Secretary Cahill kept the Minutes.

*Chairman McCullough welcomed Honorable Leonard Spano as a newly confirmed member of the Board of Trustees and said that he looks forward to working with him.*

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1. **Approval of the Minutes**

*The Minutes of the Regular Meeting of May 23, 2006 were unanimously adopted.*

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2. **Financial Reports for the Five Months Ended May 31, 2006**

*Mr. Bellis presented an overview of the reports to the Trustees.*

3. Report from the President and Chief Executive Officer

*President Carey said that the Power for Jobs bill passed by the State Legislature at the end of the legislative session was very similar to the one that the Governor had previously vetoed. He said that the Legislature had also passed legislation authorizing an early retirement incentive for State workers and that Authority staff would be analyzing the incentive's potential impact on the Authority if it were to be approved by the Trustees. According to President Carey, an updated energy efficiency bill was not enacted by the Legislature before the close of the session, but that it was possible that such a bill would be taken up in a special session at the end of the year. Mr. Vattimo said that staff would be preparing a report on the results of the 2006 legislative session and Chairman McCullough requested that the report be shared with the Trustees. President Carey said that the Senate had confirmed Chairman McCullough's reappointment through May 6, 2010, Trustee Townsend's reappointment through May 6, 2011 and, of course, the appointment of Trustee Spano through May 6, 2007.*

4. Allocation of 1,500 kW of Hydro Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve three allocations of available Replacement Power (‘RP’) or Expansion Power (‘EP’), totaling 1,500 kW to three industrial companies.

BACKGROUND

“Under the RP Settlement Agreement, National Grid (‘Grid’) (formerly Niagara Mohawk Power Corporation), with the approval of the Authority, identifies and selects certain qualified industrial companies to receive delivery of RP. Qualified companies are current or future industrial customers of Grid that have or propose to have manufacturing facilities for the receipt of RP within 30 miles of the Authority’s Niagara Switchyard. RP is up to 445,000 kW of firm hydro power generated by the Authority at its Niagara Power Project that has been made available to Grid, pursuant to the Niagara Redevelopment Act (through December 2005) and Chapter 313 of the 2005 Laws of the State of New York.

“Under Section 1005 (13) of the Power Authority Act, as amended by Chapter 313, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP and up to 445 MW of RP to businesses in the State located within 30 miles of the Niagara Power 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

“On October 22, 2003, the Authority, Grid, 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.

“Based on the Advisory Group’s discussions, staff recommends that the available power be allocated among three companies as set forth in Exhibits ‘4-A’ and ‘4-B.’ The Exhibits show, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help maintain and diversify the industrial base of Western New York and provide new employment opportunities. They are projected to result in the creation of 213 jobs.

RECOMMENDATION

“The Director – Business Power Allocations and Regulation recommends that the Trustees approve the allocation of 1,500 kW of hydro power to the companies listed in Exhibits ‘4-A’ and ‘4-B.’

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

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

**RESOLVED, That the allocation of 250 kW of Replacement Power and 1,250 kW of Expansion Power, as detailed in Exhibits “4-A” and “4-B,” be, and hereby is, approved on the terms set forth in the**

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**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 and General Counsel.**

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New York Power Authority  
Replacement Power  
Recommendations for Allocations

Exhibit "4-A"  
June 27, 2006

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	Hydro-Air Components, Inc.	Buffalo	Erie	250	150	\$13,550,000	\$35,000	250	Until 8/31/07
	<b>Total RP Recommended</b>				<b>150</b>	<b>13,550,000</b>		<b>250</b>	

(1) If the Niagara Project license is extended and delivery agreement finalized, the full term of these contracts will be for five years.

**APPLICATION SUMMARY**  
**Replacement Power**

**Company:** Hydro-Air Components, Inc.

**Location:** Buffalo

**County:** Erie

**IOU:** National Grid

**Business Activity:** Manufacturer of heating and cooling products

**Project Description:** Hydro-Air will construct a new 152,700-sq.-ft. facility on a 31-acre parcel in Buffalo. The building will consist of 140,000 sq. ft. of manufacturing space and 12,700 sq. ft. of office space. The new facility will be built on 31 acres that was a former brownfield site. In addition, the company will install a new powered coated-paint line, presses and other equipment.

**Prior Application:** Yes

**Existing Allocation:** 250 KW of Replacement Power

**Power Request:** 250 kW

**Power Recommended:** 250 kW

**Job Commitment:**

<b>Existing:</b>	114 jobs
<b>New</b>	150 jobs

**New Jobs/Power Ratio:** 600 jobs/MW

**New Jobs - Avg. Wage and Benefits:** \$35,000

**Capital Investment:** \$13,550,000

**Capital Investment** \$54,200,000/MW

**Per MW Summary:** Hydro-Air manufactures hydronic heating/cooling products for commercial and industrial markets. Hydro-Air is experiencing tremendous growth in the domestic HVAC market. Additional manufacturing, warehousing and office space is critical to the company's continued growth and prosperity. A low-cost hydro allocation will help the company make this project cost-effective and help keep it competitive. Hydro-Air received a capital grant from Empire State Development Corporation.

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New York Power Authority  
Expansion Power  
Recommendations for Allocations

Exhibit "4-B"  
June 27, 2006

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
B-1	Airgas Carbonic, Inc.	Medina	Orleans	4,000	35	\$11,150,000	\$58,000	1,000	Until 8/31/07
B-2	P&G Steel Products Co.	Cheektowaga	Eire	265	28	\$1,050,000	\$43,000	250	Until 8/31/07
	<b>Total EP Recommended</b>				<b>63</b>	<b>\$12,200,000</b>		<b>1,250</b>	

(1) Expansion Power resale agreements with NYSEG and NIMO have automatic extension provisions until 2013 if the Niagara Project license is extended. Should the license be extended the full term of these contracts will be for five years.

**APPLICATION SUMMARY**  
**Expansion Power**

<b>Company:</b>	Airgas Carbonic, Inc.
<b>Location:</b>	Medina
<b>County:</b>	Orleans
<b>IOU:</b>	National Grid
<b>Business Activity:</b>	Manufacturer of packed industrial gases
<b>Project Description:</b>	Airgas Carbonic will construct a new 12,000-sq.-ft. liquid CO <sub>2</sub> process building and a dry ice manufacturing building of 15,000 sq ft. on a four-acre parcel to be leased from Western NY Energy. The project will capture the CO <sub>2</sub> gas vented from Western NY Energy's new ethanol plant. The company will also install compressors, driers, a carbon vessel, storage tanks, dry ice presses and other machinery and equipment.
<b>Prior Application:</b>	No
<b>Existing Allocation:</b>	None
<b>Power Request:</b>	4,000 kW
<b>Power Recommended:</b>	1,000 kW
<b>Job Commitment:</b>	
Existing:	0 jobs
New	35 jobs
<b>New Jobs/Power Ratio:</b>	35 jobs/MW
<b>New Jobs - Avg. Wage and Benefits:</b>	\$58,000
<b>Capital Investment:</b>	\$11,150,000
<b>Capital Investment Per MW</b>	\$11,150,000/MW
<b>Summary:</b>	Airgas is a leading distributor of packed industrial gases. The company will produce beverage-grade liquid carbon dioxide and dry ice. A low-cost hydro allocation will help the company make this project cost-effective and be competitive.

**APPLICATION SUMMARY**  
**Expansion Power**

<b>Company:</b>	P & G Steel Products Co.
<b>Location:</b>	Cheektowaga
<b>County:</b>	Erie
<b>IOU:</b>	New York State Electric and Gas Corporation
<b>Business Activity:</b>	Manufactures specialty metal products mainly for the automotive and heavy truck, HVAC and oil/gas industries.
<b>Project Description:</b>	The company will install two robotic welding cells, three manual welding cells, metal stamping presses, new lighting and ancillary equipment (coil feeders, unloaders, part washers and logistics equipment).
<b>Prior Application:</b>	No
<b>Existing Allocations:</b>	None
<b>Power Request:</b>	250 kW
<b>Power Recommended:</b>	250 kW
<b>Job Commitment:</b>	
<b>Existing</b>	60 jobs
<b>New</b>	28 jobs
<b>New Jobs/Power Ratio:</b>	112 jobs/MW
<b>New Jobs - Avg. Wage and Benefits</b>	\$43,000
<b>Capital Investment:</b>	\$1,050,000
<b>Capital Investment Per MW</b>	\$4,200,000/MW
<b>Summary:</b>	P & G Steel, in business since 1948, manufactures specialty metal products mainly for the automotive, heavy truck, HVAC and oil/gas industries. The project will increase capacity, enabling the company to capture larger opportunities with existing customers, as well as grow its customer base. A low-cost hydropower allocation is essential for keeping costs down in this highly competitive manufacturing industry. The company will also receive a capital grant from Empire State Development Corporation.

**5. 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 51 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘5-A.’ In addition, the Trustees are requested to approve modifications to the benefits for three customers that have applied to have their PFJ benefits reinstated after having been reduced by the Economic Development Power Allocation Board (‘EDPAB’) for non-compliance with their job commitments as detailed in Exhibit ‘5-B.’ EDPAB has recommended that these customers receive such extended benefits and modifications.

**BACKGROUND**

“In July 1997, the New York State Legislature and Governor George E. Pataki 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 400 megawatts (‘MW’) of power available. The program was to be phased in over three years, with approximately 133 MW made available each year. In July 1998, as a result of the initial success of the program, the Legislature and Governor Pataki 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.

“Chapter 59 of the Laws of 2004 extended the benefits for PFJ customers whose contracts expired before the end of the program in 2005. Such customers had to 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 were 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 could 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 were eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expired through December 31, 2005.

“Approved contract extensions entitled customers to receive the power from the Authority pursuant to a sale-for-resale agreement with the customer’s local utility. Separate allocation contracts between customers and the Authority contained job commitments enforceable by the Authority.

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“In 2005, provisions of the approved State budget extended the period PFJ customers could receive benefits until December 31, 2006, the program’s new sunset date.

“Section 189 of the New York State Economic Development Law, which was also amended by Chapter 59 of the Laws of 2004, provided the statutory authorization for the extended benefits that could be provided to PFJ customers with contracts that expired before December 31, 2005. The statute stated that an applicant could receive extended benefits *‘only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract.’*

“Chapter 313 of the Laws of 2005 amended the above language to allow EDPAB to consider continuation of benefits on such terms as it deems reasonable. The statutory language now reads as follows:

*An applicant shall be eligible for such reimbursements and/or extensions only if it is in compliance with and agrees to continue to meet the job retention and creation commitments set forth in its prior power for jobs contract, **or such other commitments as the board deems reasonable.*** (emphasis supplied)

“At its meeting of October 18, 2005, EDPAB approved criteria under which applicants whose extended benefits EDPAB had reduced for non-compliance with their job commitments could apply to have their PFJ benefits reinstated in whole or in part. EDPAB authorized staff to create a short-form application, notify customers of the process, send customers the application and evaluate reconsideration requests based on the approved criteria. To date, staff has mailed 200 applications, received 108 and reviewed 107.

#### DISCUSSION

“At its meeting on June 27, 2006, EDPAB recommended that the Authority’s Trustees approve the electricity savings reimbursement rebates to the 51 businesses listed in Exhibit ‘5-A.’ Collectively, these organizations have agreed to retain more than 60,000 jobs in New York State in exchange for rebates. The rebate program will be in effect until December 31, 2006, the program’s sunset. The power will be wheeled by the investor-owned utilities as indicated in the Exhibits.

“Also, at its meeting on June 27, 2006, based on the reconsideration criteria, EDPAB recommended that the Authority’s Trustees approve modifications to the benefits for three customers that have applied to have their PFJ benefits reinstated after they were reduced by EDPAB for non-compliance with their job commitments.

“The Trustees are requested to approve the payment and funding of rebates for the companies listed in Exhibit ‘5-A’ in a total amount currently not expected to exceed \$3,600,000. 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 the Trustees with requests for additional funding for rebates to the companies listed in the Exhibits in the future.

#### FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘5-A’ is not expected to exceed \$3,600,000. Payments will be made from the Operating Fund. To date, the Trustees have approved \$40.8 million in rebates.

#### RECOMMENDATION

“The Executive Vice President and Chief Financial Officer and the Director – Business Power Allocations and Regulation recommend that the Trustees approve the payment of electricity savings reimbursements to the Power for Jobs customers listed in Exhibit ‘5-A.’ It is also recommended that the Trustees approve modifications to the benefits for three customers that have applied to have their Power for Jobs benefits reinstated after they were reduced by EDPAB for non-compliance with their job commitments as detailed in Exhibit ‘5-B.’

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“The Executive Vice President 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. Chairman McCullough noted that halfway through the year the Trustees had already approved the payment of \$40.8 million in electricity reimbursement rebates. He noted that these rebates would continue to be paid only through the Power for Jobs' programs' current sunset date of December 31, 2006.*

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 electricity savings reimbursements to the Power for Jobs customers listed in Exhibit “S-A”; and**

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve modifications to three allocations for customers that have applied to have their Power for Jobs benefits reinstated after they were reduced by the Board for non-compliance with their job commitments as detailed in Exhibit “S-B”;**

**NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “S-A,” 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 to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves modifications to the benefits for three customers that have applied to have their Power for Jobs benefits reinstated after they were reduced by the Board for non-compliance with their job commitments as detailed in Exhibit “S-B”; and be it further**

**RESOLVED, That based on staff's recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$3.6 million, 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 resolution upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the**

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**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 this approval shall expire on December 31, 2006; 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 execute any and all documents necessary or desirable to effectuate the foregoing subject to the approval of the form thereof by the Executive Vice President and General Counsel; and be it further**

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

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**New York Power Authority  
Power for jobs Extended Benefits  
Recommendation for Electricity Savings Reimbursements**

**Exhibit "5-A"  
June 27, 2006**

Line	Company	City	County	IOU	KW	Job Committed	Application 2005	Over/ (under)	% Over/ (under)	Compliance	Recommended KW	Jobs/MW	Type	Service
1	AT&T	White Plains	Westchester	Con Ed	650	600	515	-85	-14%	No	560	920	Large	Telecommunications
2	Charmer Industries, Inc.	Astoria	Queens	Con Ed	750	732	810	78	11%	Yes	750	1,080	Large	Distributors of wines and spirits
3	Columbia University - Trustees	New York	New York	Con Ed	750	719	723	4	1%	Yes	750	964	NFP	Educational and Student Services
4	Edison Price Lighting, Inc.	New York	New York	Con Ed	400	160	157	-3	-2%	Yes	400	393	Large	Manufacturer and sales of lighting fixtures
5	Greater Jamaica Development Corp.	Jamaica	Queens	Con Ed	375	121	136	15	12%	Yes	375	363	NFP	Urban & Community Development
6	Lincoln Center for the Performing Arts	New York	New York	Con Ed	3,000	2,312	2,328	16	1%	Yes	3,000	776	NFP	Performing Arts Center
7	Long Island Jewish Medical Center	Manhasset	Nassau	Con Ed	2,000	6,143	6,009	-134	-2%	Yes	2,000	3,005	NFP	Healthcare Center
8	Memorial Sloan-Kettering Cancer Cen	New York	New York	Con Ed	5,000	8100	8472	372	5%	Yes	5,000	1,694	NFP	Medical Center
9	Mount Sinai Medical Center	New York	New York	Con Ed	2,000	10,220	10,787	567	6%	Yes	2,000	5,394	NFP	Medical Center
10	New York Presbyterian Hospital	New York	New York	Con Ed	5,000	6,958	7,765	807	12%	Yes	5,000	1,553	NFP	Medical care
11	Norampac New York City, Inc.	Maspeth	Queens	Con Ed	600	267	195	-72	-27%	No	600	325	Large	Manufacturers of corrugated paper packaging
12	North General Hospital	New York	New York	Con Ed	400	943	1,250	307	33%	Yes	400	3,125	NFP	Hospital
13	Pepsi Cola Bottling Company	College Point	Queens	Con Ed	2,200	1,030	990	-40	-4%	Yes	2,200	450	Large	Manufacturer & distributes of soft drinks
14	S. R. Guggenheim Museum	New York	New York	Con Ed	475	356	358	2	1%	Yes	475	754	NFP	Art Museum
15	The Harlem School of the Arts, Inc.	New York	New York	Con Ed	50	76	68	-8	-11%	Yes	50	1,360	NFP	Education
16	The Joyce Theater Foundation, Inc.	New York	New York	Con Ed	150	38	43	5	12%	Yes	150	283	NFP	Dance Performance
	<b>Con Ed</b>			<b>Subtotal</b>	<b>16</b>	<b>23,800</b>	<b>38,775</b>	<b>40,606</b>			<b>23,710</b>	<b>1,713</b>		
17	Borg Warner Morse Tech Corp	Cortland	Cortland	Nat Grid	1,500	266	242	-24	-9%	Yes	1,500	161	Large	Manufacturer of Auto Components
18	Bristol-Myers Squibb Company	East Syracuse	Onondaga	Nat Grid	5,000	936	1,069	133	14%	Yes	5,000	214	Large	Manufacturer of bulk antibiotics
19	Clarkson University	Potsdam	St. Lawrence	Nat Grid	1,500	621	652	31	5%	Yes	1,500	435	NFP	Higher education
20	CWM Chemical Services, LLC	Model City	Niagara	Nat Grid	400	100	83	-17	-17%	No	330	252	Large	Treatment, storage & disposal of Industrial Waste
21	Dielectric Laboratories, Inc.	Cazenovia	Madison	Nat Grid	400	248	174	-74	-30%	No	280	621	Small	Ceramic capacitors and ceramic packaging
22	Diemolding Corporation	Canastota	Madison	Nat Grid	200	305	300	-5	-2%	Yes	200	1,500	Small	Thermoset plastic forming
23	Edward John Noble Hospital	Gouverneur	St. Lawrence	Nat Grid	100	252	258	6	2%	Yes	100	2,580	NFP	Healthcare center
24	Fiber Glass Industries Inc.	Amsterdam	Herkimer	Nat Grid	700	142	137	-5	-4%	Yes	700	196	Large	Produces high strength woven fabrics
25	Fitzpatrick & Weller, Inc.	Ellicottville	Cattaraugus	Nat Grid	1,000	230	107	-123	-53%	No	1,000	107	Large	Lumber & wood components
26	Kilian Manufacturing Corporation	Syracuse	Onondaga	Nat Grid	400	345	214	-131	-38%	No	400	535	Large	Mfr. ball bearings
27	Lewis County General Hospital	Lowville	Lewis	Nat Grid	200	382	389	7	2%	Yes	200	1,945	NFP	Medical Center
28	Lydall Manning	Green Island	Albany	Nat Grid	1,200	133	111	-22	-17%	No	1,100	101	Large	Specialty Paper Manufacturer
29	McLane Eastern	Baldwinsville	Onondaga	Nat Grid	1,000	1040	783	-257	-25%	No	875	895	Large	Wholesale grocery distributor
30	Natrium Products, Inc.	Cortland	Cortland	Nat Grid	90	20	20	0	0%	Yes	90	222	Small	Manufacturer of sodium bicarbonate
31	OAB Holdings, Inc.	Buffalo	Erie	Nat Grid	5,000	335	335	0	0%	Yes	5,000	67	Large	Metal manufacturing
32	Organichem, Inc.	Rensselaer	Rensselaer	Nat Grid	1,000	183	330	147	80%	Yes	1,000	330	Large	Manufacturing of active pharmaceutical ingredients
33	Quad Graphics, Inc.	Saratoga Springs	Saratoga	Nat Grid	4,000	1,420	1,118	-302	-21%	No	4,000	280	Large	Printing services
34	Queensboro Farm Products, Inc. - Cana	Canastota	Madison	Nat Grid	500	79	81	2	3%	Yes	500	162	Large	Milk manufacturing and processing plant
35	Robison & Smith, Inc.	Gloversville	Fulton	Nat Grid	384	176	190	14	8%	Yes	384	495	Small	Linen & Laundry Supply
36	Sorrento Lactalis, Inc.	Buffalo	Erie	Nat Grid	1,500	358	464	106	30%	Yes	1,500	309	Large	Produces cheese as well as whey products
37	Standard Manufacturing Co., Inc.	Troy	Rensselaer	Nat Grid	160	152	30	-122	-80%	No	30	1,000	Small	Apparel
38	Syracuse China Company	Syracuse	Onondaga	Nat Grid	500	434	371	-63	-15%	No	460	807	Large	Manufactures restaurant china
39	Syracuse University	Syracuse	Onondaga	Nat Grid	2,000	4,360	4,592	232	5%	Yes	2,000	2,296	NFP	Institution of Higher Education
40	Syroco, Inc. - A Subsidiary of Vassallo Ii	Baldwinsville	Onondaga	Nat Grid	550	427	183	-244	-57%	No	550	333	Large	Plastic injection molding manufacturer
41	Turbine Components Technologies (Ulta Corp)	Whitesboro	Oneida	Nat Grid	1,200	395	225	-170	-43%	No	1,200	188	Large	Precision forging plant
	<b>National Grid</b>			<b>Subtotal</b>	<b>25</b>	<b>30,484</b>	<b>13,339</b>	<b>12,458</b>			<b>29,899</b>	<b>417</b>		
42	A. T. Reynolds & Sons, Inc.	Klamesha Lake	Sullivan	NYSEG	500	116	59	-57	-49%	No	250	236	Large	Spring water and Ice Mfr.
43	Agri-Mark, Inc.	Chateaugay	Franklin	NYSEG	500	106	116	10	9%	Yes	500	232	Large	Cheese Manufacturer
44	Audio Sears	Stamford	Delaware	NYSEG	187	105	74	-31	-30%	No	190	389	Small	Makes audio equipment
45	Borg Warner Automotive Morse	Ithaca	Tompkins	NYSEG	4,000	1360	1416	56	4%	Yes	4,000	354	Large	Manufacture of automotive components
46	Candlelight Cabinetry, Inc.	Lockport	Niagara	NYSEG	400	200	185	-15	-8%	Yes	400	463	Large	Manufacture custom cabinets
47	Consumers Beverages, Inc.	Buffalo	Erie	NYSEG	240	60	69	9	15%	Yes	240	288	Small	Beverage Producer
48	Endicott Interconnect Technologies	Endicott	Broome	NYSEG	5,000	5,500	3,852	-1,648	-30%	No	3,500	1,101	Large	Computers
49	Seneca Foods Corporation	Geneva	Ontario	NYSEG	1,000	278	271	-7	-3%	Yes	1,000	271	Large	Canned fruits & vegetables
50	Vail Ballou Press, Inc.	Binghamton	Broome	NYSEG	1,800	500	426	-74	-15%	No	1,800	237	Large	Book printer and distributor
	<b>NYSEG</b>			<b>Subtotal</b>	<b>9</b>	<b>13,627</b>	<b>8,225</b>	<b>6,468</b>			<b>11,880</b>	<b>544</b>		
51	International Business Machines - Roch	Rochester	Monroe	RGE	2,800	1,495	610	-885	-59%	No	1,150	530	Large	Computer Manufacturer
	<b>RG&amp;E</b>			<b>Subtotal</b>	<b>1</b>	<b>2,800</b>	<b>1,495</b>	<b>610</b>			<b>1,150</b>	<b>530</b>		
	<b>Total</b>			<b>51</b>	<b>70,711</b>	<b>61,834</b>	<b>60,141</b>				<b>66,639</b>	<b>902</b>		

Note: some of the companies listed above have had part or all of their allocation restored though the reconsideration process

June 27, 2006

**New York Power Authority  
Power for Jobs Extended Benefits  
Recommendations for Full or Partial Reinstatement of  
Electricity Savings Reimbursements**

**Exhibit "5-B1"  
June 27, 2006**

Line	Company	City	Original KW	Jobs in Application 2005	Approved Reduction KW	Reduced Allocation KW	Reconsideration Full/Partial KW	Recommended Reinstated KW	Recommended Allocation After Reinstatement KW	Final Commitment Jobs	Service
1	Dielectric Laboratories, Inc.	Cazenovia	400	174	280	120	Full	280	400	174	Ceramic capacitors and ceramic packaging
2	Higbee, Inc	Syracuse	100	48	25	75	Full	25	100	48	Mfr. of gaskets, and sealing products
3	IEC Electronics Corp	Newark	1,000	120	830	170	Partial	420	590	120	Assembly of printed circuit boards
<b>Total</b>			<b>1,500</b>	<b>342</b>	<b>1,135</b>	<b>365</b>		<b>725</b>	<b>1,090</b>	<b>342</b>	

June 27, 2006

**Power for Jobs Extended Benefits  
Benefits to Remain at Reduced Amount  
For Informational Purpose Only**

June 27, 2006

Line	Company	City	Original KW	Prior Job Committed	Jobs in Application 2005	Over (under)	% Under	KW Reduction	Approved Allocation KW	Reinstate None of Takeback KW	Recommended Reinstatement Allocation KW	Service
1	Kraft Foods	Walton	1,000	180	156	-24	-13%	130	Rebate	0	870	Mfr. of puddings & snacks
<b>Totals</b>			<b>1,000</b>	<b>180</b>	<b>156</b>	<b>-24</b>		<b>130</b>	<b>0</b>	<b>0</b>	<b>870</b>	

**6. 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 six existing customers that have either changed their names for various 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/or ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the power allocations granted to the previous company names and ownerships associated with these facilities.

“In addition, one company has requested that the Authority grant approval of their request to transfer a portion of their allocation to other facilities for reasons indicated below.

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

**DISCUSSION**

“The proposed transferees are as follows:

“**Fujisawa Healthcare, Inc.** (‘Fujisawa’) is a pharmaceutical company in Grand Island. At their meeting of November 23, 2004, the Trustees approved Fujisawa for a 700 kW Replacement Power (‘RP’) allocation in return for 30 new jobs. Fujisawa changed its name to **Astellas Pharma Manufacturing, Inc.** (‘Astellas’). This was strictly a name change; the company will be doing business at the same site and there will be no change in operation. Astellas will honor all contract terms and conditions, including job commitments.

“**Niagara Falls Public Water Authority** (the ‘Water Authority’) owns and operates the water and wastewater treatment plants in Niagara Falls. State legislation created the Water Authority to purchase the City of Niagara Falls’ water system assets. At their meeting of November 13, 1974, the Trustees approved an allocation of 2,000 kW of RP for the City of Niagara Falls’ water treatment facilities. At their meeting of March 17, 1982, the Trustees approved an additional allocation of 1,644 kW of RP for the plants. The Water Authority changed its name to **Niagara Falls Water Board** (the ‘Water Board’) when the water and sewer systems were purchased by the Water Board. This was an assets-and-liabilities acquisition. As a department of the City, the Water Authority’s headquarters was at City Hall. The Water Board’s headquarters is now at the water plant. The water and wastewater systems have not moved. After the acquisition, the Water Board implemented a five-year capital investment plan of approximately \$5 million per year. There will be no change in operation. The Water Board will honor all contract terms and conditions.

“**Harding Manufacturing Corporation** (‘Harding’) is a custom plastic injection molding company in Rome. At their meeting of January 30, 2001, the Trustees approved Harding for a 300 kW Power for Jobs (‘PFJ’) allocation in return for 97 jobs. Harding has changed its name to **HMC International, LLC** (‘HMC’) due to a change in ownership via an asset-only acquisition. Although Harding was below its job commitment, the company’s PFJ extended benefits went through the reconsideration process. As a result, at their meeting of January 31, 2006, the Trustees approved a full restoration of the company’s allocation. Business will continue at the same site with the company’s main operation remaining the same. HMC plans to produce many new products and also add equipment upgrades that will enhance and improve service and dependability. This is expected to lead to additional growth in sales and employment. HMC plans to invest a minimum of \$100,000 in new production and computer equipment upgrades. The company will honor all contract terms and conditions, including job commitments.

June 27, 2006

“**Seybert Nicholas Printing Group, LP** (‘Seybert’) of Manhattan is in the printing trade. At their meeting of January 26, 2000, the Trustees approved Seybert for a 400 kW PFJ allocation in return for 194 jobs. Seybert merged with Tanagraphics, Inc. and now does business under the new name, **TanaSeybert, LLC** (‘TanaSeybert’). The merger will make the company a premier provider of commercial and digital printing, advertising prepress services and bindery and mailing services. The merger consolidated the assets and liabilities of both entities. After the merger, the company spent more than \$5 million on renovations and relocation and now does business at 525 West 52<sup>nd</sup> Street, New York. The company also invested \$3 million in new equipment. There will be no change in operation. TanaSeybert will honor all contract terms and conditions, including job commitments.

“**SCA Tissue, N.A.** (‘SCA’) in South Glens Falls is the largest recycled paper producer in the State. At their meeting of July 30, 2002, the Trustees approved the transfer of 20,000 kW of High Load Factor (‘HLF’) power from Encore Paper Company to SCA. As part of the transfer, SCA agreed to maintain an employment level of 300 jobs at its facilities. SCA currently meets its job commitments and agrees to continue to do so in the future. SCA has recently added two more locations in Greenwich and Saratoga Springs. The company requests that the active portion of the 20,000 kW allocation be distributed as follows: 12,500 kW to South Glens Falls; 2,100 kW to Greenwich and 400 kW to Saratoga Springs. The total takedown of power to date is 15,000 kW and the remainder of power to be taken down at a later date is 5,000 kW.

“**Spancrete Northeast, Inc.**, (‘Spancrete’) in South Bethlehem specializes in precast products and installation. At their meeting of September 28, 1998, the Trustees approved a 350 kW PFJ allocation for Spancrete in return for 94 jobs. Spancrete merged with **Oldcastle Precast Inc.** (‘Oldcastle’), but operations will not be changed. The company will continue doing business at the same site and plans no changes to its employment level. Oldcastle agrees to honor all contract terms and conditions, including job commitments.

#### RECOMMENDATION

“The Director – Business Power Allocations and Regulation recommends that the Trustees approve the transfer of power allocations for five existing customers that have changed their names for various business reasons and approve the transfer of a portion of one customer’s existing allocation to two of its other facilities.

“The Executive Vice President 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 and General Counsel.**

7. **Delaware County Electric Cooperative Increase in Retail Rates – Notice of Adoption**

The President and Chief Executive Officer presented the following report:

**SUMMARY**

“The Board of the Delaware County Electric Cooperative (‘Cooperative Board’) has requested the Trustees to approve revisions in the Delaware County Electric Cooperative’s (‘Cooperative’) retail rates for each customer service classification. These revisions will result in additional total annual revenues of about \$447,000, or 8.1%.

**BACKGROUND**

“The Cooperative Board has requested the proposed rate increase primarily to provide revenues to allow for sufficient working funds, meet forecasted increases in operation and maintenance expenses and meet federal regulatory financial ratio level requirements. Current rates have been in effect since December 2000.

“The management of the Cooperative has planned additions to plant-in-service amounting to \$1.5 million. The capital program consists of a major upgrade of the Cooperative’s extensive distribution lines and conductors and an increase to its substation capacity.

“Under the new rates, an average residential customer who currently pays about 9.6 cents per kWh will pay about 10.4 cents and seasonal customers who currently pay 14.1 cents will pay about 15.2 cents. A small commercial customer that currently pays 9.5 cents per kWh will pay 10.3 cents after the increase. Large commercial customers that presently pay 12.3 cents will pay 13.2 cents after the increase. Large commercial customers that currently pay 7.3 cents will pay 7.9 cents after the rate increase. Public building rates will increase from 10.8 cents to 11.7 cents per kWh.

**DISCUSSION**

“The proposed rate revisions are based on a cost-of-service study prepared by the Cooperative and reviewed by Authority staff. A public hearing was held by the Cooperative on April 14, 2006. No rate payer comments were received at the public hearing. The Cooperative Board has requested that the proposed rates be approved. No comments concerning the proposed action have been received by the Authority’s Corporate Secretary.

“Pursuant to the approved procedures, the Senior Vice President – Marketing, Economic Development and Supply Planning requested the Corporate Secretary to file a notice for publication in the New York State Register of the Cooperative’s proposed revision in retail rates. Such notice was published on May 3, 2006.

“An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘7-A,’ ‘7-B’ and ‘7-C,’ respectively.

**RECOMMENDATION**

“The Director – Business Power Allocations and Regulation recommends that the attached schedule of rates for the Delaware County Electric Cooperative be approved as requested by the Board of the Delaware County Electric Cooperative to take effect beginning with the first full billing period following the date this resolution is adopted.

“It is also recommended that the Trustees authorize the Corporate Secretary to file a Notice of Adoption with the Secretary of State for publication in the New York State Register and to file such other notice as may be required by statute or regulation.

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

June 27, 2006

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

**RESOLVED, That the proposed rates for electric service for the Delaware County Electric Cooperative, Inc., as requested by such Cooperative Board, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Corporate Secretary of the Authority be, and hereby is, authorized to file a notice of adoption with the Secretary of State for publication in the New York State Register and to file any other notice 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 and General Counsel.**

**Delaware County Electric Cooperative**  
**Expense and Revenue Summary**

	Five-Year	
	<u>Average</u>	<u>Proposed <sup>1</sup></u>
Purchase Power Expense (NYPA hydro, incremental & ISO charges)	\$1,069,206	\$1,438,149
Distribution Expense (Coop-owned facilities)	1,424,563	1,750,000
Depreciation Expense (on all capital facilities and equipment)	583,611	660,000
General & Administrative Expenses (salaries, insurance, mgmt services & adm. expenses)	824,291	1,135,000
Rate of Return – (Average 4.7%, Proposed 6.4%) (includes debt service on current & planned debt, federal regulatory financial ratio level requirement, Coop members’ patronage capital distribution and cash reserves for contingencies)	691,313	1,070,984
Miscellaneous Revenue Credit (e.g., sale of used equipment, etc.)	<u>(110,826)</u>	<u>(104,692)</u>
Total Cost of Service	<u>\$4,482,158</u>	<u>\$5,949,441</u>
Revenue at Present Rates		<u>\$5,502,800</u>
Deficiency at Current Rates		\$ 446,641
Revenue at Proposed Rates		\$5,949,441
Increase % at Proposed Rates		<b>8.1%</b>

<sup>1</sup> Based on five years of historical and projected data.

**June 27, 2006**  
**Exhibit "7-B"**

**Delaware County Electric Cooperative**  
**Comparison of Present and Proposed Annual Total Revenues**

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential SC1	\$3,447,329	\$3,726,779	8.1%
Seasonal SC2	1,065,541	1,152,537	8.2%
Small Commercial-Single Phase SC3	24,254	26,254	8.3%
Large Commercial-Multi Phase SC4-A	869,298	943,093	8.5%
Large Commercial-Single Phase SC4-B	29,564	31,564	6.8%
Public Buildings-Single Phase SC5	4,843	5,243	8.3%
Security Lighting SC6	<u>61,971</u>	<u>63,971</u>	<u>3.2%</u>
Total	<u>\$5,502,800</u>	<u>\$5,949,441</u>	8.1%

**Delaware County Electric Cooperative**  
Comparison of Present and Proposed Net Monthly Rates

<u>Present <sup>1</sup> Rates</u>		<u>Proposed <sup>1</sup> Rates</u>
	<b><u>Residential SC1</u></b>	
\$ 10.00	Customer Charge	\$ 12.50
\$ .0858	Energy Charge, per kWh	\$ .0909
	<b><u>Seasonal SC2</u></b>	
\$ 14.58	Customer Charge	\$ 17.50
\$ .0970	Energy Charge, per kWh	\$ .0998
	<b><u>Small Commercial-Single Phase SC3</u></b>	
\$ 10.00	Demand Charge	\$ 12.50
\$ .0856	Energy Charge, per kWh	\$ .0910
	<b><u>Large Commercial-Multi Phase SC4-A</u></b>	
\$ 6.00	Demand Charge	\$ 7.00
\$ .0594	Energy Charge, per kWh	\$ .0633

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<sup>1</sup> Average annual purchase power adjustment (PPA) reflected in present and proposed rates.

## Exhibit "7-C"

**Delaware County Electric Cooperative**  
Comparison of Present and Proposed Net Monthly Rates

<u>Present</u> <sup>1</sup>		<u>Proposed</u> <sup>1</sup>
<u>Rates</u>		<u>Rates</u>

**Large Commercial-Single Phase SC4-B**

\$ 1.75	Demand Charge	\$ 2.00
\$.0836	Energy Charge, per kWh	\$.0863

**Public Buildings-Single Phase SC5**

\$ 10.00	Demand Charge	\$ 12.50
\$.0866	Energy Charge, per kWh	\$.0902

**Security Lighting SC6**

(Charge per lamp, per month)

\$ 9.63	100 Mercury, not metered	\$ 13.39
\$ 6.83	175 Mercury, metered	\$ 9.50
\$ 9.63	175 Mercury, not metered	\$ 13.39
\$ 11.67	175 Mercury, not metered, pole & transformer	\$ 16.23
\$ 10.53	250 Mercury, not metered	\$ 14.64
\$ 13.75	400 Mercury, not metered	\$ 19.12

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<sup>1</sup> Average annual purchase power adjustment (PPA) reflected in present and proposed rates.

8. Resolution – Charles Lipsky

*Vice Chairman Townsend read a resolution thanking Mr. Lipsky for his nearly four decades of service to the Authority. Chairman McCullough presented Mr. Lipsky with a framed copy of the resolution, adding that all of the Trustees wished Mr. Lipsky and his wife the very best. He also said that he expected to see Mr. Lipsky around the Authority's offices on a frequent basis. President Carey said that Mr. Lipsky would be staying on at the Authority as a consultant. Mr. Lipsky said that he was absolutely honored and elated by the resolution, since he'd seen in the past that such resolutions are given only to special people. He thanked everyone for their good wishes.*

**WHEREAS, Charles I. Lipsky left a lasting legacy of service and accomplishment during an extraordinary career of nearly 37 years at the New York Power Authority, a period of significant growth for the Authority and profound change in the electric utility industry; and**

**WHEREAS, Mr. Lipsky's tenure of more than 18 years as Chief Engineer of the Power Authority stands as the record for longevity among the select group of engineers who have held that critical post; and**

**WHEREAS, Mr. Lipsky brought to this assignment an unparalleled ability to respond quickly and insightfully to the most complex of engineering challenges; to master both the theoretical and the practical; and to absorb and integrate the principles and concepts of diverse engineering disciplines, thereby earning the professional and personal respect of colleagues at the Authority and beyond; and**

**WHEREAS, after beginning his career at Niagara Mohawk, Mr. Lipsky joined the Power Authority staff as an assistant electrical engineer at the Niagara Project and went on to become Superintendent of Power at Blenheim-Gilboa and at Niagara, acquiring an intimate knowledge of the power system that was to prove invaluable in his role as Vice President and Chief Engineer; and**

**WHEREAS, by setting design standards and criteria and overseeing other crucial engineering functions, he put his personal stamp on a succession of vital Power Authority initiatives, ranging from the Sound Cable Project and the Flynn Plant to the small, clean power plants, the 500-megawatt combined-cycle plant, and improvements at the hydroelectric projects that will ensure their efficient operation for years to come; and**

**WHEREAS, through his key part in implementation of a Maintenance Management System and similar efforts, he helped to prepare the Authority for the coming of competition to the power industry; and**

**WHEREAS, Mr. Lipsky's technical prowess was matched only by his abiding commitment to teaching and learning—and to his trademark office blackboard; by his calm and confident response to all problems large and small; and by his manifest concern for the wellbeing and professional growth of the members of his staff; and**

**WHEREAS, Mr. Lipsky contributed significantly to the Power Authority's standing in the industry, both through his prominent positions in such organizations as the Electric Power Research Institute and Hydro Review magazine and through the high national rankings attained by the Authority's engineering functions under his leadership; and**

**WHEREAS, Mr. Lipsky has retired from the Power Authority after nearly four decades in which his singular talents and expertise have brought immense benefit to the Authority and the people of New York State;**

**NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York express their thanks and admiration to Charlie Lipsky for his many achievements and convey to him; his wife, Carol; and their children and grandchildren sincere wishes for a healthy, happy and rewarding future.**

June 27, 2006

9. **Informational Item: Disposal of B-G Step-Up Transformer**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The four Brown Boveri Corp. step-up transformers at the Blenheim-Gilboa pumped storage power plant (‘B-G’) will be replaced, starting in 2006, with new transformers from Hyundai pursuant to a contract awarded as a result of competitive bidding. The replaced transformers, which may contain small amounts of PCBs, must be disposed of in accordance with the requirements of the Authority’s Environmental Department. Such disposal must also be in accordance with the Authority’s ‘Guidelines and Procedures for Disposal of Personal Property,’ (‘Guidelines’), which were approved by the Trustees at their meeting of March 28, 2006, and comply with the Public Authorities Accountability Act.

BACKGROUND

“The original Brown Boveri step-up transformers were fabricated in 1972 and were installed when the B-G plant was constructed. A new transformer will be installed in each of the next four years, beginning in 2006, as part of the Life Extension and Modernization Program at B-G. The first transformer is currently scheduled to be replaced in August 2006.

DISCUSSION

“The Authority had two options for disposing of this transformer: (1) selling it to a utility or qualified power organization or (2) having an Authority-qualified firm dispose of it in accordance with the Environmental Department’s disposal requirements. In accordance with the Authority’s Guidelines, both of these options were pursued on a parallel path. The potential sale of the transformer was advertised in a major trade publication, *The Engineering News Record*, on the New York State Office of General Services’ eBay website and through an industry inventory-sharing consortium called ‘RAPIDS.’ Proposals were also requested from the two firms currently qualified by the Authority to dispose of the transformer: Clean Harbors of Twinsburg, Ohio, and TCI of Hudson, New York.

“The result of these efforts was a high bid from TCI for a payment to the Authority of \$165,000, taking into account both the costs of disposal and the salvage value of metals, particularly copper, which have peaked. TCI will also meet all of the environmental requirements for disposal of both the transformer materials and oil. This is an outstanding result considering that the cost to the Authority to dispose of the existing transformer, quoted by Hyundai as the supplier of the new transformers, was \$60,000.

“This positive result came about because of the collaborative efforts of staff from Project Management, the Environmental Department and Procurement.”

*President Carey said that he requested that this be put on the agenda as an informational item because he wanted to show the Trustees how Authority staff is doing creative things to achieve the Trustees’ program goals. Mr. Hoff said that this had truly been a team effort involving Mr. Antenucci and the Project Management staff; Mr. Slade and the Environmental staff, as well as Procurement staff. He then presented the highlights of staff’s report to the Trustees. Chairman McCullough said that taking a potential expense of \$60,000 and turning it into a gain of \$165,000 represented a turnaround of \$225,000. He commended all of the staff involved.*

**10. Funding for Energy Efficiency Measures and Fuel Cells at the Port Authority of New York and New Jersey Freedom Tower Building**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize up to \$30 million to finance the installation of state-of-the-art energy efficiency measures and natural gas-powered fuel cells at the Port Authority of New York and New Jersey’s (‘Port Authority’s’) to-be-constructed Freedom Tower building in lower Manhattan. All costs of financing these measures will be recovered from the Port Authority, a New York City Governmental Customer of the Power Authority.

**BACKGROUND**

“The Port Authority, which has facilities in New York City served by the Power Authority, recently executed a long-term supplemental agreement governing the supply of electricity to be provided by the Power Authority (the ‘Long Term Agreement’). The Long Term Agreement includes a minimum commitment of \$7.45 million in annual financing to be provided by the Power Authority to fund energy efficiency and clean energy projects at Port Authority facilities in New York City.

“The Port Authority has asked the Power Authority to provide financing to cover the incremental cost of various energy efficiency and clean energy measures. These incremental costs would be the difference in costs necessary to bring the Freedom Tower to a higher level of energy efficiency than would be realized under a more standard Code design, as discussed below. Among the measures is the purchase of up to 1.2 MW of fuel cell capacity to be installed at the Freedom Tower site now under construction at the former World Trade Center location. The design parameters of the Freedom Tower are not fully developed at this time, but it is anticipated that the requested work scope can be completed for \$30 million.

**DISCUSSION**

“While there is existing program authority to proceed with this work, both the size and scope of the proposed conservation and clean energy measures, as well as the fact that this is an endeavor of national significance, make it appropriate for the Trustees to provide their specific approval. By financing the incremental cost of high-efficiency options to be installed at the Freedom Tower site, including the cost of fuel cells to be installed as part of this project, the Power Authority would provide a value-added service to the Port Authority that would assist the Port Authority in achieving an overall building energy performance that is at least 20% more efficient than that required by the New York State Energy Conservation Construction Code. In addition, inclusion of the energy-efficient measures, including the on-site generation options (fuel cells), will allow the Freedom Tower to achieve a U.S. Green Building Council (‘USGBC’) rating of Leadership in Energy and Environmental Design (‘LEED’) Gold. LEED is USGBC’s current standard for energy-efficient or ‘green’ buildings.

“The Power Authority will provide funding to finance the incremental cost of state-of-the-art energy efficiency measures to be installed at the Freedom Tower. It is anticipated that the Freedom Tower design will include, but not be limited to, the following premium efficiency measures: high-efficiency air-conditioning equipment, high-efficiency lighting and lighting controls, variable-frequency motors and drives, demand-controlled ventilation and indoor air quality monitoring and control, radiant heating and cooling, high-performance window glazing, increased roof insulation and other energy measures to meet sustainable energy design guidelines. Power Authority funding will also be used to procure up to 1.2 MW of fuel cell capacity to be delivered to the Freedom Tower site for installation and operation by the Port Authority.

**FISCAL INFORMATION**

“Funding for these energy options will be provided from commercial paper debt financing. The total cost of these options is not expected to exceed \$30 million. All Power Authority costs, including the cost of advancing

funds and Power Authority overheads, will be recovered consistent with other Energy Services and Technology programs and according to the terms contained in the Long Term Agreement.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize up to \$30 million to finance energy efficiency and clean energy measures, including fuel cells, to be installed at the Port Authority of New York and New Jersey’s Freedom Tower site.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Public and Governmental Affairs, the Senior Vice President – Power Generation and I concur in the recommendation.”

*Mr. Hackman presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman McCullough, President Carey said that, while the Authority’s exposure for this project is \$30 million, the Authority is expected to recoup its investment, interest and administrative costs. Responding to a question from Trustee Cusack, Mr. Esposito said it would take 20 years for the Authority to recover its costs for the project. President Carey added that this project is very important to the Governor, everyone at the Authority and the people of New York State. He also pointed out that the Authority is working to make the Rappleyea Building an LEED (“Leadership in Energy and Environmental Design”) rated building, saying that Mr. Esposito’s staff has brought in a team of experts to help accomplish this.*

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

**RESOLVED, That the Trustees hereby authorize the expenditure of up to \$30 million to finance the incremental cost of energy efficiency and clean energy measures and procurement of natural gas- powered fuel cells for installation at the Port Authority of New York and New Jersey’s Freedom Tower building currently under construction in lower Manhattan; and be it further**

**RESOLVED, That the expenditures are hereby approved to be committed in accordance with the New York Power Authority’s Expenditure Authorization Procedures for procurement of the above energy-efficiency options in the amount and for the purposes listed below:**

<u>Commercial Paper Proceeds</u>	<u>Expenditure Authorization (not to exceed)</u>
Incremental costs of energy-efficiency measures and fuel cell purchases for the Port Authority of New York and New Jersey Freedom Tower	\$30 million
<b>Total</b>	<u><b>\$30 million</b></u>

**AND BE IT FURTHER RESOLVED, That the New York Power Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued and used to finance these costs; and be it further**

**RESOLVED, That the Senior Vice President – Energy Services and Technology is hereby authorized to enter into agreements with the Port Authority of New York and New Jersey providing for the financing of these costs and fuel cell procurement and the recovery by the Authority of funds expended for this purpose, with such agreement(s) having such terms and conditions as the Senior Vice President – Energy Services and Technology deems necessary or advisable, subject to the approval of the form thereof by the Executive Vice President and General Counsel or his designee; 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 resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.**

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

*“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters related to threatened, proposed, and pending litigation, as well as matters related to the proposed acquisition and sale of security instruments.”* Upon motion moved and seconded, an executive session was held.

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

*“Mr. Chairman, I move to resume the meeting in Open Session.”* Upon motion moved and seconded, the meeting resumed in open session.

**13. Niagara Power Project – Authorization of Erie County/City of Buffalo Relicensing Settlement Agreement and Filing of Supplement to Offer of Settlement**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize the President and Chief Executive Officer (and his designees) to enter into an Erie County/City of Buffalo Relicensing Settlement Agreement (‘ECCBRSA’) with Erie County, the City of Buffalo, the Buffalo Olmstead Parks Conservancy, the Erie Canal Harbor Development Corporation (‘ECHDC’) and the New York State Urban Development Corporation doing business as the Empire State Development Corporation (‘ESDC’), to file with the Federal Energy Regulatory Commission (‘FERC’) a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project (‘Project’) on August 19, 2005, and to execute such other documents and take such other action or actions as may be necessary or convenient in connection with the foregoing.

**BACKGROUND**

“The existing 50-year license issued to the Authority under the Federal Power Act authorizing construction and operation of the Project expires on August 31, 2007. At their meeting of June 28, 2005, the Trustees authorized the President and Chief Executive Officer (and his designees) to file an Application for a New License (‘Application’) with FERC for the Project; to file related applications with the New York State Department of State and the New York State Department of Environmental Conservation and an Offer of Settlement with FERC (‘Offer of Settlement’); to enter into and execute settlement agreements and to execute such other documents and take such other actions as may be necessary or convenient in connection with such actions. The Application was filed with FERC on August 18, 2005, and the Offer of Settlement was filed with FERC the following day.

“The Offer of Settlement included four separate settlement agreements reached by the Authority with parties participating in the Alternative Licensing Process (‘ALP’) commenced by the Authority in 2002 in accordance with FERC regulations. The Relicensing Settlement Agreement Addressing New License Terms and Conditions was executed by the State and federal agencies involved in the relicensing process and by certain public and private entities concerned with ecological issues; the Host Community Relicensing Settlement Agreement Addressing Non-License Terms and Conditions was executed by the Project ‘Host Communities;’<sup>1</sup> the Relicensing Settlement Agreement between the Power Authority of the State of New York and the Tuscarora Nation was executed by the Tuscarora Nation of Indians and the Relicensing Settlement Agreement Addressing Allocation of Niagara Project Power and Energy to Neighboring States was executed by the Authority’s out-of-state hydropower customers.

“At their meeting of May 23, 2006, the Trustees authorized the President and Chief Executive Officer and his designees to enter into a Niagara University Settlement Agreement (‘NURSA’) and to file the same with FERC as a supplement to the Offer of Settlement filed on August 19, 2005. The fully executed NURSA was submitted to FERC on May 26, 2006.

“Further, pursuant to the National Environmental Policy Act, FERC’s action on the Application will be preceded by, and based on, a review of the environmental impacts of the relicensing of the Project, which review will involve preparing both draft and final environmental impact statements.

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<sup>1</sup> The Host Communities consist of the seven municipal entities that would exercise taxing jurisdiction over areas encompassed by the Project boundary established by FERC if Project lands were taxable. These communities are the City of Niagara Falls, Niagara County, the Towns of Lewiston and Niagara and three school districts: Lewiston-Porter, Niagara-Wheatfield and the City of Niagara Falls.

DISCUSSION

“The Authority owns a parcel of land along the shoreline of the City of Buffalo’s inner harbor and uses the parcel as a storage and maintenance area for the ice boom installed during winter months across the mouth of the Niagara River in accordance with the directives of the International Joint Commission (the ‘Ice Boom Parcel’). Efforts to revitalize the Buffalo waterfront and to enhance tourism and recreational opportunities throughout Erie County received a significant boost through enactment of the Niagara River Greenway Act of 2004. Collaboration between public and non-public entities will be of critical importance as this legislation is implemented, and ESDC and ECHDC, as State-chartered entities, and the Buffalo Olmstead Parks Conservancy (the ‘Conservancy’), as a not-for-profit entity, have already assumed leadership roles in the revitalization and enhancement effort.

“During the course of the ALP, Erie County, the City of Buffalo and the Conservancy identified a number of issues associated with the ice boom and the Authority’s ownership and use of the Ice Boom Parcel. As settlement discussions with these parties progressed, the waterfront development goals of the City of Buffalo and Erie County and the Authority’s continued ownership and use of the Ice Boom Parcel became the predominant feature of these discussions. These discussions eventually grew to include ESDC and ECHDC as participants.

“Erie County, the City of Buffalo, ESDC, ECHDC and the Conservancy have agreed to settle the outstanding issues through the ECCBRSA, which will include the following terms and conditions:

- The parties entering into the ECCBRSA with the Authority will support the Application and the Offer of Settlement as supplemented by the NURSA and the ECCBRSA;
- The Authority will establish an Erie County Greenway Fund to be funded through annual payments of \$2 million throughout the term of the new license (representing an estimated net present value in 2007 dollars of \$32,359,289);
- The Authority will establish a Buffalo Waterfront Development Fund to be funded in the minimum amount of \$2.5 million annually, at least 60% of which (\$1.5 million in the first year) will represent the monetized ‘net value’ of five megawatts of firm hydropower (i.e., the difference between the Authority’s cost-based rate for Project power and energy and the prevailing wholesale market price established by the New York Independent System Operator – representing an estimated net present value in 2007 dollars of \$40,449,113);
- The Authority will make annual payments of \$1,000,000 to ESDC for certain future economic development programs (representing an estimated net present value in 2007 dollars of \$16,179,645);
- The Authority agrees to pay two \$2 million payments, one in 2006 and one in 2007, to support waterfront revitalization and development activities;
- The Authority will undertake a feasibility study regarding replacement of the Ice Boom Parcel with a suitable replacement parcel and, assuming such parcel is identified and the ice boom is in fact relocated, will make the Ice Boom Parcel available for development; and
- As is the case with all of the Authority’s relicensing settlement agreements, the obligations of the Authority pursuant to the ECCBRSA, with the exception of the \$4 million to support waterfront revitalization and development activities, are contingent upon the issuance by FERC of a license fully consistent with the application and Offer of Settlement, both of which call for, among other things, issuance of a new license for a term of 50 years.

The ECCBRSA has been executed by Erie County, the City of Buffalo, ESDC, ECHDC and the Conservancy, and it now awaits approval and execution by the Authority.

“Section 1005(3) of the Power Authority Act authorizes and directs the Authority to seek and receive licenses for its hydroelectric projects and affords to it the discretion to agree to appropriate terms and conditions with FERC (successor to the Federal Power Commission) and other agencies, officials and utility companies relating to the construction or operation of such projects. In addition, Section 1005(9) of the Act authorizes and directs the Authority to ‘cooperate with’ and ‘enter into contractual arrangements’ with municipal corporations with respect to the ‘operation of hydroelectric generating facilities.’ Furthermore, Section 1005(11) of the Act authorizes and directs the Authority to ‘. . . exercise all the powers necessary or convenient to carry out and effectuate the purposes

and provisions of this title . . . and generally to do any and everything necessary or convenient to carry out the purposes of this title. . .’

“Entering into the ECCBRSA is a reasonable, appropriate and ‘necessary or convenient’ action in the context of the Authority’s pursuit of a new 50-year license for the Project, and it will provide a mutually acceptable and final resolution of issues of concern to the Authority and to federal, State and local officials. Entering into the ECCBRSA also will promote the realization of the Authority’s ultimate goal in the relicensing, which is to obtain a new license carrying a 50-year term and imposing no changes with respect to Project operations. If and when FERC grants a new license under these terms, the Project will be able to continue to provide low-cost power to the citizens of New York and its out-of-state customers for the next 50 years under favorable license terms and conditions.

#### FISCAL INFORMATION

“The cost in 2007 dollars associated with the ECCBRSA is estimated to be approximately \$68,718,579, exclusive of the value of the power that will be sold in connection with the Buffalo Waterfront Development Fund, which represents no cost to the Authority. Financing of the costs will be accomplished through the issuance of commercial paper along with the use of capital fund and operating fund monies, and such costs will be included in rates charged to Project customers.

#### RECOMMENDATION

“The Executive Director – Hydropower Relicensing recommends that the Trustees authorize the President and Chief Executive Officer, and his designees, to enter into the Erie County/City of Buffalo Relicensing Settlement Agreement with Erie County, the City of Buffalo, the Buffalo Olmstead Parks Conservancy, the Erie Canal Harbor Development Corporation and the New York State Urban Development Corporation doing business as the Empire State Development Corporation; to file with the Federal Energy Regulatory Commission a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project on August 19, 2005; and to execute such other documents and take such other actions as may be necessary or convenient in connection with the foregoing.

“The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Power Generation, 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. Chairman McCullough said that all of the Trustees understand how much work has been involved in getting to this point in the relicensing process. He commended Mr. Chase and everyone who worked with him on the success of their efforts, saying that the lessons learned in the St. Lawrence relicensing process had served them well. Chairman McCullough said that this was a job well done and that Mr. Chase and all of the other staff involved were to be complimented on it. Trustee Cusack added that she appreciated all of the hard work that had gone into these settlement agreements and agreed that staff had done a great job. Mr. Chase said that it had truly been a team effort involving staff from all different levels and departments throughout the Authority. President Carey said that this particular settlement agreement represented the last piece as the Authority goes forward with the Federal Energy Regulatory Commission (“FERC”) process. In response to a question from President Carey, Mr. Chase indicated that FERC has published a notice indicating that it is expected to issue the new license in or*

*about February 2007. Mr. Chase said that the next step in the process is for FERC to issue the draft Environmental Impact Statement (“EIS”), after which there would be a public comment period and possibly a public hearing. In response to a question from Chairman McCullough, Mr. Chase said that Authority staff had prepared the Environmental Assessment (“EA”) at the level of an EIS so that FERC staff would be able to use the EA to develop the draft EIS. Responding to a question from President Carey, Mr. Chase said that the cost to customers for all of the Niagara relicensing settlements was 1 mill, or 1/10<sup>th</sup> of a cent, per kilowatt hour. Chairman McCullough said this was a terrific result.*

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

**RESOLVED, That the President and Chief Executive Officer and his designees be, and hereby are, authorized to enter into the Erie County/City of Buffalo Relicensing Settlement Agreement with Erie County, the City of Buffalo, the Buffalo Olmstead Parks Conservancy, the Erie Canal Harbor Development Corporation and the New York State Urban Development Corporation doing business as the Empire State Development Corporation; to file with the Federal Energy Regulatory Commission a supplement to the Offer of Settlement filed in connection with the relicensing of the Niagara Power Project on August 19, 2005; and to execute such other documents and take such other actions as may be necessary or convenient in connection with the foregoing; and be it further**

**RESOLVED, That the Authority’s Series 1, Series 2 and Series 3 Commercial Paper Notes and its Extendable Municipal Commercial Paper Notes may be issued and the proceeds of such issuance may be used, along with capital fund and operating fund monies, to fund payments called for or contemplated by the Erie County/City of Buffalo Relicensing Settlement Agreement; 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 and General Counsel.**

**14. Approval of Hedge Transaction Authority for 2007 Long-Term Energy Supply Agreements with New York City Governmental Customers**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Vice President – Energy Resource Management, with the concurrence of the Executive Vice President and Chief Financial Officer, the Senior Vice President – Power Generation and the Vice President – Chief Risk Officer, to execute fuel- and energy-related hedging transactions (‘Hedge Transactions’) for the 2007 energy cost-recovery option selected by the New York City governmental customers (‘Governmental Customers’) under the long-term energy supply agreements with the Authority (‘Agreements’), specifically Energy Charge Adjustment (‘ECA’) with Hedging Options (‘ECA Option 3’), provided that the aggregate nominal value of all Hedge Transactions does not exceed the monetary cap for ECA Option 3.

BACKGROUND

“On February 9, 2005, the Trustees approved Agreements between the Authority and the Governmental Customers, effective 2005 for annual rate years commencing 2006 through December 31, 2017, unless terminated earlier. By executing the Agreements, each of the Governmental Customers agreed to be a full-requirements electricity customer of the Authority and to support and pay for its share of the Authority’s supply portfolio dedicated to the Governmental Customers. The Agreements require that the Authority and the Governmental Customers engage in an ‘Annual Process’ each year prior to the next calendar year (‘Rate Year’) to determine the fixed and variable costs of service, future energy and fuel market risks, hedging strategies, submission of load forecasts and supply resource planning. During this process, the Governmental Customers are obligated to propose three cost-recovery options for analysis by the Authority. The Authority must develop estimated costs for the cost-recovery options in accord with the specified criteria and offer them to the Governmental Customers for selection. The Governmental Customers are required by the Agreements to select one of the energy cost-recovery options by June 15<sup>th</sup> of the year preceding the applicable Rate Year. In the event the Governmental Customers are not able to agree on and/or do not select an option by June 15<sup>th</sup>, the Authority implements the Default Option.

“Once the option is determined, the Authority is obligated to obtain market prices for the Hedge Transactions components of the selected option. If the option is an ECA with Hedging Option and the prices of the option are within a 5% tolerance of the prices contemplated by the option, the Authority is authorized to proceed with the execution of the Hedge Transactions. Should the actual cost exceed 5%, the Authority cannot proceed without the consent of the Governmental Customers, and in the event there is no consent within 10 days, the Authority will implement the Default Option. An ECA option is a full variable-cost pass-through option using an energy charge adjustment, and once selected, is the only type of option permitted by the Agreements for at least two consecutive Rate Years.

“Generally, Hedge Transactions serve to fix the price paid for actual purchases of energy or fuel in the future. For example, if the Authority entered into an energy swap where it paid \$40 per MWH and the counterparty paid the market price, and the price fell to \$30 per MWH, the Authority would have to pay \$10 per MWH to the counterparty. However, at the same time, the Authority would be buying energy in the market at the price of \$30 per MWH. If one adds the \$10 per MWH payment made to the counterparty to the \$30 per MWH price paid by the Authority for the physical purchase of energy, the effective price paid for the energy is \$40 per MWH, thereby fixing the Authority’s price. A similar result would result if market prices went above the Authority’s fixed price and the Authority would then be paid the difference between the fixed price and the market sale amount by the counterparty. That payment would then be used by the Authority to offset physical purchases in the market at the higher price.

“Last year, the first year the Agreements were in effect, the Governmental Customers did not select one of the cost-recovery options defined by them, so the Default Option designed and developed by the Authority was implemented for the 2006 Rate Year. On May 24, 2005, the Trustees approved a request for increased Hedge Transaction authority necessary to implement the 2006 Default Option. A dramatic increase in fuel and energy

prices, attributable in large part to hurricanes in the southeastern U.S., necessitated Trustee approval on September 20, 2005, of an additional increase in Hedge Transaction authority for implementation of the Default Option for the 2006 Rate Year.

### DISCUSSION

“For the 2007 Rate Year, the Governmental Customers submitted three ECA with Hedging Options for analysis. In accordance with the Agreements, the Authority developed a ‘Default Option’ for 2007 that was a ‘Sharing Plan.’ By letter dated and received on June 15, 2006, the Governmental Customers selected one of their proposed ECA Options (‘ECA Option 3’) as the hedging strategy option for the 2007 rate year. Although not obligated by the Agreements, the Authority has agreed to collaborate with the Governmental Customers during the implementation of the hedging strategy to achieve the best outcome. Because the Hedge Transactions are market based and could influence the market, a summary analysis of the Hedge Transactions associated with, and presently contemplated by, ECA Option 3 will be presented to the Trustees for discussion in executive session. The monetary cap that needs to be authorized to implement ECA Option 3 is included in the summary analysis. In the event the cost of ECA Option 3 exceeds anticipated cost by 5% and the Governmental Customers do not give the Authority the requisite consent to proceed with execution of the Option, the monetary cap authorized by the Trustees for ECA Option 3 will not be sufficient to implement the Default Option and Trustee authorization for an increase in the monetary cap will be required.

“As with the 2006 rate year, multiple and varied hedges will be necessary to implement the hedging strategy option selected by the Governmental Customers. The need for timely implementation of the hedging strategy and the dollar value of the individual Hedge Transactions will likely exceed the maximum individual transactional authority granted to Authority officers by the Trustees on January 31, 2006. Since delay in executing the Hedge Transactions could be very costly, it is critical for the Authority to have the flexibility to immediately proceed in executing fiscally advantageous Hedge Transactions.

“The expanded authority would essentially permit the Vice President – Energy Resource Management to approve Hedge Transactions that exceed both (i) the fuel and electric per- transaction limits for financial hedge transactions and (ii) the spot trade limits for physical transactions established by the Trustees at their January 31, 2006 meeting. The aggregate nominal value of the Hedge Transactions will be limited to the monetary cap for Hedge Transactions set forth to meet ECA Option 3, the selected hedging strategy option for the Governmental Customers’ 2007 rate year. The Hedge Transactions will include both purchases and sales and involve significantly lower net outlays for the cost-recovery options than the monetary cap for the authorized Hedge Transactions.

“While the cumulative authority sought represents a significant commitment, the value of the commitment does not give rise to a dollar-for-dollar financial exposure for the Authority. As explained earlier, the Authority’s financial exposure created by the proposed authorization for Hedge Transactions (most typically swaps and NYMEX contracts) would be measured by the difference between the fixed price the Authority would pay and the floating price to be paid by the counterparty. If the market price rises above the fixed price, payments would be made to the Authority based on the difference. If the market price falls below the fixed price, the Authority would make payments based on the difference. It is these differences that will determine the Authority’s (and counterparties’) financial obligations. The costs associated with the Governmental Customers’ selected hedging strategy will be recovered in their 2007 rates.

“The Vice President – Energy Resource Management will report to the Trustees on the implementation of ECA Option 3 upon final execution of all transactions comprising the elements of ECA Option 3, or as may otherwise be requested by the Trustees.

### FISCAL IMPLICATIONS

“Since the costs associated with the Authority’s implementation of hedging strategy ECA Option 3 will be fully recovered in the Governmental Customers’ 2007 rates, there will be no costs to the Authority for implementation of ECA Option 3. If, however, circumstances warranted implementation of the Default Option, costs in excess of anticipated prices for the Default Option would have to be shared as provided for in the Agreements.

RECOMMENDATION

“The Vice President – Chief Risk Officer recommends that the Trustees grant authority to the Vice President – Energy Resource Management, with the concurrence of the Executive Vice President and Chief Financial Officer, the Senior Vice President – Power Generation and the Vice President – Chief Risk Officer, to execute Hedging Transactions consistent with ECA Option 3 selected by the Governmental Customers and integral to the Authority’s hedging strategy obligations under the Agreements with the Governmental Customers.

“The Executive Vice President and General Counsel, the Executive Vice President and Chief Financial Officer and I concur in the recommendation.”

*Mr. Warmath presented the highlights of staff’s recommendations to the Trustees. Chairman McCullough said that staff has spent a lot of time on this issue, including reaching out to individual Trustees to address their questions and concerns. He said that both the information staff provided and the time devoted to this effort had been very helpful and said that he and the other Trustees appreciated it. President Carey said that he wanted to personally thank Ms. Morman, Mr. Del Sindaco, Mr. Bellis, Mr. Kelly and all of their staff for their efforts. He said that this is the first year the Authority has taken this kind of action, which will be repeated annually for the next 12 years.*

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

**RESOLVED, That the Vice President – Energy Resource Management, with the concurrence of the Executive Vice President and Chief Financial Officer, the Senior Vice President – Power Generation and the Vice President – Chief Risk Officer, is hereby authorized to approve and enter into, on behalf of the Authority, in connection with ECA Option 3, the Governmental Customers’ selected cost-recovery hedging strategy option under the New York City Governmental Customers’ Long Term Agreements for 2007:**

- (1) hedging transactions relating to energy and fuel, including, but not limited to, swaps, including contracts for differences, calls, puts, covered calls, covered puts, swap options, covered call options, transmission congestion contracts, NYMEX contracts , other Over the Counter (‘OTC’) hedging instruments and options on NYMEX or OTC contracts; and**
- (2) fuel-related transactions, including, but not limited to the physical purchase of natural gas and oil;**

**that may (i) exceed the fuel and electric per-transaction limits for financial hedge transactions and (ii) the spot-trade limits for physical transactions established by the Trustees at their meeting of January 31, 2006, provided, however, that, in addition to any other cumulative or per-day limits, the aggregate nominal value of all such transactions outstanding at any one time shall not exceed the monetary cap for ECA Option 3, the selected hedging strategy option, with the term ‘nominal value’ meaning, for the purposes of this limitation, as applied to a particular transaction, (1) the**

aggregate amount of the hedging transactions executed by the Authority determined as of the date of entry into the transaction by the Vice President – Energy Resource Management, (2) in the case of a NYMEX contract, the value of the contract based on the price per dekatherm of the contract on the date of execution of the contract and (3) in the case of option contracts (e.g., puts or calls), the cost of the premium associated with the transaction; and be it further

**RESOLVED**, That the Vice President – Energy Resource Management is hereby authorized to execute agreements and to authorize his designees to execute agreements to effectuate transactions approved by the Vice President – Energy Resource Management pursuant to the foregoing resolution, including ISDA Master Agreements and schedules and confirmations relating to such new or existing Master Agreements, having such terms and conditions as the Executive Vice President and Chief Financial Officer, Vice President – Energy Resource Management and Vice President – Chief Risk Officer deem necessary or advisable, subject to the approval of the form of such agreements by the Executive Vice President and General Counsel; and be it further

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

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

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit ‘15-A’ for the Authority’s Business Units/Departments and Facilities. Detailed explanations of the nature of such services, the bases for the new awards if other than to the lowest-priced bidders and the intended duration of such contracts are set forth in the discussion below.

**BACKGROUND**

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

“The Authority’s Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval for the award of non-personal services, construction 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.

**DISCUSSION**

“The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from \$24,260 to \$20,000,000. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

**Corporate Services and Administration**

“Earlier this year, the Authority’s Employee Benefits Unit, assisted by its benefits consultant, Buck Consultants, sought proposals (Q-02-3760) from providers of Third Party Administrative (‘TPA’) services for its self-insured major medical (including Participating Provider Organizations, ‘PPOs’), prescription drug, dental, vision care, flexible spending accounts and short-term disability claims programs. Prospective bidders were invited to submit proposals for one or more categories of the aforementioned services for the Authority’s various employee groups and retirees, with eligible participants including active and retired salaried employees, members of the International Brotherhood of Electrical Workers (‘IBEW’) and the Utility Workers’ Union of America (‘UWUA’), as well as retired members of Teamsters’ Local 887. The potential number of enrollees offered such coverage is approximately 2,571, of which approximately 1,787 are currently enrolled.

“Bid documents were downloaded electronically from the Authority’s Procurement website by 23 firms, including those that may have responded to a notice in the New York State Contract Reporter. Proposals were received from 11 firms for one or more service categories in the Authority’s Request for Proposals (‘RFP’). Buck Consultants assisted Authority staff in collecting and sorting the data submitted in the proposals through the use of an automated template that recorded the vendors’ responses to questions. After an initial review of all bids, five firms were selected to attend finalists’ meetings. Bidders were invited to present their proposals in detail and to provide any additional data that were requested during the meetings. Such meetings also afforded Authority staff

the opportunity to meet the respective account representatives and to clarify any outstanding questions or issues. In addition, staff conducted a site visit to the claims facility of one new bidder to inspect its respective operations, review its processes for claim payment, customer service, program technology and implementation and clarify any outstanding issues prior to final recommendations. A more detailed evaluation and analysis of the proposals and clarifications provided during the finalists' meetings was subsequently performed based on the following evaluation criteria: network availability of participating provider organizations, disruption analysis of current vs. proposed networks, rate comparisons and cost savings, company size and staffing levels, administrative and technical capabilities, past vendor performance and financial stability of the bidders.

“Based on the aforementioned detailed evaluation and analysis of all the proposals, clarifications and evaluation criteria, staff recommends the award of four contracts to the following firms: UnitedHealthcare ('UHC'), Delta Dental, Maurice W. Pomfrey & Associates, Ltd. ('POMCO') and EyeMed Vision Care (PO#s TBA) to provide TPA services for the Authority's health and benefits programs, on a self-insured basis. Services would be provided as follows: (1) UHC would continue to provide TPA services for the major medical program for the Authority's active and retired salaried and UWUA employees, the flexible spending account program for active salaried and UWUA employees, the prescription drug program for all non-HMO active employees and retirees and hospitalization for the UHC 'NYPA Choice' Plan only; (2) Delta Dental would provide TPA services for the dental program for all active employees; (3) POMCO would continue to provide TPA services for both major medical and hospitalization for IBEW active employees and retirees and for retired members of Teamsters' Local 887, as well as short-term disability for active IBEW and UWUA employees only and (4) EyeMed would continue to provide TPA services for the vision care program for active salaried employees only. In addition, it was decided that the current arrangement for the hospitalization program with EmpireHealth (Blue Cross/Blue Shield) would be continued on a fully-insured basis and that the HMO and POS programs would also continue to be offered. The intended term of these contracts is five years (comprising an initial award for 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 five-year term of the contracts: \$3,183,000 for UHC, \$336,000 for Delta Dental, \$1,318,600 for POMCO and \$28,700 for EyeMed, as further delineated on the attached Exhibit '15-A.'

“In recent years, it has become increasingly difficult to identify and attract qualified personnel for certain engineering, analytical and technical positions at the Authority, due to increased competition for and the decreased number of capable, experienced potential candidates. In order to remain competitive, Authority staff recommended augmenting the current recruiting approach (which consists of print ads, web postings, employee referrals and college outreach) to include the use of external recruitment firms in order to attract such technical personnel. It is anticipated that the use of such firms would provide a rigorous pre-screening process, as well as shorten the time needed to fill such positions with a diverse, local and on-target pool of qualified applicants. To this end, the Authority solicited proposals for the services of recruitment firms to assist the Authority in filling certain difficult-to-fill positions, when necessary. Bid documents were downloaded electronically from the Authority's Procurement website by 10 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Based on a review of their qualifications, experience and compensation terms, staff recommends award of contracts to **Apple One Employment Services ('Apple One')** and **Think Energy Group ('Think Energy')** (Q-02-3786; PO#s TBA), the two lowest-priced bidders. The award of contracts to two firms would provide for more flexibility and a larger pool of qualified potential candidates, as well as enable Authority staff to perform other more essential activities in the future. The subject contracts would become effective on July 1, 2006, for an intended term of two years, subject to the Trustees' approval, which is hereby requested. Funding and assignments will be based on the assessment of each firm's performance and ability to meet the Authority's needs. Approval is also requested for the combined total estimated amount expected to be expended for the term of both contracts, \$400,000.

“During the last several years, the Authority has refined its strategic planning approach with the use of performance measures. To this end, the Authority implemented the Integrated Measurement System ('IMS') plan, incorporated a Balanced Scorecard approach and refined its measurement system. In order to continue the development and implementation of this process, the Authority solicited proposals for consulting services to assist staff in: measuring organization performance for process improvement, advancing the process from measurement to performance improvement and strategy implementation, and continuing the development of the Authority's IMS plan towards its defined 'future state' vision. Bid documents were downloaded electronically from the Authority's Procurement website by 38 firms, including those that may have responded to a notice in the New York State

Contract Reporter. Four proposals were received and evaluated. The three lowest-priced bidders were invited for clarification meetings regarding their respective proposals, proposed work methodology, relevant work experience, qualifications of assigned personnel and pricing. The Authority's Evaluation Team then rated each bidder based on a matrix of the foregoing criteria that assigned specific weights to each component of the proposals. Based on its having the highest rating in each category, as well as its broad experience and demonstrated methodology in evaluating and cascading measurement systems, staff recommends award of the subject contract to **Bywater, Inc. ('Bywater'; Q-02-3827; PO# TBA)**, the most qualified bidder with reasonable pricing estimates. The subject contract would become effective on July 1, 2006, for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount that may be expended for the term of the contract, \$500,000.

"The contract with **Crowley Webb and Associates, Inc. ('Crowley Webb'; Q-02-3761; PO# TBA)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for media consulting services for 'branding' the Authority in order to begin a communication and education program of the Authority's benefits to the people of New York State. Thirty-one firms were invited to bid, including those that downloaded bid documents electronically from the Authority's Procurement website and/or those that may have responded to a notice in the New York State Contract Reporter. Seven proposals were received and evaluated. After a detailed review of the submittals, including pricing, two firms were further evaluated and requested to meet with Authority staff. Based on these meetings, as well as its strategic experience, media buying knowledge, research understanding and credible creative services, especially in broadcast media, staff recommends award of the subject contract to Crowley Webb, the most qualified bidder with reasonable pricing. The intended term of this contract is one year (with an option to extend for one additional year at the Authority's discretion), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the initial award amount of up to \$400,000, with additional funding to be requested after a definitive media branding program is developed.

"The contract with **Design Collaborative Inc. ('DCI'; Q-02-3809; PO# TBA)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for on-call architectural and interior design services for the Authority's Clarence D. Rappleyea Building in White Plains. Bid documents were downloaded electronically from the Authority's Procurement website by 34 firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of the subject contract to DCI, the lowest-priced bidder. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$800,000.

### Business Services

"At their meeting of September 17, 2002, the Trustees approved the award and funding of a competitively bid contract with ICF Energy Solutions (now Nexus Energy Solutions) for the purchase, implementation, enhancement and maintenance of a suite of proprietary software modules (Energy Vision Enterprise, or 'EVE,' system), as well as related consulting services to support the Authority's short-term load forecasting project. Periodic programming support for various module and feature updates, modifications and enhancements, which are not included in the maintenance contract, was subsequently required to meet the emerging needs of the Authority's unique business processes. The Authority's Marketing, Economic Development and Supply Planning Business Unit staff has identified numerous additional improvements to the software that are required to meet the Authority's current and emerging business needs. They include, but are not limited to, the following areas: automated forecast submission to the New York Independent System Operator; new interfaces for Finance and the new Billing System; load aggregation and weather variable enhancements to improve load forecasts and weather normalization techniques and streamlining business processes and additional analytical capabilities to support forecasting functions. To this end, the award of a new sole source contract to Nexus Energy Software (**'Nexus'; Q-02-3791; PO# TBA**) would provide for such programming services to enhance existing proprietary EVE system software in order to implement planned short- and long-term load and revenue forecasting improvements in the aforementioned areas, as well as related consulting services and load forecasting expertise, as needed. This award is made on a sole source basis, since Nexus currently maintains this proprietary software and the required enhancements are specific to the Authority. In addition, Nexus has demonstrated that it is uniquely qualified to make such programming changes/enhancements, possessing the requisite technical skills and application knowledge, as well as the proprietary source code (to which the Authority's Information Technology division does not have access); and it has

implemented previous enhancements on time and within budget. Furthermore, there were no responses to a notice in the New York State Contract Reporter of an intended sole source award to Nexus. The subject contract would become effective on July 1, 2006, for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$900,000.

"In 2004, the Authority implemented an Energy Trading Portal ('Portal'), providing a single gateway of information for traders, business analysts and executives, in order to meet the evolving business needs of its Energy Resource Management group. The Authority has used outside consulting services for the past year to address functional and technical enhancements to the Portal. Since the Authority will have an ongoing need for such services, a Request for Proposals (**Q-02-3807**) for consulting services to enhance the Authority's Portal application was prepared. Bid documents were downloaded electronically from the Authority's Procurement website by 25 firms, including those that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Based on its depth of staff knowledge and experience with Portals, TIBCO software and the energy industry, interviews and qualifications of the prospective candidates for this work and company size and satisfactory resources, staff recommends award of the subject contract to **Perficient Inc. (PO # TBA)**, the most qualified bidder. The contract with Perficient would become effective on July 1, 2006, for an intended term of three years, subject to the Trustees' approval, which is hereby requested. Services would include, but not be limited to, designing, developing and implementing technical improvements and functional enhancements, as well as providing 'best practice' expertise and guidance, as needed. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$800,000.

"The contract with **Professional Flight Management, Inc. ('PFM'; 4500125826)** would become effective on July 3, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for hosting services and technical support for PFM software utilized by the Authority's Travel and Flight Operations groups for corporate aircraft scheduling and recordkeeping. The PFM hosting agreement provides the software platform for the PFM application, including all requisite hardware, software, enhancements and production support in a secure environment at PFM. The transfer of the software from the Authority's IT server to PFM's server will provide for quicker and more uniform maintenance and Internet access for users. Additional benefits also include remote access for pilots via laptop or Blackberry, enabling them to update their own flight log and other data directly, immediately and easily through a secure website while on the road, thereby improving the reliability and timeliness of data and reports. The award is made on a sole source basis, since PFM is uniquely qualified as the original developer of the software application (which was acquired by the Authority in 1998, subsequently customized by PFM to meet the Authority's needs, and used successfully by the Authority for the last eight years). 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 estimated amount expected to be expended for the term of the contract, \$24,260.

"The two contracts with **Public Financial Management, Inc. ('PFM')** and **PFM – Asset Management, LLC ('PFM - AM')** (**Q-02-3810; PO#s TBA**) would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of these contracts is to provide for financial advisory and swap advisory services, respectively, in connection with the Authority's debt issues or other special financial issues, as needed. Bid documents were downloaded electronically from the Authority's Procurement website by 14 firms, including those that may have responded to a notice in the New York State Contract Reporter. Proposals were received from six firms for one or both service categories set forth in the Authority's RFP (four for financial advisory services and four for swap advisory services). Staff evaluated the proposals based on rating criteria, which included municipal experience, public power experience, analysis and reporting, and advisory fees for the financial advisory services, and municipal experience, quantitative analysis and reporting, and advisory fees for the swap advisory services. Staff recommends award of the subject contracts to the two highest-rated firms in each service category: PFM for financial advisory services and PFM – AM for swap advisory services. PFM is the leading financial advisor in both the municipal and public power sectors and is the most technically qualified bidder. PFM – AM, the lowest-priced bidder for swap advisory services, is also a leader in this field, having successfully executed 456 derivative transactions totaling over \$43 billion during the last five years (more than the other three bidders combined). The intended term of these contracts is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amounts expected to be expended for the term of the contracts, \$675,000 for PFM and \$250,000 for PFM – AM, respectively.

### Energy Services and Technology

“At their meeting of December 16, 2004, the Trustees approved a funding increase in the Statewide Energy Services Program (‘Statewide ESP’) in the amount of \$250 million. Of this amount, the Trustees approved the allocation of \$230 million to three Implementation Contractors (‘ICs’) to assist Authority staff with the audit, design and construction of Statewide ESP projects. While all three ICs have performed well, one has decided to withdraw from the statewide market. Since the demand for the Statewide ESP program has increased dramatically, staff concluded that it would be necessary not only to replace the IC that withdrew from the market, but also to retain a fourth IC in order to provide the resources necessary to meet the increased program demand for such services. To this end, staff prepared a new Request for Proposals (Q-02-3774) for program management and implementation services for the Authority’s ESP projects in selected facilities statewide. Bid documents were downloaded electronically from the Authority’s Procurement website by 40 firms, including those that may have responded to a notice in the New York State Contract Reporter; nine proposals were received and evaluated. The four lowest-cost proposals were evaluated in detail, based on a number of technical criteria that included each firm’s relevant experience, energy analysis capabilities, construction management experience, project team organization and qualifications, building and electrical code familiarity, financial resources, location of support offices and proposal format. After a clarification and recalculation of the fee submitted by the apparent lowest-priced bidder determined it to be non-competitive, staff recommended award of contracts to **Einhorn Yaffee Prescott Architecture & Engineering, PC (‘EYP’; 4600001644)** and **Wendel Energy Services, LLC (‘Wendel’; 4600001645)**, the two lowest-priced (as well as highest-scored) bidders. Due to the urgent need to commence services, the subject contracts with EYP and Wendel became effective on May 23, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and Expenditure Authorization Procedures (‘EAPs’). Initial award amounts of \$1,500,000 per contract were authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. The intended term of these contracts is five years (to be awarded for an initial three-year term, with an option to extend for up to two additional years), subject to the Trustees’ approval, which is hereby requested. Approval is also requested to increase the initial award amount to \$20 million per contract (to be released/allocated from the \$187.5 million remaining from the aforementioned aggregate \$230 million). It is anticipated that additional projects will be assigned and additional releases will be made over the contract term to all four ICs from the remaining \$147.5 million, based on the assessment of each contractor’s performance. It should be noted that all costs will be recovered by the Authority.

### Inspector General’s Office - Security

“The contract with **Allied Barton Security Services (‘Allied’; Q-02-3806; PO# TBA)** would become effective on August 16, 2006, subject to the Trustees’ approval. The purpose of this contract is to provide for security personnel services for 10 Authority SENY sites, including the White Plains Office and the 500 MW, Flynn and Small Clean Power Plants. Bid documents were sent to eight firms pre-approved by the New York State Office of General Services as certified and qualified to perform such services in three SENY/Westchester County regions. Five proposals were received and evaluated. Staff recommends award of the subject contract to Allied, the lowest-priced bidder. The intended term of this contract is four years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$7,019,472.

### Law Department

“Due to the immediate need to retain a firm with a particular expertise in maritime claims, it was not feasible to solicit formal or informal proposals for such services. On the recommendation of long-time counsel at an outside law firm retained by the Authority, two law firms experienced in handling maritime actions were contacted by the Authority. Based on its experience handling defense work, including maritime claims, and its reasonable quoted rate, the Authority retained the firm of **Burgio, Kita & Curvin (‘Burgio’)** as the result of an expedited competitive search. The agreement with Burgio (**4500122768**) became effective on February 1, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract is to provide for legal representation services for the Authority’s indemnitee, First Buffalo River Marina, in connection with a pending action in Erie County (*Notaro v. Power Authority of the State of New York and First Buffalo River Marina*). Since the Authority will have an ongoing need for such services until this matter is resolved either through settlement or litigation, staff recommends an intended

term of up to three years, subject to the Trustees' approval, which is hereby requested. The current contract amount is \$25,000; if the matter goes to trial, staff projects that an additional \$25,000 may be required. Approval is also requested for the total estimated amount that may be expended for the term of the contract, \$50,000.

“Due to the immediate need to retain a firm with a particular expertise in legislative and New York State Budget issues, it was not feasible to solicit formal or informal proposals for such services. Staff reviewed the legal firms already under contract with the Authority and determined that they do not have the necessary experience in this area of the law. Based on its unique qualifications and its familiarity with litigation of this nature, as well as its reasonable quoted rate, the Authority retained the firm of **Cravath, Swaine & Moore, LLP ('Cravath'; 4500125893)** on an emergency and sole-source basis. The agreement became effective on June 6, 2006, in the amount of \$250,000, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for legal representation services in connection with likely litigation arising out of the adoption of the current New York State Budget for State Fiscal Year 2006-07, in order to effectively protect the legal, financial and contractual interests of the Authority for the People of New York State. Since the Authority will have an ongoing need for such services until this matter is resolved, staff recommends an intended term of up to two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount that may be expended for the term of the contract, \$250,000.

### Power Generation

“The contract with **ABB, Inc. ('ABB'; RFQ 6000066965, PO # TBA)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for field services and other technical support (including programming to support specialized software components) for the commissioning of the Static Excitation System and tuning of the Power System Stabilizer for 14 units at the St. Lawrence/FDR Power Project as part of the Life Extension and Modernization Program. This award is made on a sole source basis, since ABB is the original equipment manufacturer and, as such, possesses proprietary information and knowledge of its systems and is uniquely qualified to perform such services; in addition, ABB requires that only ABB-approved technicians perform such commissioning and programming services as a warranty requirement. The intended term of this contract is six years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$250,000.

“Due to the need to commence services, the contract with **Aquatech Environmental Inc. ('Aquatech'; 4600001648)** became effective on June 1, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for routine weekly zebra mussel sampling and testing/analysis services to determine veliger densities and mortality percentages in the vicinity of the Niagara Power Project. Services include all labor, supervision, equipment and material to complete a weekly sampling program for zebra mussel veligers during the zebra mussel growth season, as well as consulting services, as may be required. Bid documents were sent to eight firms, including any that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to Aquatech, the lowest-priced bidder. The intended term of this contract is four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$100,000.

“Due to the need to commence services, the contract with **Aquatic Sciences LP (4600001621)** became effective on May 1, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for monthly zebra mussel sampling and testing/analysis services to determine veliger densities and mortality percentages in the vicinity of the St. Lawrence/FDR Power Project. Such services will be performed on a weekly basis if veligers are detected. Bid documents were sent to seven firms, including any that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommended award of the subject contract to Aquatic Sciences, the lowest-priced bidder. Rates will remain firm for the duration of the contract. 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 estimated amount expected to be expended for the term of the contract, \$40,000.

“Due to the need to commence services, the contract with **Baker Engineering NY, Inc. (‘Baker’; 4500122700)** became effective on April 10, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract is to provide for engineering services for the design of security enhancements to the Charles Poletti Power Project and 500 MW Combined Cycle Plant sites. Such upgrade includes establishing a closed perimeter with fence-mounted intrusion detection, lighting, cameras for alarm assessment, video transmission/display/recording, access control, building intrusion detection, alarm monitoring and relocation and modification or replacement of the existing security console. Services to support this effort include site inspections, data collection, calculations, analysis and detailed design, preparation and submission of technical specifications and drawings, design review meetings, cost estimates, bid proposal evaluation and engineering support during construction, start-up and testing. Bid documents were sent to 13 prequalified firms (including those that may have responded to a notice in the New York State Contract Reporter) after background investigation screenings were performed and mandatory confidentiality agreements were signed. Six proposals were received and evaluated; one proposal was incomplete and disqualified after the bidder was unable to respond in a timely manner. Staff recommended award of the subject contract to Baker, the lowest-priced qualified bidder. The intended term of this contract is approximately 1.75 years (through project construction, currently projected to be December 31, 2007), subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$465,562.

“Due to the need to commence services, the contract with **Deangelo Brothers (4600001625)** became effective on May 1, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract is to provide for herbicide treatment services for the grounds of the Charles Poletti Power Project and 500 MW Combined Cycle Plant. Bid documents were sent to eight firms, including any that may have responded to a notice in the New York State Contract Reporter; one proposal was received and evaluated. Staff recommended award of the subject contract to Deangelo Brothers, the sole responding bidder. 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 estimated amount expected to be expended for the term of the contract, \$50,000.

“Due to the need to commence services, the contract with **GE Packaged Power, Inc. (‘GEPP’), aka GE Aero Energy (4500125518)** became effective on June 12, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract is to provide for hardware, software, installation services and a two-year software service agreement for the Turbine Control System at nine Small Clean Power Plants (excluding the Vernon Boulevard site), in order to accommodate new GE control logic and software upgrades that are expected to improve the operating reliability of the units. The award was made on a sole source basis, since GEPP is the original designer and installer of the system and, as such, is uniquely qualified to perform such work. The intended term of this contract is two years, subject to the Trustees’ approval, which is hereby requested. It should be noted that while the original price of the contract was \$374,147, GE has previously agreed to a significant discount of \$224,500 for past issues involving the Selective Catalytic Reduction catalysts, resulting in a reduced contract price of \$149,647. Since there may be additional emerging installation or other work, approval is hereby requested for the total estimated amount expected to be expended for the term of the contract, \$180,000, including contingency.

“Due to the need to commence services, the contract with **Guardian Tree & Landscape Maintenance (‘Guardian’; 4600001626)** became effective on May 1, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract is to provide for landscaping/groundskeeping services for the Charles Poletti and 500 MW Combined Cycle plant sites. Bid documents were sent to 14 firms, including any that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to Guardian, the lowest-priced bidder. 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 estimated amount expected to be expended for the term of the contract, \$100,000.

“Due to the need to commence services, the contract with **JFK Medport – International Airport (4600001624)** became effective on April 1, 2006, subject to the Trustees’ subsequent approval as soon as practicable, in accordance with the Authority’s revised procurement policies and EAPs. The purpose of this contract

is to provide for medical examination services, including pre-employment and annual occupational physicals, as well as physicals for return-to-work, fitness-for-duty, on the job injuries and drug testing services for Poletti Project and 500 MW Plant employees. Bid documents were sent to five firms, including any that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to JFK Medport – International Airport, the lowest-priced bidder. 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 estimated amount expected to be expended for the term of the contract, \$50,000.

“The contract with **Marine Maintenance & Construction Company** (**‘Marine Maintenance’; 4600001633**) would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for diving services to perform underwater inspections and/or repairs on traveling screens and other specified equipment at the Charles Poletti Power Project. Bid documents were sent to 12 firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of the subject contract to Marine Maintenance, the lowest-priced bidder. 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 estimated amount expected to be expended for the term of the contract, \$400,000.

“The contract with **Miller Environmental Group, Inc.** (**‘Miller’; Q-02-3803; PO# TBA**) would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for general environmental services for the Authority's Poletti, 500 MW, Flynn and Small Clean Power Plants. Such services would consist primarily of cleaning process equipment (including, but not limited to: tanks, oil/water separators, economizers, burners, etc.); transporting and disposing of hazardous materials generated by such cleaning and providing environmental and safety training to the Authority, as may be required. Bid documents were downloaded electronically from the Authority's Procurement website by 32 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated. Staff recommends award of the subject contract to Miller, the lowest-priced bidder. 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 estimated amount expected to be expended for the term of the contract, \$600,000.

“The three contracts with **Miller Environmental Services, Inc.** (**‘Miller’**), **OP-TECH Environmental Services** (**‘OP-TECH’**) and **Allstate Power Vac** (**‘Allstate’**) (**Q-02-3829; PO#s TBA**) would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of these contracts is to provide for emergency response, clean-up and disposal services for oil spill incidents at Authority facilities statewide, including electric generating stations, electrical substations, transmission facilities and support and maintenance facilities. Bid documents were downloaded electronically from the Authority's Procurement website by 19 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated on the following criteria: proposal completeness, response time to the Authority facility, amount and type of equipment at the contractor's staging facility, U.S. Coast Guard Oil Pollution Act of 1990 certification indicating level of marine environment response capability and calculated costs for typical land and surface water spill scenarios. A contractor response time of two hours or less with sufficient resources to contain, control and clean up discharged oil was a primary factor in bidder selection. A cost associated for response and clean-up was established using contractor-supplied rates for labor and equipment based on postulated oil spills on land and water. Qualified bidders were ranked based on this cost analysis. Where response time and clean-up capability were equivalent among bidders, cost was a factor in determining which bidder would be the primary response contractor for the Authority facility. Staff recommends award of contracts to three firms: Miller, OP-TECH and Allstate, the lowest-priced qualified bidders in each service area, to ensure that each Authority facility will be able to obtain sufficient resources to respond to an oil spill within two hours of contractor notification and to provide each site with one backup-up contractor. The intended term of these contracts is up to three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amounts expected to be expended for the term of the contracts: \$1,250,000 for Miller, \$750,000 for OP-TECH and \$250,000 for Allstate, respectively.

“Due to the need to commence services, the contract with **Naeva Geophysics Inc.** (**4600001620**) became effective on June 1, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for equipment and services on an ‘as needed’ basis to locate conduit and reinforcing rods embedded in concrete structures (up to three

feet deep) around high electromagnetic fields at sites/locations that are under the control of the Authority's St. Lawrence/FDR Power Project. Such sites include, but are not limited to, the Massena Substation, Long Sault Dam, Robert Moses Park and the Iroquois Gates at Waddington. Bid documents were sent to two firms, including any that may have responded to a notice in the New York State Contract Reporter. One proposal was received and evaluated. Staff recommended award of the subject contract to Naeva Geophysics, the sole responding bidder, which was deemed qualified to perform the work. 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 estimated amount expected to be expended for the term of the contract, \$90,000.

"The contract with **National Vacuum Corp. ('NVC'; 4600001647)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for industrial cleaning services for foundation drainage systems and galleries at the Niagara Power Project. Such services utilize high-pressure water jet and vacuum cleaning processes for various concrete decks, walls, structures and piping systems at the Robert Moses Niagara Power Plant and Lewiston Pump Generating Plant. Bid documents were sent to 13 firms, including any that may have responded to a notice in the New York State Contract Reporter. Three proposals were received and evaluated. Staff recommended award of the subject contract to NVC, the lowest qualified bidder. The intended term of this contract is four years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$300,000.

"Due to the urgent need to commence services, the contract with **RCM Technologies, Inc. ('RCM'; 4600001642)** became effective on May 30, 2006, subject to the Trustees' subsequent approval as soon as practicable, in accordance with the Authority's revised procurement policies and EAPs. The purpose of this contract is to provide for engineering/design and construction support services for the Seymour-to-Greenwood electrical interconnection project, which will increase the power supply to the Greenwood, Brooklyn/Staten Island load pocket, in order to provide power when it is most needed during the peak summer periods. To this end, bid documents were sent to 21 firms, including those that may have responded to a notice in the New York State Contract Reporter. Five proposals were received and evaluated based upon a rating structure, which compared bidders on various criteria, such as experience, technical presentation, key personnel, commitment to schedule and support during start-up, testing and commissioning (the latter vital to the success of the project). RCM was judged by staff to be the lowest qualified bidder meeting the requirements of the specification. Based on this determination, as well as its higher rating in the technical evaluation, staff recommended award of the subject contract to RCM. The intended term of this contract is 19 months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$781,900, including contingency.

"The contract with **RWB Contracting Corp. ('RWB'; 4600001649)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for installation of new insulation and repair services for existing insulation at the Charles Poletti Power Project and 500 MW, Flynn and Small Clean Power Plants. Bid documents were sent to three firms, including those that may have responded to a notice in the New York State Contract Reporter. Two proposals were received and evaluated. Staff recommends award of the subject contract to RWB, the lowest-priced bidder. 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 estimated amount expected to be expended for the term of the contract, \$512,500.

#### Transmission

"The contract with **Aviation Services Unlimited, Inc. (RFQ PD04246; PO# TBA)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for helicopter patrol services to support high-voltage transmission line inspections. Services include providing a pilot and appropriate aircraft to transport one or more Authority personnel performing such inspections on a typical annual schedule, consisting of two complete patrols of approximately 1,400 miles of the Authority's transmission lines located throughout New York State. In addition, occasional emergency patrols may be required, for which a maximum two-hour response is required. All operations and maintenance must conform to Federal Air Regulations Part 135, as well as to additional qualifications, specifications and requirements specified by the Authority. Bid documents were sent to five firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of the subject contract to

Aviation Services, the lowest qualified bidder meeting the specification requirements. 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 estimated amount expected to be expended for the term of the contract, \$800,000.

“The contract with **Haverfield Corp. (6000069004, PO# TBA)** would become effective on July 1, 2006, subject to the Trustees' approval. The purpose of this contract is to provide for comprehensive aerial helicopter inspection, maintenance and repair of designated sections of the Authority's transmission lines and associated structures located throughout New York State. Inspection services also include preparation of digital and hard-copy reports containing descriptions and pictures of all conditions found during the inspection. Such inspections will be conducted at the rate of approximately 20% of the lines per year over a five-year cycle. 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. Bid documents were sent to four firms, including those that may have responded to a notice in the New York State Contract Reporter. Four proposals were received and evaluated. Staff recommends award of the subject contract to Haverfield Corp., the lowest-priced bidder, which is also highly qualified to perform such work. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$1,500,000.

#### FISCAL INFORMATION

“Funds required to support contract services for various Business Units/Departments and Facilities have been included in the 2006 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. Payment for contracts in support of the Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund. All costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority, consistent with other Energy Services and Technology Programs.

#### RECOMMENDATION

“The Deputy General Counsel, the Senior Vice President – Public & Governmental Affairs, the Vice President – Procurement and Real Estate, the Vice President – Engineering, the Vice President – Project Management, the Vice President – Environmental Management, the Vice President – Finance, the Treasurer, the Chief Information Officer, the Director – Employee Benefits, the Director – Corporate Support Services, the Director – Energy Services, the Director – Human Capital and Development, the Director – Power Generation Support Services, the Manager – Performance Planning, the Manager – Customer Load Forecasting, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York, the Regional Manager – Southeastern New York and the Transmission Superintendent recommend the Trustees' approval of the award of multiyear procurement contracts to the companies listed in Exhibit '15-A' for the purposes and in the amounts set forth above.

“The Executive Vice President and General Counsel, the Executive Vice President – Corporate Services and Administration, the Executive Vice President – Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Power Generation, the Senior Vice President – Transmission and I concur in the recommendation.”

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement services contracts set forth in Exhibit “15-A,”**

attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

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

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement (services) contracts listed in Exhibit ‘16-A’ in support of projects and programs for the Authority’s Business Units/Departments and Facilities. Detailed explanations of the nature of such services, the reasons for extension, the additional funding required and the projected expiration dates are set forth below.

BACKGROUND

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

“The Authority’s revised Expenditure Authorization Procedures (‘EAPs’) require the Trustees’ approval when the cumulative change order value of a personal services contract exceeds the greater of \$250,000 or 35% of the originally approved contract amount not to exceed \$500,000, or when the cumulative change order value of a non-personal services, construction, equipment purchase or non-procurement contract exceeds the greater of \$500,000 or 35% of the originally approved contract amount not to exceed \$1,000,000.

DISCUSSION

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

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

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

**Business Services**

“The contract with **Fujitsu Consulting Inc. (4500108742)** provides for implementation and related consulting services for an electronic Records Management System (OpenText ‘Live Link’) for the Authority. The original award, which was competitively bid, became effective on July 5, 2005 for a term of one year. Due to delays in resolving the issues encountered in executing the data conversion from the multiple legacy systems into the new Live Link records management application, a six-month extension is now requested in order to provide additional time to complete implementation of the new system. The current contract amount is \$592,065; it is currently anticipated that no additional funding will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2006, with no additional funding requested.

**Corporate Services and Administration**

“The three contracts with **Alexander Building Corp. (‘Alexander’; 4600001432)**, **Capital Construction Management (‘Capital’; 4600001434)** and **GTL Construction (‘GTL’; 4600001431)** provide for general contracting services at the Clarence D. Rappleyea Building in White Plains. The original awards, which were competitively bid, became effective on April 1, 2005 for an initial term of one year, with an option to extend for up to two additional years. A short-term interim extension of all three contracts through June 30, 2006 was subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A two-year extension of the contracts with Alexander and Capital is now requested to exercise the contract options. The current ‘Target Value’ is \$400,000 for each of the three contracts; staff estimates that additional funding in the amount of \$1,000,000 each for the two contracts with Alexander and Capital will be required for the option years. The Trustees are requested to ratify the previously authorized interim extension of all three contracts and to approve the extension of the two contracts with Alexander and Capital through March 31, 2008, as well as the additional funding requested.

“The three contracts with **Angela McRae (‘McRae’; 4500108556)**, **Harrison I. Getz, Jr. (‘Getz’; 4500116013)** and **Russell Brod (‘Brod’; 4500112184)** provide for on-premises computer graphic design and production services for print materials including, but not limited to, the Authority’s Annual Report, marketing and promotional brochures, newsletters, posters, advertising materials, presentations and exhibits using MacIntosh computers, as well as website development in both MacIntosh and PC format and design and production of PowerPoint slide presentations in the PC format. The original awards, which were competitively bid, became effective on June 7, November 1 and August 10, 2005, respectively, for an initial term of one year, with an intended option to extend for an additional year. A one-year extension of each contract is now requested to exercise the intended option in order to continue the aforementioned services, as needed. The current contract amounts are \$65,000 each for McRae and Brod and \$80,000 for Getz, respectively; it is anticipated that an additional \$65,000 each for the contracts with McRae and Brod, and \$80,000 for the contract with Getz, will be required for the option year. The Trustees are requested to approve the extension of the subject contracts through June 6, October 31, and August 9, 2007, respectively, as well as the additional funding requested.

“The contract with the firm of **Joanne Darcy Crum, L.S., a New York State certified Woman-Owned Business Enterprise (4500104510)**, provides for land-surveying support services at the Authority’s Real Estate Office at the Blenheim-Gilboa Project. The contractors provide routine surveying support for the Engineering, Licensing and Real Estate divisions, including hydro project relicensing and various other efforts, and also perform work associated with ongoing maintenance and management of the Geographic Information System (‘GIS’) under the direction and supervision of Authority staff. The original contract, which was awarded as the result of a competitive search, became effective on March 7, 2005 for an initial term of one year, with an option to extend for an additional year. A short-term interim extension through June 30, 2006 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A one-year extension is now requested in order to exercise the contract option. The current contract amount is \$140,000; it is anticipated that an additional \$70,000 will be required for the option year. The Trustees are requested to ratify the previously authorized interim extension and to approve the extension of the subject contract through March 6, 2007, as well as the additional funding requested.

“The contract with **Laro Service Systems, Inc. (4500104843)** provides for janitorial services to the Authority and its subtenant, the New York State Office of Alcohol and Substance Abuse Services (‘OASAS’), for their offices at 501 Seventh Avenue, 8<sup>th</sup> and 9<sup>th</sup> floors, in New York City. The original award, which was competitively bid, became effective on April 1, 2005 for an initial term of one year, with an option to extend for up to two additional years. A short-term interim extension through June 30, 2006 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A two-year extension is now requested in order to exercise the contract option. The current contract amount is \$115,000; it is anticipated that an additional \$210,000 will be required for the option years. The Trustees are requested to ratify the previously authorized interim extension and to approve the extension of the subject contract through March 31, 2008, as well as the additional funding requested.

### Energy Services & Technology

“The four contracts with **BGA, LLC (4600001406)**, **Genesys Engineering, PC (4600001407)**, **Greenman-Pedersen, Inc. (4600001408)** and **RMF Engineering, Inc. (4600001409)** provide for engineering and design services and/or specialty engineering consulting services in support of the Authority’s Energy Services projects statewide on an ‘as needed’ basis. The original awards, which were competitively bid, became effective on April 1, 2005 for an initial term of one year, with an option to extend for up to two additional years. A short-term interim extension through June 30, 2006 was subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A two-year extension is now requested to exercise the contract option in order to provide for the continuation of services, as may be required. The contracts were initially funded for the first year only in order to train the consultants and monitor/assess their performance. In addition, when these contracts were awarded, the projected annual volume of energy services implementation project work was \$70 million; in 2006, this goal was increased to \$100 million. Staff expects this trend to continue and anticipates that all four firms will be used more heavily in the next two years. The current ‘Target Values’ total \$200,000; staff estimates that additional funding in the combined amount of \$700,000 (to be allocated to the consultant(s) that are best able to meet the Authority’s needs as the work arises) will be required for the option years. The Trustees are requested to ratify the previously authorized interim extension of these contracts and to approve the extension of the subject contracts through March 31, 2008, as well as the additional funding requested. It should be noted that all costs will be recovered by the Authority.

“The contract with **Riverdale Electrical Services Inc. (4500108527)** provides for lighting and sensor installation services at Lincoln Hospital in the Bronx as part of HELP. The original award, which was competitively bid, became effective on June 20, 2005 for a term of less than one year. Due to the customer’s various design changes and additional work requests, as well as coordination with the concurrent effort by another contractor to install a new boiler for the hospital, completion of this project has been delayed. A six-month extension is therefore requested in order to provide sufficient time to complete all contract services. The current contract amount is \$575,923; it is anticipated that no additional funding will be required for the extended term. The Trustees are requested to approve the extension of the subject contract through December 31, 2006 with no additional funding requested. It should be noted that all costs will be recovered by the Authority.

### Internal Audits

“The Authority has been providing low-cost power to business and non-profit groups under various Economic Development Programs that were enacted by State legislation. The companies applying for and receiving this low-cost power agree to maintain and/or create jobs in New York State. These customers are required to report their job levels annually to the Authority. If the promised job levels are not maintained, the power allocations may be reduced entirely or in proportion to the job levels reported. Each year, the Authority’s Internal Audit staff selects a sample of customers and performs an on-site verification of the job commitments. The contract with **Dannible & McKee, LLP (4500104525)** provides for such additional audit resources/ services in connection with customer job commitments to the Authority’s Economic Development and Power for Jobs programs. This contract has enabled the Authority to expand the number of customers that are visited and reviewed annually to verify that job levels reported by customers are accurate and in compliance with contractual requirements. The original award, which was competitively bid, became effective on March 16, 2005 for an initial term of one year, with an option to extend for up to two additional years. A short-term interim extension through June 30, 2006 was authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A two-year extension is now requested to exercise the option in order to continue services, as may be required. The current contract amount is \$120,000; it is anticipated that an additional \$100,000 may be required for the option years. The Trustees are requested to ratify the previously authorized interim extension and to approve the extension of the subject contract through March 15, 2008, as well as the additional funding requested.

### Law Department

“The firm **Hawkins Delafield & Wood LLP** provides legal services under a contract (**4500087608**) that became effective January 1, 2004 and expires June 30, 2006, as approved by the Trustees at their meetings of September 23, 2003, December 13, 2005 and March 28, 2006, respectively. This firm is currently advising the Authority on financial matters, including bond, note and other debt issuances; issues arising under bond and note resolutions; tax issues; issues relating to hedging instruments; compliance with applicable IRS regulations and miscellaneous issues arising under the Federal Tax Code. The firm also provides general advice as to the Authority’s statutory powers and responsibilities, analyzes the effect of legislation amending the Public Authorities Law and provides advice as to implementation of the public authorities reform legislation and regulations recently issued by the State Comptroller. The Authority, through a notice in the New York State Contract Reporter, solicited submission of proposals (Q-02-3837) for a wide range of outside legal consulting services, including the types of services provided by this firm. In order to provide for additional time to review and evaluate all proposals received on May 30, 2006 for consideration by the General Counsel, staff is requesting an additional extension of the existing contract through September 30, 2006. The current contract amount is \$1,725,000 (the approved total); staff anticipates that no additional funding will be required. The Trustees are hereby requested to approve the extension of the subject contract through September 30, 2006, with no additional funding requested.

### Power Generation

“The contract with **IEM Energy Consultants, Inc. (4500094535)** provides for the consulting services of Jeffrey J. Fassett in support of the negotiations with General Electric (‘GE’) regarding a potential new Contractual Services Agreement (‘CSA’) to cover required maintenance and services for the GE gas and steam turbines at the 500 MW Combined Cycle Plant. Services also include financial modeling support and O&M budget preparation assistance. The original contract, which was awarded as the result of a competitive search, became effective on August 20, 2004 for an initial term of less than one year. At their meeting of June 28, 2005, the Trustees approved an extension through December 31, 2005 and additional funding in the amount of \$50,000. A further six-month extension, as well as an additional \$50,000, was subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts and EAPs. A nine-month extension is now requested in order to provide for the continuation of such consulting support for the CSA through execution by all parties, which may extend into 2007. The current contract amount is \$150,000; it is currently anticipated that an additional \$75,000 may be required for the extended term. Mr. Fassett has the technical and commercial expertise to assist the Authority in negotiating this extremely important contract. The Trustees are requested to approve the extension of the subject contract through March 31, 2007, as well as the additional funding requested.

“At their meeting of September 20, 2005, the Trustees last approved an increase in the compensation ceiling of the contract with **Slattery Skanska, Inc. (‘SSI’; 4500064161)**, which provided for the construction of the 500 MW Combined Cycle Plant, to a maximum amount of \$332,310,000. The Trustees are now requested to approve a final settlement up to a maximum amount of \$1,640,000, plus any outstanding retention, to be paid to SSI for all additional work performed by SSI for completion of the construction of the 500 MW Combined Cycle Plant. This additional work included electrical and fire alarm work required by the New York City Fire Department, access and personnel protection work, piping and mechanical modifications identified during start-up and commissioning and heat tracing, insulation and cathodic protection work necessitated design deficiencies requiring redesign by General Electric. This additional amount is included in the current 500 MW Capital Expenditure Authorization Request (‘CEAR’). SSI has agreed to a complete waiver of all claims. As part of the settlement, the Authority would also potentially relieve SSI of responsibility for two warranty issues, depending on the estimated cost to re-perform such work. In accordance with the Authority’s EAPs, the Trustees are requested to approve the additional funding requested, thereby increasing the total contract value to a maximum amount of \$333,950,000. Such payment is subject to execution by SSI of a final Change Order, the form of which will be approved by the Executive Vice President and General Counsel or his designee.

### FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and Facilities have been included in the 2006 Approved O&M Budget. Funds for subsequent years, where

applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project’s Capital Expenditure Authorization Request (‘CEAR’). Payment for contracts in support of the Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund. All costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority, consistent with other Energy Services and Technology Programs.

RECOMMENDATION

“The Deputy General Counsel, the Senior Vice President – Public and Governmental Affairs, the Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President – Internal Audits and Corporate Compliance, the Chief Information Officer, the Director – Energy Services, the Director – Corporate Support Services, the Regional Manager – Central New York and the Regional Manager – Southeastern New York recommend that the Trustees’ approve the extensions and additional funding of the procurement contracts listed in Exhibit ‘16-A.’

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

*Mr. Hoff presented the highlights of staff’s recommendations to the Trustees. He said that Procurement had just received proposals for general legal services and anticipated coming back to the Trustees sometime in the fall for approval of new contracts involving these types of services. Chairman McCullough said that closing out the Slattery Skanska, Inc. 500 MW contract was beneficial to the Authority.*

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

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

**RESOLVED, That 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 and General Counsel.**

17. **Next Meeting**

The next meeting of the Trustees will be held on **Tuesday, July 25, 2006, at 11:00 a.m., at the St. Lawrence/FDR Power Project**, 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 12:20 p.m.



Anne B. Cahill  
Corporate Secretary