

July 27, 1999

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

July 27, 1999

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July 27, 1999

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

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John F. English	Senior Vice President – Corporate Planning
Louise M. Morman	Senior Vice President – Marketing and Economic Development
H. Kenneth Haase	Senior Vice President – Transmission
James Knubel	Senior Vice President and Chief Nuclear Officer
Robert L. Tscherne	Senior Vice President – Energy Services & Technology
Michael H. Urbach	Senior Vice President and Chief Financial Office
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President – Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
James J. McCarthy	Regional Manager – Central New York
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power & Transmission
Craig D. Banner	Director – Municipal & Cooperative Markets
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
John L. Murphy	Director – Public Information
William V. Slade	Director – Environmental Programs
James H. Yates	Director – Business Marketing & Economic Development
Angelo S. Esposito	Director – Energy Services
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Senior Assistant Secretary
Angela Graves	Assistant Secretary

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

July 27, 1999

1. Approval of the Minutes

The minutes of the Regular Meeting held on June 29, 1999 were approved.

July 27, 1999

2. Financial Report for the Six Months Ended June 30, 1999

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. Trustee Ciminelli, referring to the META Group's finding that the Authority is in certain respects ahead of its industry peers, questioned whether inter-dependency issues could arise from the varying rates of progress. Mr. Krauss responded that this area is difficult to quantify at any given moment, but that Authority staff is closely monitoring the progress of many "packages" which we do not own but which directly affect the integrity of our operations. Trustee Ciminelli asked whether NYPA is potentially at risk from other utilities' non-attainment of readiness status. Mr. Krauss stressed that the true extent of risk of failure is an unknown, since no entity can have a program to resolve a widespread failure of the grid – however, the Authority, NERC, the NYPP and all other utilities are developing contingency plans as well as focusing on interdependency issues. In this regard, the September 8 and 9 nationwide NERC drills will serve as vital indicators of potential interdependency issues.

Trustee McCullough inquired whether the Trustees will be provided with a report detailing the actual compliance-related expenditures vis a vis the monies budgeted for the Y2k effort. Mr. Krauss responded in the affirmative, noting that the cost to date is under-running the budget projections, and that staff has identified a risk profile of areas of possible overruns.

Mr. Krauss then detailed the progress on the overall schedule and milestones, with particular emphasis on the "Program Management" and "Contingency Planning" phases, and explained that the latter is designed to allow for any system failures which can reasonably be envisioned. Mr. Krauss further described the built-in "freeze periods" to allow a sufficient window of time for the modification and certification of those systems still undergoing change or being added.

Mr. Krauss also summarized the methodology utilized by the META Group in performing its detailed, 75-point evaluation of the Authority's Y2k readiness. He reported that among several NYPA "strengths" pinpointed by META, the consultant had been particularly impressed with the visibility and extent of senior management and Trustee support of the Y2k effort. Some weaknesses were identified pertaining to the lack of a separate O&M budget, informal "issues management" mechanisms, and timing of testing as compared to

industry peers. Overall, META's review of 108 "certification packages" found them to be good and in timely compliance with the June 30th deadline.

4. Village of Westfield – Increase in Retail Rates - Notice of Adoption

The President submitted the following report:

SUMMARY

"The Board of the Village of Westfield, New York has requested the Trustees to approve revisions in the Village's base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about \$257,300 or 12.2 percent. The Authority's energy and power rates are not changing.

BACKGROUND

"The Village Board has requested the proposed rate increase to provide revenues to meet Westfield Municipal Lighting Department's additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1994, when, with the approval of the Trustees, the Village instituted an 11.6 percent rate increase.

"The management of the Village of Westfield has planned additions to plant-in-service amounting \$655,000. The capital program consists of a major upgrade of its distribution substation equipment, consumer meters, line transformers and replacement of old poles. The Village plans to debt finance its capital program by issuing a \$500,000 bond.

"Westfield officials have requested the Authority to simplify the current rate structure, eliminating inverted, time-of-day and seasonal rates, to facilitate ratepayer bill comparisons in a deregulated and competitive market.

"Under the Village's new rate design, an average residential customer who currently pays about 3.6 cents per kWh, will pay about 4.0 cents. A small commercial customer currently pays 3.6 cents per kWh and will pay 4.0 cents after the increase. Large commercial customers are presently paying 4.0 cents and will pay 4.5 cents after the increase. An industrial customer currently pays 2.9 cents and will pay 3.3 cents after the rate increase. In comparison, residential, small commercial and large commercial customers served by Niagara Mohawk pay about 12, 11, and 8 cents per kWh, respectively.

"The proposed rate revisions are based upon a cost of service study requested by the Village and prepared by Authority staff.

DISCUSSION

"Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village's proposed revisions in retail rates. Such notice was published on June 2, 1999 and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village of Westfield on May 3, 1999. There was no opposition to the proposed rates and the Village Board has requested that they be approved.

“Expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘4-A’, ‘4-B’ and ‘4-C’, respectively.

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing and Regulation recommends that the attached schedule of rates for the Village of Westfield, New York, be approved as requested by the Village to take effect beginning with the first full billing period following this date.

“It is also recommended that the Trustees authorize the Executive Vice President, Secretary and General Counsel to file notice of adoption with the Secretary of State for publication in the State Register and to file such other notice as may be required by statute or regulation.

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the proposed rates for electric service for the Village of Westfield, New York, as requested by such Village, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of final adoption with the Secretary of State for publication in the State Register and to file such other notice as is required by statute or regulation.

Village of Westfield

Expense and Revenue Summary

	<u>Average Annual (94-98)</u>	<u>Proposed (1)</u>
Purchase Power Expense (NYPA hydro and incremental)	\$ 1,063,898	\$ 1,041,087
Transmission Expense (Village owned facilities)	23,119	11,000
Distribution Expense (Village owned facilities)	457,022	465,200
Depreciation Expense (On all capital facilities and equipment)	206,022	305,153
General & Administrative (2) (Salaries, Insurance, Mgmt Services & Adm. Expenses)	186,608	195,000
Rate of Return – (Average 7.6%, Proposed 8.9%) (Includes debt service on current & planned debt, reserves, emergency & contingencies)	255,218	403,964
Miscellaneous Revenue Credit (e.g. Sale of used equipment, etc.)	<u>(43,270)</u>	<u>(57,000)</u>
Total Cost of Service	2,148,617	2,364,404
Revenue at Present Rates	2,148,617	<u>2,107,096</u>
Deficiency at Current Rates		257,308
Revenue at Proposed Rates		\$ 2,364,404
Increase % at Proposed Rates		12.2%

(1) Based on 5 years historical & projected data.

(2) Includes salary & wages at \$125,000 (historical & forecast).

Village of Westfield
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential			
Low Use S.C. 1A	\$ 8,200	N/A	
High Use S.C. 1B	840,000	N/A	
Time-of-Use S.C.1 -TOU	<u>82,900</u>	<u>N/A</u>	
Total Residential	\$ 931,100	\$ 1,049,700	12.7
Small Commercial S.C.2	\$ 97,000	\$ 108,800	12.2
Large Commercial S.C.3	\$ 200,600	\$ 225,100	12.2
Industrial			
Standard S.C. 4	\$ 230,300	N/A	
Time-of-Use S.C.4 -TOU	<u>\$ 574,400</u>	<u>N/A</u>	
Total Industrial	\$ 804,700	\$ 902,900	12.2
Security Lighting S.C. 5	\$ 34,100	\$ 38,300	12.2
Street Lighting S.C. 6	\$ <u>39,600</u>	\$ <u>39,600</u>	<u>0.0</u>
Total	\$ 2,107,100	\$ 2,364,400	12.2

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

<u>1</u> Present Rates		<u>1</u> Proposed Rates
<u>All Year</u>		<u>All Year</u>
	<u>Residential S.C. 1A (Low Use)</u>	
\$ 2.55	Customer Charge	N/A
\$.0283	Energy Charge, per kWh.	N/A
	<u>Residential S.C. 1B (High Use)</u>	
<u>Non-Winter</u> <u>(May-Sept.)</u>		<u>Non-Winter</u> <u>(May-Sept)</u>
\$ 2.55	Customer Charge	N/A
\$.0269	Energy Charge, per kWh	N/A
<u>Winter</u> <u>(Oct-Apr)</u>		<u>Winter</u> <u>(Oct-Apr)</u>
\$ 2.55	Customer Charge	N/A
	Energy Charge, per kWh	
\$.0337	First 1,500 kWh	N/A
\$.0375	Over 1,500 kWh	N/A

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

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present</u> <u>Rates</u>		¹ <u>Proposed</u> <u>Rates</u>
<u>Non-Winter</u> <u>(May-Sept)</u>	<u>Residential S.C. 1C - TOU</u>	<u>Non-Winter</u> <u>(May-Sept)</u>
\$ 3.25	Customer Charge	N/A
\$.0211	Energy Charge, per kWh	N/A
<u>Winter</u> <u>(Oct-Apr)</u>		<u>Winter</u> <u>(Oct-Apr)</u>
\$ 3.25	Customer Charge	N/A
	Energy Charge, per kWh used daily during the periods:	N/A
\$.0411	6:00 a.m. – Noon (A.M. Peak)	N/A
\$.0301	Noon – 6:00 p.m. (Shoulder)	N/A
\$.0411	6:00 p.m. – 10:30 p.m. (P.M. Peak)	N/A
\$.0138	10:30 p.m. – 6:00 a.m. (Off Peak)	N/A
<u>All Year</u>		<u>All Year</u>
	<u>Residential S.C. 1</u>	
N/A	Customer Charge	\$ 3.00
N/A	Energy Charge, per kWh.	\$.0329

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

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present Rates</u>		¹ <u>Proposed Rates</u>
<u>Non-Winter (May-Sept)</u>	<u>Small Commercial S.C. 2</u>	<u>Non-Winter (May-Sept)</u>
\$ 2.10	Customer Charge	N/A
\$.0261	Energy Charge, per kWh	N/A
 <u>Winter (Oct-Apr)</u>		 <u>Winter (Oct-Apr)</u>
\$ 2.10	Customer Charge	N/A
\$.0365	Energy Charge, per kWh	N/A
 <u>All Year</u>	<u>Small Commercial S.C. 2</u>	 <u>All Year</u>
N/A	Customer Charge	\$ 2.50
N/A	Energy Charge, per kWh.	\$.0362

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

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

<u>1</u> Present Rates		<u>1</u> Proposed Rates
<u>Non-Winter (May-Sept)</u>	<u>Large Commercial S.C. 3</u>	<u>Non-Winter (May-Sept)</u>
\$ 1.00	Purchase Power Demand Charge, per kW/month	N/A
\$ 1.20	Distribution Charge, per kW/month	N/A
\$.0247	Energy Charge, per kWh.	N/A
<u>Winter (Oct-Apr)</u>		<u>Winter (Oct-Apr)</u>
\$ 2.75	Purchase Power Demand Charge, per kW/month	N/A
\$ 1.20	Distribution Charge, per kW/month	N/A
\$.0283	Energy Charge, per kWh.	N/A
<u>All Year</u>	<u>Large Commercial S.C. 3</u>	<u>All Year</u>
N/A	Demand Charge, per kW.	\$ 3.75
N/A	Energy Charge, per kWh.	\$.0295

1 Average annual purchase power adjustment (PPA) reflected in present and proposed rates

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present</u> <u>Rates</u>		¹ <u>Proposed</u> <u>Rates</u>
<u>Non-Winter</u> <u>(May-Sept)</u>	<u>Industrial S.C. 4 - Standard</u>	<u>Non-Winter</u> <u>(May-Sept)</u>
\$ 2.15	Purchase Power Demand Charge, per kW/month	N/A
\$ 0.85	Distribution Charge, per kW/month	N/A
\$.0147	Energy Charge, per kWh.	N/A
 <u>Winter</u> <u>(Oct-Apr)</u>		 <u>Winter</u> <u>(Oct-Apr)</u>
\$ 3.65	Purchase Power Demand Charge, per kW/month	N/A
\$ 0.85	Distribution Charge, per kW/month	N/A
\$.0192	Energy Charge, per kWh.	N/A

¹ Average annual purchase power adjustment (PPA) reflected in present and proposed rates

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present</u> <u>Rates</u>		¹ <u>Proposed</u> <u>Rates</u>
<u>Non-Winter</u> <u>(May-Sept)</u>	<u>Industrial S.C. 4 - TOU</u>	<u>Non-Winter</u> <u>(May-Sept)</u>
\$ 2.00	Purchase Power Demand Charge, per kW/month	N/A
\$ 0.50	Distribution Charge, per kW/month	N/A
\$.0146	Energy Charge, per kWh.	N/A
 <u>Winter</u> <u>(Oct-Apr)</u>		 <u>Winter</u> <u>(Oct-Apr)</u>
\$ 4.65	Purchase Power Demand Charge, per kW/month	N/A
\$ 0.50	Distribution Charge, per kW/month	N/A
\$.0192	Energy Charge, per kWh. used daily during the periods:	N/A
\$.0221	6:00 a.m. – Noon (A.M. Peak)	N/A
\$.0161	Noon – 6:00 p.m. (Shoulder)	N/A
\$.0221	6:00 p.m. – 10:30 p.m. (P.M. Peak)	N/A
\$.0111	10:30 p.m. – 6:00 a.m. (Off Peak)	N/A

¹ Average annual purchase power adjustment (PPA) reflected in present and proposed rates

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present</u> <u>Rates</u>		¹ <u>Proposed</u> <u>Rates</u>
<u>All Year</u>	<u>Industrial S.C. 4</u>	<u>All Year</u>
N/A	Demand Charge, per kW.	\$ 4.00
N/A	Energy Charge, per kWh.	\$.0204
	<u>Security Lighting S.C. 5</u>	
	Per month, per unit of:	
\$ 5.45	175 Watts Mercury Vapor (L)	\$ 6.12
\$ 9.40	400 Watts Mercury Vapor (L)	\$10.55
\$10.10	400 Watts Mercury Vapor (F)	\$11.33
\$17.40	1,000 Watts Mercury Vapor (L)	\$19.52
\$17.40	1,000 Watts Mercury Vapor (F)	\$19.52

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

Village of Westfield
Comparison of Present and Proposed Net Monthly Rates

¹ <u>Present Rates</u>		¹ <u>Proposed Rates</u>
	<u>Street Lighting S.C. 6</u>	
\$ 3.35	Facilities Charge, per lamp, per month	N/A
<u>Non-Winter (May-Sept)</u>		<u>Non-Winter (May-Sept)</u>
\$.0215	Energy Charge, per kWh	N/A
<u>Winter (Oct-Apr)</u>		<u>Winter (Oct-Apr)</u>
\$.0391	Energy Charge, per kWh	N/A
All Year	<u>Street Lighting S.C. 6</u>	All Year
N/A	Facilities Charge, per lamp, per month	\$ 3.35
N/A	Energy Charge, per kWh	\$.0328

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

5. New York City Public Utility Service – Allocation of Industrial Power – Steinway & Sons, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the allocation of 1,400 kW of industrial power to the New York City Public Utility Service (‘NYCPUS’) for resale to Steinway, Inc., doing business as Steinway & Sons, Inc. (‘Steinway’).”

BACKGROUND

“The Authority has a total of 73,160 kW of industrial power available from FitzPatrick and other sources for sale to downstate municipal distribution agencies (‘MDA’s’), including NYCPUS, under Service Tariff 35. Of this amount 50,000 kW is reserved for NYCPUS. This power is resold to industrial consumers designated by the MDA’s and approved by the Authority. NYCPUS has proposed the allocation of 1,400 kW to Steinway from this block of power.”

DISCUSSION

“Steinway, located in Long Island City, pioneered the development of the modern piano with over 125 patents granted since the company’s founding over 145 years ago. The company produces the highest quality piano in the world and has one of the most widely recognized and prestigious brand names. For more than a century, the Steinway concert grand has been the piano of choice for the world’s greatest and most popular pianists. Steinway hand crafts its pianos in New York and Germany and sells them worldwide through approximately 200 independent piano dealers and five Steinway-operated showrooms. Over the past several years, however, the company has been faced with increasing levels of global competition and higher costs of operating in New York, which have compelled the company to seek relocation alternatives and limit its expansion plans in New York. In consideration for an allocation of 1,400 kW, the company is prepared to spend approximately \$1.4 million to renovate its facility and commit to retaining its 568 employees and creating an additional 87 jobs over the next three years. A reduction in energy costs would help Steinway compete more effectively and allow the company to expand in New York State. The proposed twenty-year allocation of 1,400 kW would save the company approximately \$165,000 annually over Con Edison’s standard rates. Steinway has a 600 kW allocation of Power for Jobs.”

“The proposed allocation has been reviewed in accordance with Part 460 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR Part 460 (1995))). The standard power service contract between a business and NYCPUS provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by NYCPUS as provided by Part 460.4 of the Authority’s Rules and Regulations and pursuant to the contract between the Authority and NYCPUS.”

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance and the Director – Business Marketing and Economic Development recommend that the Trustees approve the allocation of industrial power to NYCPUS for resale to Steinway, Inc. in the quantity specified herein and on the terms set forth above.”

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

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The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the Authority hereby approves the allocation of 1,400 kW of industrial power to the New York City Public Utility Service for resale to Steinway, Inc., as is described in the foregoing report of the President and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the contract for the resale of industrial power between the New York City Public Utility Service and Steinway, Inc. is subject to approval by the Director - Business Marketing and Economic Development; and be it further

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

6. Additional Allocation of Economic Development Power to Granny's Kitchens and Modifications of Power Allocations to The Gunlocke Company

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an additional 750 kW allocation of Economic Development Power ('EDP') to Granny's Kitchens, Ltd. ('Granny's Kitchens'), and two modifications to The Gunlocke Company's ('Gunlocke') EDP allocation.

BACKGROUND

"At the Trustees' meetings of June 29, 1993 and December 16, 1993, two EDP allocations were approved for Granny's Kitchens of 600 kW and 1,400 kW respectively. These allocations were approved for a major plant expansion involving an increase in the facility size, production capacity and employment. Additionally, at their meeting of September 28, 1998, the Trustees also approved a 400 kW Power For Jobs allocation to meet Granny's Kitchens' increasing power needs and to create an additional 45 jobs. Further, at the meeting of June 22, 1999, the Economic Development Power Allocation Board ('EDPAB'), the Board recommended an additional allocation of 750 kW of Fitzpatrick EDP to assist in the additional expansion of facility size, production capacity and employment.

"At their meeting of December 16, 1993, the Trustees approved an allocation for 2,000 kW of Fitzpatrick EDP for business revitalization, and 3,000 kW for business expansion purposes to The Gunlocke Company.

DISCUSSION

"Granny's Kitchens, located in the town of Frankfort, manufactures baked and frozen doughnuts for the institutional and fast food markets. The privately owned firm has an impressive track record of increasing its size and employment. The company now has plans to again double its size and will invest over \$2 million on the construction of additional production, storage and finished goods space, and for new energy intensive machinery such as blast freezers and refrigerated storage.

"Granny's Kitchens has submitted plans detailing incremental power needs estimated at over 1,600 kW. EDPAB has now recommended an additional allocation of 750 kW to Granny's Kitchen's for this phase of its expansion project.

"Granny's Kitchens currently employs 145 people and would commit to creating 40 additional jobs over the next five years. The total EDP allocation of 2,750 kW for business expansion purposes and a commitment of 185 jobs would result in a ratio of 67 jobs per MW. Annual savings are estimated to be about \$95,000 for the additional 750 kW allocation. The Herkimer County Industrial Development Agency supports the proposed increase in allocation.

"Gunlocke manufactures wood office furniture for the 'upper-end' contract market. When the power allocation was first approved to Gunlocke by the Trustees, delivery service arrangements were not finalized between New York State Electric & Gas ('NYSE&G'), the delivery agent, and the New York Power Authority. Further, NYSE&G had not yet developed a service tariff to effectuate the sale. On October 14, 1994, the New York State Public Service Commission approved NYSE&G tariffs.

“Prior to the approval of these tariffs, Gunlocke commenced Economic Development Power service from the Authority. However, as a result of splitting the allocation into two blocks, one for revitalization and one for expansion, there were some unintended NYSE&G billing consequences resulting in reduced savings to Gunlocke: briefly summarized, savings relating to power allocated for expansion purposes cannot be realized until the load grows above a predetermined base or ‘historic load’. Revitalization power on the other hand allows customers to immediately access their full allocation, resulting in lower power costs.

“With the benefit of hindsight and after reviewing Gunlocke’s original power request, it now appears that allocations of 3,200 kW of revitalization power and 1,800 kW of expansion power should have been made to Gunlocke in 1993. These allocations would have been more consistent with the company’s business plans and, on account of the ‘historic load’ situation, will enable them to realize more of the savings that were expected when the allocations were first made. The Office of Business Advocacy of the PSC supports this course of action and NYSE&G has no objection.

“Accordingly, staff requests that the Trustees approve a modification to Gunlocke’s existing revitalization power allocation by increasing the amount from 2,000 kW to 3,200 kW. At the same time, the allocation for expansion purposes would be reduced by the same amount. Specifically, this action will restore the full savings to Gunlocke that were initially intended by the Trustees. This higher level of revitalization power is supported by Gunlocke’s original revitalization plan submitted to the Trustees in 1993.

“The Board’s Economic Development Power allocation to Gunlocke has proven to be quite successful. Gunlocke has implemented their revitalization plan, initiated a program to improve productivity and met the initial job retention/creation criteria by stabilizing 565 jobs and creating 200 additional jobs. In fact, the company has now introduced new product lines and has exceeded an employment level of 1,000 jobs for year-end 1998.

RECOMMENDATION

“The Director – Business Marketing and Economic Development and the Manager - Business Power Allocations and Compliance recommend that the allocation of Economic Development Power to Granny’s Kitchen be increased as described herein, and that the sale of Economic Development Power to The Gunlocke Company be modified in accordance with the foregoing.

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

The attached resolution, as recommended by the President, was unanimously adopted.

Chairman Rappleyea noted that Gunlocke had not only stabilized some 565 jobs, but had created some 200 new positions as well.

WHEREAS, the Economic Development Power Allocation Board has recommended an increase in the allocation of Economic Development Power to Granny’s Kitchens; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the allocation of Economic Development Power to The Gunlocke Company be modified in accordance with the foregoing report of the President;

July 27, 1999

NOW THEREFORE BE IT RESOLVED, That the allocation of Economic Development Power to Granny's Kitchens hereby is, increased in accordance with the foregoing report of the President; and be it further

RESOLVED, That the allocation of Economic Development Power to The Gunlocke Company be modified in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is authorized to execute any and all documents necessary or able to effectuate the above allocation.

**7. Niagara Power Project – Request For Approval
To Convey Land to Niagara Falls Bridge Commission
Map No. 320-C, Parcel No. 3259**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the conveyance of approximately one acre of land, as shown and described on Map No. 320-C, Parcel No. 3259 and as located in the City of Niagara Falls, Niagara County New York, to the Niagara Falls Bridge Commission for \$179,000.

BACKGROUND

“In February 1998, staff of the Niagara Falls Bridge Commission (‘Bridge Commission’) contacted the Authority in order to initiate discussions with it and the State Office of Parks, Recreation and Historic Preservation (‘OPR&HP’) regarding the Bridge Commission's need for property abutting its Rainbow Bridge Plaza complex in the City of Niagara Falls. During subsequent meetings, the Bridge Commission described its proposed construction of administrative offices on the parcel and, in a September 15, 1998 letter to the Authority, requested the parcel in question. The property is located within the Federal Energy Regulatory Commission (‘FERC’) Niagara Project Boundary and, as such, requires Authority consultation with several state and federal agencies and notification to FERC of the proposed conveyance.

DISCUSSION

“The Niagara Falls Bridge Commission is an international agency operating three bridges over the Niagara River in the Niagara Falls area. The Rainbow Plaza complex is located on Authority-owned parkland governed by OPR&HP in the vicinity of the Falls and within an easement granted by OPR&HP to the Bridge Commission. Currently the Commission is renting off-site office space in the City of Niagara Falls area to house its staff. However, the Bridge Commission has stated that U.S. Customs and Immigration has indicated that unless Bridge Commission staff is permanently located at a bridge site, they will require Bridge Commission personnel to process daily through Customs and Immigration. Senior Bridge Commission staff have indicated that their Board of Commissioners may pursue a Canadian site for the proposed office building if a USA location has not been assured by September 1999. The office complex will house a staff of 23 with the majority of those positions filled by US citizens after the proposed improvement is constructed. The property was pledged as parkland by OPR&HP to the National Park Service in order to obtain funds under the Land and Water Conservation Act. Substitution of lands by OPR&HP under the federal conversion-of-parkland process will therefore be necessary. At a June 14, 1999 meeting with Authority staff, OPR&HP staff indicated that OPR&HP would provide the land to be substituted for the subject parcel to meet the requirements of the conversion process.

“Because the proposed improvements abut the Niagara Reservation, the Authority and the Office of Parks staffs and also the Authority and the Historic Preservation staffs have met to review the Bridge Commission project plans. Indications from the Office of Parks and the Historic Preservation staffs are that if the project is constructed in the manner described in plans supplied to the Authority by the Bridge Commission, the office building will be acceptable to these interested parties.

FISCAL INFORMATION

“The 1± acre parcel has been appraised by an appraiser of the Authority's choice at \$179,000. Proceeds from the sale will be deposited in the General Reserve Fund.

RECOMMENDATION

“The Regional Manager - Western New, the Vice President - Procurement and Real Estate, and the Vice President - Policy and Governmental Affairs York recommend that the Trustees approve the fee conveyance of the 1±acre parcel as shown and described on Niagara Power Project Map No. 320-C, Parcel No. 3259. This conveyance is contingent upon the State and Federal agency consultation and FERC notification process.

“The Director - Environmental Programs, the Vice President - Public Affairs, the Senior Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

The attached resolution, as recommended by the President, was unanimously adopted.

Trustee Ciminelli stated that he would abstain from voting on the proposed resolution in view of an existing business relationship between his firm and the Bridge Commission.

RESOLVED, That the Authority hereby approves the fee conveyance for the price of \$179,000 to the Niagara Falls Bridge Commission of lands located in the City of Niagara Falls, Niagara County, New York acquired by the Authority by purchase in the name of the Authority, substantially as shown and described on Power Authority of the State of New York Map No. 320-C, Parcel No. 3259, comprising approximately 1 acre; and be it further

RESOLVED, That this approval is contingent upon the completion of the State and Federal agency consultation and FERC notification process described in the President's report; and be it further

RESOLVED, That upon completion of the consultation and notification processes, the Chairman and Chief Executive Officer or the President and Chief Operating Officer be authorized to execute and deliver to the Niagara Falls Bridge Commission on behalf of the Authority, in such form as approved by the Executive Vice President, Secretary and General Counsel of the Authority, a quitclaim deed of the lands shown and described on Power Authority of the State of New York, Niagara Power Project, Map No. 320-C, Parcel No. 3259; and be it further

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

8. Motion to Conduct Executive Session

Following a motion duly made and seconded, a portion of the meeting was held in executive session to consider the merits of entering into a certain personal services contract.

Following a motion duly made and seconded, the meeting was then reconvened in open session, and the following resolution, as recommended by the President, was unanimously adopted.

R E S O L U T I O N

WHEREAS, the Authority requires certain assistance, advice and related financial services;

NOW THEREFORE BE IT RESOLVED, That the President and Chief Operating Officer is hereby authorized to negotiate and enter into, with the assistance of the Executive Vice President, Secretary and General Counsel, a personal services contract for such financial services with the most qualified bidder as determined by the President and Chief Operating Officer with a term of up to three years and for an amount not to exceed \$3,500.000 (plus reimbursement for reasonable and necessary expenses for such items as travel, communication, document production and the fees and disbursements of counsel, where the use of such counsel has been previously approved by the Executive Vice President, Secretary and General Counsel).

July 27, 1999

9. Next Meeting

“The regular meeting of the Trustees will be held on Tuesday, **August 24, 1999, at the New York City Office at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

NXMTGJUL

July 27, 1999

Closing

Upon motion made and seconded, the meeting was closed at 12:15 p.m.

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