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

May 22, 2001

Table of Contents

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

Present:	Joseph J. Seymour, Chairman
	Louis P. Ciminelli, Vice Chairman
	Gerard D. DiMarco, Trustee
	Frank S. McCullough, Jr., Trustee
	Timothy S. Carey, 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
Louise M. Morman	Senior Vice President – Marketing and Economic Development
H. Kenneth Haase	Senior Vice President - Transmission
Michael A Petralia	Senior Vice President – Public and Governmental Affairs
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Federal Legislative Affairs
Woodrow W. Crouch	Vice President – Project Management
Robert J. Deasy	Vice President – Power Contracts and Resource Management
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
James H. Yates	Vice President, Major Account Marketing & Economic Development
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
Carmine J. Clemente	Deputy General Counsel
Stephen P. Shoenholz	Deputy Vice President of Public Affairs
Gary Paslow	Executive Director - Policy Development
Joseph J. Carline	Assistant General Counsel
William Ernsthaft	Assistant General Counsel
Arthur M. Brennan	Director – Internal Audit
Chris de Graffenried	Director – Pricing and Forecasting
John B. Hamor	Director – International Governmental Relations
William V. Slade	Director – Environmental Division
Wayne Gowen	LAN Administrator
Aileen Kern	Special Assistant to Chairman
Leticia Remauro	Administrative Assistant to Trustee Carey
Bonnie Fahey	Executive Administrative Assistant
Kathleen Wood	Secretary to Chairman
Anne Wagner-Findeisen	Deputy Secretary
Betty C. Fennell	Assistant Secretary
Angela D. Graves	Assistant Secretary - Legal Affairs
Alice F. Simon	Assistant Secretary

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

1. Approval of the Minutes

The minutes of the Annual Meeting held on April 17, 2001 were approved as amended:

In accordance with the discussions of the Trustees at the April 17th meeting, Item 7 (Capital Expenditure Authorization Request for Power Now! Project) and Item 8 (Fuel Cell Emissions Offset Project) were revised as set forth herein.

2. **Financial Report for the Four Months Ended April 30, 2001**

In response to questions from the Chairman and Vice Chairman Ciminelli, Mr. Bellis explained that for accounting purposes, the Authority "expenses" fuel costs when the fuel is actually burned, rather than at the time it is bought; therefore, the cost of fuel that is still in inventory is not reflected in the monthly financial reports.

In response to questions from Trustee McCullough concerning the trend in the most recent ISO charges as well as any anticipated trend in the near future, Mr. Bellis confirmed that in accordance with the Local Reliability Rule, ISO charges continue to run high, albeit not as high as several months back. Mr. Bellis further explained that, historically, such prices tend to peak in the warm-weather months, but that with the addition of the Gas Turbines, such prior patterns should be somewhat alleviated this summer. Mr. Hiney added that there is a deliberate lack of transparency in the ISO Code of Conduct governing energy bidding information, which is geared at precluding collusive bidding and ensuring the requisite commercial confidentiality that is fundamental to a competitive market.

In response to questions from Trustee Carey, Mr. Hiney explained that the upcoming audit of the ISO transactions and billing process could result in "rebills" to the participants. Mr. Urbach noted that the auditors will perform an overall review, which will not cover each and every transaction, but that such a review might be feasible if the Authority were to cover the substantial expense of retaining auditors for that purpose.

In response to questions from Chairman Seymour concerning whether a wider network of Authority-owned transmission lines could diminish the Authority's ISO-related expenditures, Mr. Hiney explained that the issues inherent in New York City's "load pockets" would to some extent still persist; however, for example, the current load pocket in Astoria, Queens will be somewhat alleviated by the addition of the Gas Turbines.

In response to questions from Trustee DiMarco as to the formulation of ISO prices, Mr. Bellis explained that the ISO prices are resulting from a combination of the bidding prices, on the one hand, and the unique requirements of the Local Reliability Rule, on the other hand. Mr. Hiney added that the Rule results in higher costs because of the order and sequence in which local power plants are "fired up" to meet local demand, without regard to the efficiency of a particular plant. He further explained that the FERC, similarly to the position it has taken with regard to California's energy issues, has to date declined to intervene to address pricing issues associated with the local reliability rules. Chairman Seymour underscored that the sole long-term solution is increased local generation.

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Crouch submitted a Construction Progress Report depicting the rate of work and provided an update on the progress of the Power Now! Project since the last meeting. He reported that of the $530 million budgeted for this project, to date, the Authority has expended $360 million, with $6 million remaining in contingency. He also reported that the Authority's anticipated start up dates are as follows:

Week of June 4th – Hellgate, Harlem River and Vernon Boulevard
Week of June 14 – 23rd Street & Third Avenue
Week of June 21 – Pouch Terminal
Week of June 21 – Brentwood
Week of August 1st – North 1st & Grand

Chairman Seymour asked whether Hellgate would be fired up the following week; Mr. Crouch replied in the affirmative. Chairman Seymour underscored that for all of this work to have been done in less than six months is an amazing feat. Trustee Carey inquired whether a celebration would be held when turning on the switch. President Zeltmann responded that a celebration will be planned at an appropriate date.

4. Quarterly Review of Power For Jobs Employment Commitments

The President submitted the following report:

SUMMARY

"All of the Power for Jobs ('PFJ') contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the third quarter of both 1998 and 1999. The Authority had 48 customers with 51 contracts first receiving power in the third quarter of 1998, and 174 customers with 177 contracts first receiving power in the third quarter of 1999.

"Thus, staff reviewed a total of 222 customers with 228 contracts. This initial review resulted in a detailed examination of 26 contracts with 26 customers that were below the 90% job commitment threshold. Of these 26 customers, it is recommended that the Trustees reduce the jobs commitment for three companies; grant authority to terminate allocations for three companies; and approve the continuation of current power allocations to 20 companies that were below their jobs commitment levels.

BACKGROUND

"The 228 contracts reviewed represent overall power allocations of 131.437 MW and total employment commitments of 82,996 jobs. In the aggregate, these customers reported actual employment of 86,688 positions, which represents some 104.5% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 26 customers whose actual job levels are either below the minimum threshold, or - in the case of three customers – which did not report or relocated out of state.

DISCUSSION

"Of the PFJ customers discussed in this memorandum, staff recommends that power allocations and/or job commitments of six companies be reduced for the specific reasons discussed in Section I, II and, below. Staff also recommends that 20 companies be allowed to continue their current power allocations and job commitments as discussed in Section III. A summary of all contracts discussed in this memorandum is provided as Exhibit '4-A'.

Section I.

Job Commitments to be Reduced

Bedford Stuyvesant Restoration Corporation, Brooklyn, Kings County

Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 300 jobs

Background: The Bedford Stuyvesant Restoration Corporation ('BSRC'), a not-for-profit organization, has been operating for over 31 years. Its purpose is to serve as a catalyst to improve the quality of life in Bedford Stuyvesant. The BSRC's facilities include a 200 seat theater, a 150 seat outdoor amphitheater, and an arts exhibition space. The BSRC provides youth education programs including computer training, a computing center for the community, as well as loan and technical assistance for small businesses. The BSRC's below-commitment reporting is due to a miscalculation of FTEs (Full Time Equivalents). For the past year, the BSRC averaged 67.50 jobs, i.e., 22.50% of its contractual commitment.

Recommendation: Staff recommends that the Trustees reduce the Bedford Stuyvesant Restoration Corporation's employment commitment from 300 jobs to 70 jobs. This will leave the BSRC with a 467 jobs/MW ratio.

Central Suffolk Hospital, Riverhead, Suffolk County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 731 jobs

Background: Central Suffolk Hospital is a not-for-profit community hospital that offers primary health care services, elected sub specialty referral services, and health education for Long Island's east end. The hospital's below commitment reporting is due to a miscalculation of FTEs (Full Time Equivalents). For the past year Central Suffolk Hospital averaged 596.00 jobs, i.e., 81.53% of its contractual commitment.

Recommendation: Staff recommends that the Trustees reduce the Central Suffolk Hospital's employment commitment from 731 jobs to 596 jobs. This will leave the Hospital with a 2980 jobs/MW ratio.

YWCA of the City of New York, Manhattan, New York County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 210 jobs

Background: The YWCA of the City of New York ('Y') was formed over 140 years ago. It provides a forum to create opportunities for women's growth, leadership and power. An example is the Y's Re-entry to Work Program -- helping train women to re-enter the workforce. The Y included job numbers in the application from its Flushing site which resulted in overstatement of job numbers of about 40%. For the past year, the Y averaged 129.08 jobs, i.e., 61.47% of its contractual commitment.

Recommendation: Staff recommends that the Trustees reduce the YWCA of the City of New York's employment commitment from 210 jobs to 130 jobs. This will leave the Y with a 650 jobs/MW ratio.

Section II.

Allocations Requesting Special Trustee Authorization

Goodmark Industries, Inc., Brooklyn, Kings County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 175 base jobs and 10 jobs created by the end of year three

Background: Goodmark Industries, Inc. ('Goodmark') designs and manufactures private label men's and women's sportswear for medium and upscale national clothing catalogs. Goodmark refused to report its employment and power usage data for the year that it received Power for Jobs power. Extensive efforts were made to get the company to report, to no avail.

Recommendation: Staff recommends that the Trustees take back the full allocation.

J. Manheimer, Inc., Long Island City, Queens County

Allocation: 225 kW of Power for Jobs Power
Jobs Commitment: 111 person job base and 10 jobs created by end of year three

Background: J. Manheimer, Inc. moved out of state.

Recommendation: Staff recommends that the Trustees take back the full allocation.

The Pietrafesa Company, Liverpool, Onondaga County

Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 475 base jobs and 66 jobs created by the end of year three

Background: The Pietrafesa Company ('Pietrafesa') designs and manufactures men's and women's clothing collections for Ralph Lauren, Brooks Brothers, Coach, Nordstrom and The Men's Warehouse. The company went into Chapter 11 proceedings in June 2000, and employment dropped sharply at that point. Currently, there are plans to start a 'new' Pietrafesa, in the same location. Pietrafesa has not reported due to reorganization.

Recommendation: Staff recommends that the Trustees take back the full allocation. With termination, power would be available for reallocation in Power for Jobs.

Section III.

Allocations to Continue With No Change

American Health Foundation, Valhalla, Westchester County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 144 jobs; **Phase 4 - 116 jobs**

Background: American Health Foundation ('AHF') was established in 1969 as a not-for-profit biomedical research organization devoted to research and education in the field of preventive medicine. AHF evaluates methods of prevention, detection, diagnosis and arresting progression of diseases -- primarily cancer, heart disease and stroke. AHF provides risk evaluation and screening for people in Mt. Vernon and Yonkers. For the past year, AHF averaged 114.58 jobs, i.e., 79.57% of its contractual commitment. However, AHF is at 98.80% of its Phase 4 jobs commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Amplaco, Inc., Rochester, Monroe County

Allocation: 700 kW of Power for Jobs Power
Jobs Commitment: 285 jobs

Background: Amplaco, Inc., founded in 1971, provides state-of-the-art molded plastic components and assemblies to original equipment manufacturers. For the past year, Amplaco, Inc. averaged 253.75 jobs, i.e., 89.04% of its contractual commitment, only two jobs off the required number.

Recommendation: Staff recommends that the Trustees take no action at this time.

CWS - Chenango County Chapter NYSARC, Norwich, Chenango County

Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 130 base jobs and 40 jobs created by the end of year three

Background: CWS - Chenango County Chapter NYSARC ('CWS') provides handicapped individuals with vocational rehabilitation case management, placement services and work training. CWS also provides employment opportunities for non-handicapped long-term unemployed people. For the past year, CWS averaged 91.42 jobs, i.e., 70.32% of its contractual commitment. However, for the period of June 2000 through December 2000, CWS averaged 137.43 jobs, 105.71% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Display Producers, Inc., The Bronx, Bronx County

Allocation: 375 kW of Power for Jobs Power
Jobs Commitment: 299 base jobs and 96 jobs created by the end of year three

Background: Display Producers, Inc. ('DPI') was founded in 1964. The company manufactures and assembles display showcases, such as plastic cosmetics displays for department stores. The shortfall in committed job numbers is due to the nature of the work: most of the jobs are minimum wage assembly line positions, with high turnover. DPI is always actively seeking employees. Sales have grown by 10% in the year 2000 and there is continuing growth that requires more employees -- hence, employees will be hired as they become available, to handle the increased sales. During the first quarter of 2001, the company averaged 324.33 jobs, over 100% of their commitment. For the past year, DPI averaged 208 jobs, i.e., 69.57% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Display's employment level through mid 2001, and make a further recommendation at that time.

Diversified Controls & Systems, Inc., East Aurora, Erie County

Allocation: 50 kW of Power for Jobs Power
Jobs Commitment: 23 base jobs and three jobs created by the end of year three

Background: Diversified Controls & Systems, Inc. ('Diversified') founded in 1977, specializes in customized electrical and pneumatic process controls, power supplies, electrical enclosures and custom metal fabrication. For the past year, Diversified averaged 18.67 jobs, i.e., 81.17% of its contractual commitment. However, sales at the company have increased, and it expects to hire four additional employees before the end of 2001, which would place Diversified at 95.65% by 2001.

Recommendation: Staff recommends the Trustees take no action at this time.

Emerson Power Transmission, Corp., Ithaca, Tompkins County

Allocation: 1400 kW of Power for Jobs Power
Jobs Commitment: 544 jobs; **Phase 4 - 544 jobs**

Background: Emerson Power Transmission Corp. ('EPT'), was formed in 1987, although the factory itself has been in business since 1880. EPT designs and manufactures products for the automotive and power transmission industries including, industrial chains, roller bearings and clutches. The shortfall in job numbers last year was due to Y2K capital spending in its customer base. Sales have increased steadily over the past year, as has employment, and more growth is projected for 2001. As of August 2000, EPT had 481 employees, i.e., 88.42% of its contractual commitment. There are currently eight positions unfilled at the company. When the positions are filled the company would be in compliance with its commitment. For the past year, EPT averaged 455.75 jobs, i.e., 83.78% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

H & E Turbo Components, Inc., Auburn, Cayuga County

Allocation: 50 kW of Power for Jobs Power
Jobs Commitment: 28 jobs

Background: H & E Turbo Components, Inc. ('H & E Turbo'), founded in 1976, manufactures turbine blades for small steam and gas turbines. For the past year, H & E Turbo averaged 23.5 jobs, i.e., 83.93% of its contractual commitment. Due to the low job commitment, it might seem that H & E Turbo is far from meeting its commitment but, in fact, is off its contract by less than two positions. H & E Turbo's employment trended upward during the last quarter reported, averaging 26.67 jobs, i.e., 95.25% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

H & E Turbo Machinery, Inc., Owego, Tioga County

Allocation: 75 kW of Power for Jobs Power
Jobs Commitment: 41 jobs

Background: H & E Turbo Machinery ('H&E'), founded in 1990, manufactures small turbine blades for the gas turbine compressor market. For the past year, H&E averaged 36.41 jobs, i.e., 88.82% of its contractual commitment. H&E is short of its commitment by less than one job.

Recommendation: Staff recommends that the Trustees take no action at this time.

IEC Electronics Corp., Newark, Wayne County

Allocation: 1000 kW of Power for Jobs Power
Jobs Commitment: 1000 jobs, **Phase 4 --700 jobs**

Background: IEC Electronics Corp. ('IEC'), in business for 34 years, manufactures electronic printed circuit boards, serving computer and telecommunications companies. For the past year, IEC averaged 780 jobs, i.e., 78% of its contractual commitment. However, IEC is at 111.43% of its Phase 4 jobs commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Inficon Inc., East Syracuse, Onondaga County

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 218 base jobs with 45 jobs created by the end of year three

Background: Inficon Inc., established in 1969, manufactures thin film controllers and residue gas analyzers for the semiconductor, optical and other vacuum process industries, as well as halogen leak detectors for the heating, A/C, and refrigeration industries. While there was a job shortfall for the prior year, currently there are 234 FTEs ('Full Time Equivalents') -- over 107% of its commitment. For the past year, Inficon Inc. averaged 192.42 jobs, i.e., 88.26% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Manhattan School of Music</u>, Manhattan, New York County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 176 jobs

Background: Manhattan School of Music, founded in 1918, is an international conservatory of music granting Bachelor of Music, Master of Music and Doctor of Musical Art degrees. Students are trained in performance, composition, music theory, history and the humanities. Students are selected by competitive audition. For the past year, Manhattan School of Music averaged 157.70 jobs, i.e., 89.60% of its contractual commitment, and is less than one job short of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Meidi-Ya, Inc.</u>, Brooklyn, Kings County

Allocation: 25 kW of Power for Jobs Power
Jobs Commitment: 3 jobs

Background: Meidi-Ya, Inc., founded in Japan in 1885, opened a New York office in 1987. The company stores, cuts, smokes, packages and ships beef, pork, poultry and produce back to Japan. For the past year, Meidi-Ya, Inc. averaged 2.42 jobs, i.e., 80.56% of its contractual commitment - the equivalent of one quarter of one job short of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Nassau Tool Works, Inc.</u>, West Babylon, Suffolk County

Allocation: 350 kW of Power for Jobs Power
Jobs Commitment: 69 base jobs and 21 created jobs by the end of year three

Background: Nassau Tool Works, Inc. ('Nassau Tool') founded in 1956, is involved in specialized machining of heat treated materials for the commercial and defense aerospace industry. The shortfall in employment numbers was due to a downturn in the aerospace industry last year; however, Nassau Tool is ramping up to fulfill many new contracts it has received. Currently, the company is at 61 FTEs (Full Time Equivalents) which is 88% of its contractual commitment and is continuing to add new employees to meet the new demand. For the past year, Nassau Tool averaged 56.33 jobs, i.e., 81.64% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Orbit International Corporation</u>, Hauppauge, Suffolk County

Allocation: 292 kW of Power for Jobs Power
Jobs Commitment: 130 jobs; **Phase 4 -- 107 jobs**

Background: Orbit International Corporation ('Orbit') was established in 1957 and produces AC and DC power supplies, UPS, keyboards, trackballs and displays. The company is within five jobs of its Phase 4 commitment. For the past year, Orbit averaged 90.60 jobs, i.e., 69.69% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Orbit's employment level through mid 2001, and make a further recommendation at that time.

Sentry Metal Blast, Inc., Niagara Falls, Niagara County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 32 base jobs and 18 created jobs by the end of year three

Background: Sentry Metal Blast, Inc. ('Sentry'), was founded in 1971. Sentry's primary business is metal blasting and industrial coating but is also involved in tank and vessel fabrication. Sentry had a temporary downturn due to a lost customer, but the company has generated new business and fully expects to meet its jobs commitment by mid 2001. For the past year, Sentry averaged 21 jobs, i.e., 65.63% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Sentry's employment level through mid 2001 and make a further recommendation at that time.

Sierra Technologies, Inc., Buffalo, Erie County

Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 332 jobs

Background: Sierra Technologies, Inc. ('Sierra'), was founded in 1957, and has had several parent companies. Sierra is a defense contractor that designs and develops high quality products which integrate leading edge electronics systems. The shortfall in employment numbers was due to the company shifting its budget away from manufacturing and towards R & D. However, the company foresees growth this year and next year, with employment levels to reach 290 jobs by the end of 2001. For the past year, Sierra averaged 281.92 jobs, i.e., 84.91% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Sierra's employment level through mid 2001 and make a further recommendation at that time.

The Penn Traffic Company, Syracuse, Onondaga County

Allocation: 1000 kW of Power for Jobs Power
Jobs Commitment: 585 jobs

Background: The Penn Traffic Company ('Penn Traffic') is a leading food retailer in the eastern United States, operating supermarkets and a wholesale food distribution business. The Syracuse location is corporate headquarters and a perishable distribution center for frozen food, dairy, produce and meat products. In March 1999, the company filed for Chapter 11 proceedings and in June 1999, it emerged from bankruptcy. Fifty supermarkets were sold as part of the reorganization, which resulted in decreased sales and a decreased employment base. Business has stabilized, and currently Penn Traffic is working at rebuilding its business. For the past year, Penn Traffic averaged 510 jobs, i.e., 87.18% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Penn Traffic's employment level through mid 2001 and make a further recommendation at that time.

Ultra Tool & Plastics, Inc., Amherst, Erie County

Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 405 base jobs and 58 created jobs by the end of year three

Background: Ultra Tool & Plastics, Inc. ('Ultra'), founded in 1964, is a custom injection molding and tooling manufacturer. The company designs and produces products for the automotive, electronics, medical supplies, sports equipment and marine equipment industries. Ultra has expressed optimism about meeting its commitment for next year. For the past year, Ultra averaged 338.33 jobs, i.e., 83.54% of its contractual commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. However, staff will monitor Ultra's employment level through mid 2001 and make a further recommendation at that time.

Valley Fashion Apparel, L.L.C., Oneonta, Otsego County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 80 jobs

Background: Valley Fashion Apparel L.L.C. ('Valley') took over the Sanyo factory, which has been in business since 1986, along with Sanyo's PFJ allocation. Valley manufactures men's and ladies' raincoats. The shortfall in employment numbers was due to the transfer of the factory from Sanyo to Valley Fashion Apparel. For the past year, Valley averaged 61.18 jobs, i.e., 76.47% of its contractual commitment. Currently Valley employs over 80 people and has done so since July 2000.

Recommendation: Staff recommends that the Trustees take no action at this time.

YM-YWHA of Washington Heights and Inwood, Manhattan, New York County

Allocation: 40 kW of Power for Jobs Power
Jobs Commitment: 41 jobs

Background: The YM - YWHA of Washington Heights and Inwood ('YM-YWHA) has a nursery school, after-school program, senior center, day camp, low income senior housing and provides meals to hundreds of seniors in the neighborhood. For the past year, YM-YWHA averaged 35.33 jobs, i.e., 86.18% of its contractual commitment. It is 1.5 positions short of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance and the Vice President – Major Account Marketing and Economic Development recommend that the Trustees approve reductions in power allocations and/or job commitments for six companies as outlined in this item; and that the Trustees defer action with regard to 20 companies addressed above in this report of the President.

"In addition, it is recommended that the Trustees authorize the Manager – Business Power Allocations and Compliance to provide written notice to those companies whose power allocations and/or job commitments are being reduced/fully taken back.

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

In response to questions from Trustee McCullough, Mr. Yates explained that the power which is taken back by NYPA from Year One allocations gets placed in the Phase 4 pool.

Trustee Carey commended staff on the style and substance of the Quarterly Review report, and asked whether there is any legal mechanism to obtain damages for the failure of a recipient of PFJ power to maintain job commitments. Mr. Blabey responded in the negative, explaining that the PFJ power contracts provide only a mechanism by which NYPA recoups the allocation for failure to meet job requirements.

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

RESOLVED, That the Authority hereby approves the reduction of power allocations and/or job commitments to six companies; defers action with respect to the 20 other companies identified in the report; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance hereby is authorized to provide written notice to these companies whose allocations and job commitments are being reduced.

5. New York City Public Utility Service – Allocation of Industrial Power – Audubon Business & Technology Center

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 1,000 kW of industrial power to the New York City Public Utility Service ('NYCPUS') for resale to the Audubon Business & Technology Center ('Audubon').

BACKGROUND

"The Authority has a total of 94,460 kW of industrial power available from FitzPatrick and other sources for sale to downstate municipal distribution agencies ('MDAs'), including NYCPUS, under Service Tariff 35. Of this amount, 61,300 kW is reserved for NYCPUS. This power is resold to industrial consumers designated by the MDAs and approved by the Authority. NYCPUS has proposed the allocation of 1,000 kW to Audubon from this block of power.

DISCUSSION

"Audubon, located in New York City, is a Biotechnology Business Incubator that houses Biotechnology Research and Development companies. The business incubator was developed by Columbia University in conjunction with New York City ('NYC') and State of New York to assist in the expansion of the Biotechnology sector of local and regional economies. The tenants are almost all start-ups and only occupy space at Audubon during their crucial formative stages. Although NYC is one of the world's centers of biomedical research, the commercialization of biomedical technologies has historically always taken place outside of New York State. Audubon is a newly constructed incubator, and it is the only one in NYC.

"In consideration of an allocation of 1,000 kW, the business incubator is prepared to spend approximately $500,000 to improve its facility and commit to retaining its 131 employees and creating an additional 35 jobs. A reduction in energy costs would help Audubon compete more effectively with out-of-state business incubators and allow the tenant start-up companies to grow in New York State. The proposed ten-year allocation of 1,000 kW would save Audubon approximately $200,000 annually over Consolidated Edison Company of New York, Inc.'s standard rates.

"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 460 (1988)). 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 and pursuant to the contract between the Authority and NYCPUS.

RECOMMENDATION

"The Manager - Business Power Allocations and Compliance and the Vice President – Major Account Marketing and Economic Development recommend that the Trustees approve the allocation of Industrial power to New York City Public Utility Service for resale to the Audubon Business & Technology Incubator in the quantity specified herein.

"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 following resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the Authority hereby approves the allocation of 1,000 kW of industrial power to the New York City Public Utility Service for resale to Audubon Business & Technology Center, as described in the foregoing report of the President, and substantially in accordance with the terms described in such report; and be it further

RESOLVED, That the contract for the resale of industrial power between the New York City Public Utility Service and the Audubon Business & Technology Center is subject to approval by the Vice President - Business Marketing and Economic Development; and be it further

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

6. FitzPatrick Utility Rates - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve final rates and notification for firm power and residual energy provided to the Utilities from power supplied by Entergy Corporation from the James A. FitzPatrick Nuclear Power Plant ('FitzPatrick').

BACKGROUND

"During the mid-1970's, the Authority entered into a series of 'UD' Contracts with the Utilities for the sale, transmission and distribution of power from FitzPatrick. The 'UD' Contracts in effect today are those with the Long Island Power Authority ('LIPA') and Rochester Gas & Electric Company ('RG&E'). Niagara Mohawk Power Corporation ('Niagara Mohawk') also receives FitzPatrick residual energy under its Economic Development Power contract. Collectively they are referred to herein as 'the Utilities.' The Utility rates were last modified in 1994. The rates were composed of a fixed monthly capacity component referred to as the demand rate and a variable component referred to as the energy rate. The demand rate was set equal to $6.00 per kilowatt-month ('kW-mo.'). The overall cost was designed to be competitive with the then prevailing wholesale market.

"Effective November 21, 2000, title to the FitzPatrick plant was transferred to an Entergy Corporation subsidiary ('Entergy'). With that transfer, two Agreements for the Purchase of FitzPatrick power and services (collectively 'the Purchased Power Agreements') between the Authority and Entergy became effective and the Authority began purchasing FitzPatrick power for resale to the Utilities and other customers. Thusly, the Purchase Power Agreements affected the cost of providing service to the Utilities. Costs that formerly served as the basis for the demand rate, such as operating, maintenance and debt service costs were replaced by an energy charge paid to Entergy under the Purchased Power Agreements. Only two components of fixed cost, i.e., transmission and overheads, remained following the sale. These cost changes provide the business rational for revising the Utility rates.

"The overall cost of providing the Utilities service today is approximately $34 per megawatt-hour ('MWh'). About 88% of that cost represents payments made to Entergy under the Purchased Power Agreements at an average cost of $30.30 per MWh. The remaining 12% is composed of the fixed transmission and overheads costs that serve as the basis for a new lower demand rate. Transmission of power from the plant to the high voltage transmission grid costs about $1 per MWh (3%). Overhead costs represent another $3 per MWh (9%). Together the transmission and overhead costs equal about $4 per MWh or a demand rate of $2.95 per kW-mo.

"The 'UD' Contracts allow the Authority to recover such cost changes through a revision to the Utility rates. The cost of providing 'UD' Contract service has indeed changed and the proposed rate action seeks to revise the rates to recover the underlying costs.

DISCUSSION

"At their meeting of January 20, 2001, the Trustees authorized the filing of notice in the State Register of proposed rates for firm power and residual energy sold to Utilities from the FitzPatrick plant. The new demand rate (designed to recover only the remaining fixed transmission and overhead costs) was proposed at $2.95 per kW-mo. This represents a reduction from the current $6.00 per kW-mo. demand charge. The proposed energy rates were set equal to the $30.30 per MWh cost of energy supplied by Entergy. This represents an increase from the current energy rates. These two changes result in an overall increase to the Utilities. See Exhibit '6-A' for a comparison between the current and proposed demand and energy rates.

"The Trustees also authorized the holding of a Public Forum to obtain the views of interested persons concerning the Authority's proposed action to revise rates. That Public Forum was held on March 26, 2001 at the

Authority's Albany office. In summary, Niagara Mohawk expressed its concerns about the increase, questioning the cost justification. RG&E requested a change in the energy rate to accommodate prior market prices. LIPA was not represented at the forum. Following the Public Forum staff contacted representatives of the affected Utilities to discuss the rate proposal and at that point LIPA's representative commented on the inclusion of non-Entergy costs in the rates. The specific Utility comments and resulting rate recommendations follow.

"Niagara Mohawk commented that it should not pay increased rates for FitzPatrick power if the rate increase proposal is primarily due to the Authority's Purchased Power Agreements which resulted from the Authority's sale of the FitzPatrick nuclear generating facility. In fact, the Trustees of the Authority determined that the sale of the FitzPatrick unit was in the best interests of the State, the Authority and, specifically, the electric consumers of the State. The sale to Entergy will facilitate New York's transition to a fully competitive electric industry, ensuring that the plant is operated safely and economically by a recognized leader in nuclear operations. The negotiated Purchased Power Agreements reflect competitive prices that should benefit Niagara Mohawk's ratepayers compared to current market prices.

"Niagara Mohawk also commented that the Authority receives FitzPatrick Ancillary Services revenues from the New York Independent System Operator. It is Niagara Mohawk's view that these revenues should be used as an offset to the overall revenue requirement. However, this is not required by their contract with us. Therefore, no further rate adjustments are necessary.

"RG&E commented that it would prefer to see the new FitzPatrick rates differentiated between on-peak and off-peak hours. On-peak hours are the non-holiday weekdays hours 8 AM through 10 PM. All other hours are off-peak. In their view, the average cost of the Purchased Power Agreements was relatively high, when compared with prior-year Upstate market prices during certain lower priced off-peak hours. While this may have been true early last year, a review of market prices since then indicates that the proposed energy rate should be competitive statewide in the majority of all hours. Finally, this is in fact the average hourly cost incurred by the Authority under the Purchased Power Agreements in supplying this energy to the Utilities. Therefore, no adjustment to the proposed energy rate is recommended.

"LIPA commented that in their view the Utility rate should simply be a 'flow-though' of the Purchased Power Agreement costs without any additional Authority charges through, for example, a demand rate. However, the demand rate contains the Authority's transmission and overhead costs. The transmission cost is applicable to all power and energy sold from the FitzPatrick plant. Moreover, the Authority, like LIPA, incurs overhead costs in the course of administering its purchased power and resale agreements. It is thusly appropriate that the Authority assign to the entities that purchase such power their allocated share of the Authority's overhead costs.

"It is, therefore, recommended that the proposed $2.95/kW-mo. demand rate be approved. It is further recommended that the proposed $30.30/MWh energy rate, representing the average cost of the underlying Purchased Power Agreements, also be approved.

"Finally, the second Purchased Power Agreement entered into with Entergy, which provides the power that is subject to this rate increase, expires on December 31, 2003. Thus, unless this Purchased Power Agreement is extended, the underlying contracts with the Utilities will fail due to impossibility of performance on and after that date. This potential outcome will be brought to the attention of the Utilities now so they can make plans for their future supplies.

<u>FISCAL INFORMATION</u>

"Absent a rate change, firm power and residual energy sales to the Utilities would under-recover cost by approximately $11 million per year, which is the projected amount by which revenue would be increased under the proposal. The recommended rate modifications are to be effective June 1, 2001.

RECOMMENDATION

"The Director - Pricing & Forecasting, the Director - Power Contracts & Billing, the Vice President - Power Contracts & Resource Management, and the Senior Vice President - Marketing & Economic Development recommend that the Trustees:

- approve the recommended modifications to the rates charged to the Utilities;
- authorize the Senior Vice President - Marketing & Economic Development or her designated representatives to issue final notification to the Utilities with respect to the approved modification of rates;
- authorize the Executive Vice President, Secretary and General Counsel of the Authority to file notice of final adoption with the Secretary of State for publication in the State Register and to file other notice as may be required by statute or regulation; and
- direct the Senior Vice President - Marketing and Economic Development and the Executive Vice President, Secretary and General Counsel or their designated representative, to advise forthwith each of the Utilities as to the potential termination of their underlying contracts for Fitzpatrick power as of December 31, 2003.

"The Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

In response to questions from Chairman Seymour, Mr. de Graffenried explained that under the current arrangements NYPA resells to the utilities capacity and energy received under a purchased power agreement with Entergy, which will remain effective only until December 31, 2003. He further outlined the steps taken to initiate and publicize the proposed rate increase, including public advertisement, customer notification and the holding of the public forum.

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

RESOLVED, That the proposed modification of the rates applicable to Utilities receiving firm power and residual energy purchased by the Authority from the owner of the James A. FitzPatrick Nuclear Power Plant as described in the foregoing report of the President, such modifications to be effective June 1, 2001, are hereby adopted; and be it further

RESOLVED, That the Senior Vice President - Marketing & Economic Development or her designated representatives be, and hereby are, authorized to issue final notification to such Utilities with respect to the approved modification of rates; 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 other notice as is required by statute or regulation; and be it further

RESOLVED, that the Senior Vice President – Marketing and Economic Development and the Executive Vice President, Secretary and General Counsel or their designated representative, forthwith advise each of the Utilities as to the potential termination of their underlying contracts for Fitzpatrick power as of December 31, 2003.

7. Blenheim-Gilboa Pumped Storage Power Project Transmission Line – South Access Road Slope Protection – Capital Funding and Contract Award

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital funding of $5.8 million dollars and to approve award of a contract to A. Servidone, Inc./B. Anthony Construction Corporation J.V. in the amount of $5,785,842.00 for the Blenheim-Gilboa Pumped Storage Power Project Transmission Line - South Access Road Slope Protection.

BACKGROUND

"In 1973, movement of the slope south of the switchyard was first noticed. At that time, the area of movement was thought to be limited to the immediate vicinity of the reservoir shoreline. The movements resulted in cracking of roadway pavement and displacement of electrical conductor insulators. Some localized stabilization measures such as rock buttresses at the toe and deep horizontal drains were installed along the shore area. This reduced the rate of movement to about two inches per year.

"Monitoring revealed that since late 1995, the rate of movement has increased to about four inches per year. A recent infrared image and aerial topographic mapping also revealed that the slide area is much larger than previously assumed. Recent subsurface investigations between 1994 and 1998 included installation of soil borings, piezometers, slope inclinometers and laboratory soil testing. This investigation went to greater depths and covered a larger area than previously studied.

"At their meeting of April 28, 1998, the Trustees were advised that the south access road and transmission line corridor from the plant is located in a geologically unstable area adjacent to the lower reservoir. At that meeting, the Trustees authorized the extension of contracts and increased the compensation for engineering support services for the South Access Road slope protection for the Blenheim-Gilboa Pumped Storage Power Project ('Blenheim-Gilboa').

"Power Generation - Engineering and the Board of Consultants, three independent consultants retained by the Authority, have recommended remedial measures to stabilize the slope. These measures include stone berms at the toe of the slope and an improved drainage system. These measures will effectively protect the Authority's transmission lines and stabilize the plant access road.

DISCUSSION

"A Request for Proposals was issued on February 26, 2001, describing the work required for the Transmission Line - South Access Road Slope Protection. On April 9, 2001, bids were received from six bidders. The two lowest bids are summarized below:

	Green Island Construction Co.	A. Servidone, Inc./B. Anthony Construction J.V.
Bid Price	$5,095,500	$4,885,947
Options	$ 758,500	$ 899,895
TOTAL	$5,854,000	$5,785,842

"The two proposals were evaluated by an Evaluation Team with representatives from Procurement, Engineering, Blenheim-Gilboa site, and Project Management. The proposals were found to be technically acceptable and were evaluated for such items as cost, completeness, balanced prices, ability to meet the schedule, related experience, quality controls, environmental compliance, subcontractors, claim experience, safety record, exceptions and qualifications, and adherence to the Authority's Minority and Women-Owned Business Enterprise goals.

"As part of the proposal's evaluation, the two bidders were required to provide clarifications of their proposals. In addition, post-bid meetings were individually held with the two bidders to clarify pricing, schedule, and the scope of work. The evaluation Team recommended that the Contract be awarded to A. Servidone Inc./B. Anthony Construction Corporation J.V.

"The total estimated cost for the transmission line-south access road slope protection, including proposed wetland work is $13.0 million.

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Regional Manager - Central New York, the Vice President and Chief Engineer – Power Generation, the Vice President – Project Management, the Vice President – Controller, and the Vice President - Procurement and Real Estate recommend that the Trustees authorize capital funding for the Blenheim-Gilboa Transmission Line - South Access Road Slope Protection in the amount of $5,800,000.

"The Executive Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

Mr. Crouch explained that staff's initial estimate for this project had been in the vicinity of $18.8 million; however, because the proposed contractor has agreed to mine rock onsite for use in stabilizing the hillside, it is possible to effectuate a project savings of some $5 million. He also reported that the final cost includes $1.5 million for wetland preservation.

In response to questions from the Chairman, Mr. Crouch stated that the project should prevent slope slippage for at least 20 years and that the funds for the project would come from internal funds and not tax exempt sources. Mr. Crouch further confirmed in response to questions from Trustee McCullough that the instant expenditure authorization is for $5 million, and explained that future expenditures will be brought back to the Trustees in conformance with the Authority's Expenditure Authorization Procedures.

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

RESOLVED, That capital funding is hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the Blenheim-Gilboa Pumped Storage Power Project Transmission Line - South Access Road Slope Protection in the amount listed below:

Capital	**Amount**
Blenheim-Gilboa Pumped Storage Power Project Transmission Line - South Access Road Slope Protection	
Current Expenditure Authorization Request	**$ 5,800,000**
Expenditures Previously Authorized	**$ 4,400,000**
TOTAL AMOUNT AUTHORIZED	**$10,200,000**

AND BE IT FURTHER RESOLVED, That approval is hereby granted to award a contract to A. Servidone, Inc./B. Anthony Construction Corporation J.V., for the Transmission Line - South Access Road Slope Protection

Contract Amount	**$ 5,785,842**

8. Power Now! Generation Project – GE Packaged Power, Inc. - Additional Expenditure Authorization and Increase in Compensation Ceiling

The Executive Vice President Project – Project Operations submitted the following report:

SUMMARY

"The Trustees are requested to authorize additional capital expenditures in the estimated amount of $4,200,000 for the previously approved contract with GE Packaged Power, Inc. ('GEPP') for additional transportation costs associated with expedited shipping of equipment in support of the Power Now! Generation Project. The Trustees are also requested to approve an increase in the compensation ceiling of said contract (#4500030143), from the previously authorized amount of $241,200,000 to an estimated $245,400,000, for the aforementioned purpose.

BACKGROUND

"In accordance with the Authority's Expenditure Authorization Procedures ('EAPs'), the award of non-personal services or equipment purchase contracts in excess of $3,000,000, as well as change orders to such contracts for an amount exceeding $3,000,000, require Trustees' approval.

"As determined by the Trustees at their meeting on August 29, 2000, the Authority has found that there is a deficiency in installed electric generation capacity in New York City and that there is an urgent and compelling need for such deficiency to be cured by installing additional electric generation capacity in New York City before June 1, 2001. The Authority staff reaffirms that the construction of the Projects: (i) is necessary or desirable to assist in maintaining an adequate and dependable supply of electricity in New York City by supplying power and energy for one or more of the enumerated beneficiaries of the third unnumbered paragraph of Section 1005 of the New York Public Authorities Law; (ii) will assist in preserving reliability of electric service and in deterring further extraordinary increases in rates for electric service in the New York City metropolitan area; and (iii) will assist in maintaining an adequate, dependable electric power supply for the State of New York.

"At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President – Project Operations, or his designee, to negotiate and enter into procurement contracts having such terms as deemed necessary or advisable for the acquisition of up to 520 MW of generation capacity to support in-city and statewide requirements, including, without limitation: (a) an agreement with GEPP, in an amount not to exceed $220,000,000, for procurement and delivery of up to 11 LM6000 Gas Turbine Generator sets, and (b) to expend any portion of the aforesaid amount for procurement in furtherance of said agreements, including, without limitation, the disbursement of an initial payment equal to 10% of the amount of the GEPP contract on or before August 30, 2000.

"At their meeting of October 31, 2000, the Trustees authorized additional capital expenditures in the amount of $10,100,000 to GEPP for Balance of Plant and Automated Control System equipment, as well as for six gas compressor units. They also approved an increase in the compensation ceiling of the contract with GEPP to $230,100,000.

"At their meeting of February 20, 2001, the Trustees authorized an additional $8,100,000 in capital expenditures to GEPP for transportation costs ($5,800,000) and for start-up costs ($4,300,000). The Trustees also approved an increase in compensation ceiling of the subject contract with GEPP to $238,200,000.

"In accordance with the Authority's Expenditure Authorization Procedures, the Executive Vice President – Project Operations subsequently authorized an additional $3,000,000 to cover invoices for additional transportation costs that were incurred in support of this Project.

DISCUSSION

"The contract with GEPP requires the vendor to arrange for transportation of the gas turbines and all balance of plant equipment to the specific plant sites in New York City and Brentwood, Long Island. While GEPP retains all risk of loss or damage until such delivery at the sites, the actual cost of transportation was not included in GEPP's base price. With the identification of final specific sites in November 2000, GEPP was required to perform a detailed transportation analysis to determine the optimum delivery approach for the equipment, taking into account the size, weight and special permitting required. In fact, the gas turbines have been shipped via ocean-going barges from Houston, Texas to New York City's port in Brooklyn, where the equipment is offloaded to either trucks or smaller barges for specific site delivery. Special arrangements have to be made at each site to offload such units for placement on these respective pads. Subsequent shipments of accessories for the gas turbines and balance of plant equipment, such as transformers and gas compressors, have also been extensive. The overall cost for transportation and delivery of all such equipment to the seven specific sites by GEPP, including barge shipments, was previously estimated to be $5,800,000. This amount also included an additional $300,000 for the additional handling and costs associated with delivery of the last three gas turbines on supply-type vessels, instead of barges, to improve delivery times for these units to support the construction schedule.

"As of April 24, 2001, the Authority's transportation costs associated with this project are $9,900,000 and it is now anticipated that the total project transportation costs will reach approximately $13,000,000. The transportation estimate provided to the Authority several months ago did not include the Selective Catalytic Reduction ('SCR') systems, gas compressor skids, gas compressor enclosures, or the addition of the 11th unit with corresponding balance of plant equipment. Additionally, due to the construction schedule and site needs, there have been additional barges, ships, airlifts, and various other options utilized that were not foreseen in the original estimate. For example, additional barges transporting pre-welded stack material to the various jobsites are estimated to cost $1,317,000 alone. In addition, use of supply vessels and specialized vessels and aircraft to accelerate shipment of material to meet the construction schedule have also added a significant additional cost to the overall transportation costs, which GE ('General Electric') has advised will approximate $13,000,000. We have actively sought to work with GE to reduce these costs as much as possible. For example, GE has agreed to absorb 50% of the costs (approximately $300,000) to ship seven transformers to the jobsites by dedicated air freight to meet the construction schedule. All of these costs will be subject to audit by the Authority after the completion of the Project.

"The current contract amount is $241,200,000. It should be noted that this does not include any additional costs at Red Hook for completion of portions of the SCR (e.g., perforated plates, breach duct pieces and expansion joints) and related transportation of such fabricated units to the respective jobsites. It is currently estimated that additional funding in the amount of $4,200,000 will be required to cover the aforementioned additional transportation costs associated with this Project.

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President and Chief Engineer – Power Generation, the Vice President – Procurement and Real Estate and the Deputy Secretary and Deputy General Counsel, recommend the Trustees approve additional capital expenditures in the currently estimated amount of $4,200,000 for transportation costs through final installation to support all equipment associated with the LM6000 gas turbine generator units.

"It is further recommended that the Trustees also approve an increase in the compensation ceiling of the contract with GE Packaged Power, Inc. to an estimated $245,400,000 for the aforementioned purposes.

"The Senior Vice President and Chief Financial Officer, the Senior Vice President – Marketing and Economic Development, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

The following resolution, as recommended by the Executive Vice President – Project Operations, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, additional capital expenditures be, and hereby are, approved as recommended in the foregoing report of the Executive Vice President – Project Operations, in the amount and for the purpose listed below; and be it further

RESOLVED, That an increase in the compensation ceiling of the contract with GE Packaged Power, Inc., be, and hereby is, approved.

Capital

Power Now! Generation Project –
Procurement of 11 gas turbine generator sets
and related services:

GE Packaged Power, Inc.
(4500030143)

Previously Approved Amount		**$238,200,000**	
Additional Authorization per EAP's	**3,000,000**		
Current Request (for additional Transportation Costs) (estimated)			**$4,200,000**
(estimated)	**$245,400,000**		

9. Poletti 500 MW Combined Cycle Project – DMJM + Harris Company - Award of Construction Management Services Contract and Expenditure Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a construction management services contract for the 500 MW Combined Cycle Plant to DMJM + Harris Company ('Harris') of New York City for $8 million and to authorize expenditure commitments for the construction management services for the next 12 months in the amount of $2 million.

BACKGROUND

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

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

"In June 1999, a Request for Proposal ('RFP') was issued by the Authority for the engineering, procurement, and construction of the Power Island components of the 500 MW Combined Cycle Plant at the Charles Poletti Site. The intent was to award a contract on a turnkey basis, where the successful bidder would be totally responsible for the engineering, procurement, and construction of the plant.

"In September 1999, three proposals were received, none of which conformed entirely to the RFP scope of work because of the reluctance of the bidders to assume perceived risks in the construction phase of the project. Construction was then removed from the scope of work for separate bid at a later date.

"At their meeting of October 26, 1999, the Trustees authorized awarding a contract to General Electric Company ('GE') in the amount of $191 million for the engineering, procurement and delivery of the Power Island components for GE's basic reference power plant design.

"Construction of the plant will be performed by a General Contractor in accordance with a construction specification to be prepared by GE. A Construction Manager ('CM') will administer the general construction contract.

DISCUSSION

"The CM is needed early in the project to provide a site layout plan and constructability reviews for the construction of the plant. The CM will also support the preparation of a RFP for the construction contract and the evaluation of the resulting proposals. In addition, the CM will prepare a construction plan and a detailed project construction schedule reflecting the construction sequence, equipment delivery and laydown, crane positioning, and truck access. The Authority expects that the CM will delineate the construction plan in the work package prepared by GE with a detailed construction schedule by area, discipline and/or craft work. Early development of the plan and its inclusion in the construction contract will ensure the General Contractor's contractual obligation to perform his scope of work as planned by the project.

"In January 2001, a RFP for the construction management services was issued to 12 potential bidders. Three bidders responded and nine firms declined to bid. Two of the bidders who declined to bid advised that they will bid on the construction phase of the project. The others indicated that they were fully committed and unable to take on new projects. Three proposals were received from the following bidders:

Burns and Roe Enterprises, Inc. ('B&R')
Parsons Brinckerhoff Company ('PB Power')
DMJM + Harris

"The proposals were evaluated by the Project Management and the Procurement staff using the Authority's own estimate of the man-hours required by the project. This manpower loading enabled staff to equalize all the bids using the bidders provided hourly rates. The bids were further analyzed by adding the fees such as mobilization that the bidders required. The result of this process was an evaluated bid price for each bidder. Harris was found to be the low cost bidder.

"Formal meetings with all three firms were also held in the Authority's White Plains Office on March 27th and 28th, respectively, to provide the bidders the opportunity to discuss their construction management capabilities. All three bidders provided further information at those meetings and are deemed by staff to be equally capable of meeting the Authority's construction management requirements. Harris was deemed to have the necessary experience in those areas that the staff considers most critical for successful completion of the project, as follows:

Experience in providing previous construction management services;
Previous experience in the New York City area
Home office-engineering capabilities to support the project schedule.
"Harris has also provided construction management services to the Authority for the Power Now! Generation Project and the Energy Efficiency Projects within New York City.

"Based on the above economic and technical evaluation, staff recommends that the contract for the construction management services be awarded to Harris as the lowest cost, technical qualified bidder. The expected cost for these construction management services on a time and material basis is $8 million.

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Vice President - Project Management, the Vice President – Procurement and Real Estate and the Deputy Secretary and Deputy General Counsel, recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve the award of the construction management services contract to DMJM + Harris in the amount of $8 million, and authorize expenditure commitments of $2 million for such construction management services for the next 12 months.

"The Vice President - Controller, the Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

In response to questions from Chairman Seymour, Mr. Crouch stated that retaining this firm now will be of assistance to Authority Engineering staff because Harris staff will help review the design and prepare the complex engineering specifications and scope of the work to be performed.

Vice Chairman Ciminelli inquired whether the $8 million figure includes all labor costs: Mr. Crouch responded in the affirmative. In response to further questions from Vice Chairman Ciminelli, Mr. Crouch reported that the total overall cost is anticipated to be some $460 million.
The following resolution as, recommended by the President, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization procedures adopted by the Authority, award of the construction management services contract to DMJM + Harris Company in the amount of $8,000,000 to perform the construction management services described in the foregoing report of the President be, and hereby is, approved for the 500 MW Combined Cycle Power Plant at the Charles A. Poletti Plant site; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, authorization for an initial commitment in the amount of $2,000.000 to perform the aforementioned services for the initial 12 months of the contract be, and hereby is, approved; and be it further

RESOLVED, That the Chairman and Chief Executive Officer or the President and Chief Operating Officer, or their designee be, and hereby is, authorized and directed to execute on behalf of the Authority the necessary contract documents, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Capital	**Contract Award**	**Expenditure Authorization**	**Projected Closing Date**
DMJM + Harris	**<u>$8,000,000</u>**	**<u>$2,000,000</u>**	**05/31/05**

10. Clarkson University - NYPA Supplemental Financing
<u>for the Implementation of Energy Efficiency Project</u>

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve supplemental financing to Clarkson University ('University'), a not-for-profit educational organization, in an amount not to exceed $3,000,000. The University will use the funds to implement an extensive energy efficiency project at its campus. The supplemental financing augments a $250,000 petroleum overcharge restitution fund ('POCR') grant the University will receive for the project.

BACKGROUND

"In March 2001, the University requested a meeting with Authority staff to discuss the potential for the Authority to provide supplemental financing in support of a POCR grant the University had secured to implement an extensive energy efficiency project at the University. The project cost is estimated to be $2,400,000 (without contingencies), and will provide annual savings to the University of $770,000. The project involves heating, ventilating and air conditioning ('HVAC') upgrades, HVAC maintenance, fume hood work, lighting upgrades, and lecture hall relamping. Authority staff has reviewed the scope of the project, and the staff believes the project to be reasonable.

"The University is making this request pursuant to the POCR provisions contained in the 2000 Budget Bill which authorizes the Authority to provide supplemental financing for energy services projects which receive POCR funding.

DISCUSSION

"The University was founded in 1896 as a memorial to Thomas S. Clarkson, a pioneering citizen of northern New York. The University is an independent technological university that includes schools of Business, Engineering, Liberal Arts, and Science. The campus is located in Potsdam, New York, and current enrollment is approximately 3,000 students.

"The project envisions extensive energy efficiency upgrades to the Cora and Bayard Clarkson Science Center and to other University facilities.

"The operational costs for cooling and heating the science center, in particular, are quite high. The building is presently exhausted through constant volume fume hoods. Air handling units (100% outdoor air) with chilled water cooling and hot water heating coils provide ventilation air to the building.

"The building's chiller loses 180 pounds of refrigerant (R-11) per season due to leaks and mechanically is running at an estimated 60% of design capacity due to problems with the condenser water system. The cooling tower is beyond its useful life and has been plugged and patched to the point at which it plugs up due to rust twice a month. In the winter, the chiller is false-loaded to provide added heat to the building when needed, essentially heating the building with electricity.

"There are four boilers in the building, two are electric and two are gas/oil fueled. The boilers are 15 to 32 years old and are at or beyond their useful life. The University attempts to heat the building by false-loading the electric chiller and by running two of the gas boilers, but on cold days the University must supplement this with the two electric boilers.

"The primary lighting system throughout the science center facility is 31 years old. The fixture/ballast/lamp combinations are outdated and utilize excessive energy when compared with today's lighting systems. For the most part, spaces are under illuminated and appear dark and gloomy.

FISCAL INFORMATION

"The estimated cost of this project is $2,400,000 without contingencies. It is estimated that the project cost would not exceed $3,000,000. The project would be funded from monies withdrawn from the Operating Fund, which would be paid back by the University over a term not to exceed ten years.

RECOMMENDATION

"The Senior Vice President - Energy Services and Technology recommends that the Trustees approve supplemental financing in an amount not to exceed $3,000,000 to Clarkson University for the purposes described herein. The Trustees are also requested to authorize the use of monies from the Operating Fund for this purpose.

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

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

RESOLVED, That the Trustees hereby authorize the provision of supplemental financing to Clarkson University, a not-for-profit educational organization, in an amount not to exceed $3,000,000 to implement an energy efficiency project at the University, as described in the foregoing report of the President; and be it further

RESOLVED, That such supplemental financing be provided contingent upon Clarkson University executing an agreement with the Authority for the repayment of such monies, with such agreement having such terms and conditions as the Senior Vice President - Energy Services and Technology deems necessary or desirable, which are consistent with the foregoing report of the President, and which provide for a repayment period of not more than 10 years, and with the form of such agreement being subject to the approval of Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Trustees authorize the withdrawal of up to $3,000,000 from the Operating Fund for the purposes specified in the above resolution and certify that such monies are not needed for any of the purposes specified in Section 503(1)(a), (b), or (c) of the Authority's General Resolution Authorizing Revenue Obligations; and be it further

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

11. Motion to Conduct Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions concerning potential contract matters and litigation."

On Motion duly made and seconded, an Executive Session was held at 11 a.m. for the purpose of discussing St. Lawrence contract matters and the Silvercup litigation.

12. St Lawrence Project Update/Silvercup Studios Litigation

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

"Mr. Chairman, I move that the Authority resume the meeting in open session."

On Motion duly made and seconded, the meeting resumed in open session at 12:45 p.m.

14. Silvercup Studios - Resolution

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

BE IT RESOLVED, That the Chairman and/or President be, and hereby are, authorized to take such actions as may be necessary or desirable to effectuate the proposed settlement of the Matter of Silvercup Studios, et. al. on terms and conditions substantially in accordance with the report submitted by Counsel, with the concurrence of the Executive Vice President, Secretary and General Counsel as to the form thereof.

15. Next Meeting

"The regular meeting of the Trustees will be held on **Tuesday, June 26, 2001 at the White Plains Office at 11:00 a.m.,** unless otherwise designated by the Chairman with the concurrence of the Trustees."

16. Closing

Upon motion made and seconded, the meeting was closed at 1:00 P.M.'

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

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