

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

**December 17, 2002**

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

Present: Louis P. Ciminelli, Chairman  
Frank S. McCullough, Jr., Vice Chairman  
Timothy S. Carey, Trustee  
Gerard D. DiMarco, Trustee  
Joseph J. Seymour, Trustee

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Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Business Services and Administration
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President – Controllor
Woodrow W. Crouch	Vice President – Project Management
Robert Deasy	Vice President – Energy Resource Management & Fuels Operation
Anne Wagner-Findeisen	Vice President – Ethics & Regulatory Compliance and Deputy Secretary
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President - Chief Engineer
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
Dennis T. Eccleston	Chief Information Officer
John J. Hahn	Acting Inspector General
Michael Brady	Acting Treasurer
Joseph J. Carline	Assistant General Counsel – Power & Transmission
William Ernsthaf	Assistant General Counsel – Finance
Gary Paslow	Executive Director – Policy Development
Angelo S. Esposito	Director – Energy Services
John B. Hamor	Director – Intergovernmental Affairs
John L. Murphy	Director – Public Relations
Mark O’Connor	Director – Real Estate
Joan Tursi	Director – Budgets
Steven DeCarlo	Regional Manager – Central New York
Daniel Cappiello	Manager – Performance Planning
James F. Pasquale	Manager – Business Power Allocations & Compliance
Angela D. Graves	Assistant Secretary – Legal Affairs
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Bonnie Fahey	Executive Assistant
Denise Baker	Financial Administrator
Joann Duffy	Performance Planning Consultant
Wayne Gowen	Senior Network Specialist

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

1. **Approval of the Minutes**

The minutes of the regular meeting of November 26, 2002 were unanimously adopted.

2. **Financial Reports for the Eleven Months Ending November 30, 2002**

*Mr. Bellis provided the Financial Reports for the eleven month period ending November 30, 2002.*

*Responding to questions from Vice Chairman McCullough, Mr. Bellis explained the accounting treatment for the Authority's \$63 million asset impairment charge related to the Power Now! Units.*

*Responding to questions from Trustee Seymour, Mr. Bellis confirmed that the Power Now! Units were producing higher revenues than previously expected but were still not providing positive net revenues to the Authority.*

3. **Report from the President and Chief Executive Officer**

*At the request of President Zeltmann, Mr. Vesce provided an overview of the 2002 Retirement Incentive Program. Mr. Vesce noted that 105 persons had taken the retirement option at a cost to the Authority of \$5.5 million. He noted that the processing of the retirements has created a very busy time for Human Resources but that there have been few problems. Mr. Vesce further reported that some positions have been eliminated and that the Authority has undertaken ambitious succession planning. Trustee Carey congratulated Mr. Vesce and his staff for their efforts and achievements in this area.*

**4. Power Allocations under the Power for Jobs Program**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve 75 allocations of available power under the Power for Jobs (‘PFJ’) program to the businesses listed in Exhibit ‘4-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

**BACKGROUND**

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

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

“In May 2000, legislation was enacted which authorized another 300 MW of power to be allocated under the PFJ program. The additional MW was described in the statute as ‘phase four’ of the program. Customers who received allocations in Year One were authorized to apply for reallocations. Over 95% reapplied. The balance of the power was awarded to new applicants.

“In July 2002, legislation was signed into law by Governor Pataki which authorized another 183 MW of power to be allocated under the program. The additional MW are described in the statute as ‘phase five’ of the program. Customers who received allocations in Year Two or Year Three will be given priority to reapply for the program. Any remaining power will be made available to new applicants.

“Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State enterprises that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through October 2002, the Trustee’s approved allocations to 1,084 employers under the PFJ program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges and cultural institutions across the state.

**DISCUSSION**

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Seventy-five applications were deemed highly qualified and presented to the EDPAB for its review on December 17, 2002.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the 75 businesses listed in Exhibit ‘4-A’. Exhibit ‘4-A’ lists those businesses that were recommended to have their existing allocation extended under phase four of the program. Collectively, these organizations have agreed to create or retain over 31,700 jobs in New York State in exchange for

allocations totaling 45.68 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

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

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

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 45.68 MW of allocations of Power for Jobs power to the companies listed in Exhibit "4-A";**

**NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "4-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further**

**RESOLVED, That a total of 45.68 MW of power purchased by the Authority for Power for Jobs be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further**

**RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee be, and hereby is, authorized to negotiate, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to execute any and all documents necessary or desirable to effectuate the foregoing.**

5. **Issuance of the Series 1 Extendible  
Municipal Commercial Paper Notes**

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

*Responding to questions from Vice Chairman McCullough, Mr. Brady explained the significance of the Bond Market Association Municipal Swap Index and the Authority's bond rating.*

*Responding to questions from Chairman Ciminelli, Mr. Brady elaborated on the logistics of the Series 1 Extendible Municipal Note issuance.*

*Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Mr. Brady outlined the various financial options and scenarios for the Authority, explaining the advantages of the extendible municipal commercial paper issuance, and that the Authority intends to issue this new paper in specific staggered steps in order to test it out. He then explained what actions the Authority would have to take if this extendible paper could not be reissued. In response, Vice Chairman McCullough requested that the language of the proposed resolution be modified to limit the authorized Series 1 notes issuance to no more than \$50 million, and to require staff to come back to the Board at a specified future time if staff desires to issue more than \$50 million of this new commercial paper.*

*At this time, Mr. Ernsthaft presented a summary of the various resolutions before the Trustees for adoption and noted that the resolutions would be amended to reflect Vice Chairman McCullough's request.*

*Responding to questions from Chairman Ciminelli, Mr. Brady discussed the substantial negative financial impact on the Authority which would arise from a bond rating downgrade.*

*The following resolutions, as modified by Vice Chairman McCullough, were unanimously approved.*

**POWER AUTHORITY OF THE STATE OF NEW YORK**

“Excerpts from the minutes of a regular meeting of the Power Authority of the State of New York (the ‘Authority’) held at the Authority's offices at 30 South Pearl Street, Albany, New York 12207-3425 on Tuesday, December 17, 2002, at 11:00 A.M.

“There were present:

Louis P. Ciminelli, Chairman  
Frank S. McCullough, Jr., Vice Chairman  
Timothy S. Carey  
Gerard D. DiMarco  
Joseph J. Seymour

constituting a majority of the trustees and a quorum.

Eugene W. Zeltmann, President and Chief Executive Officer  
David E. Blabey, Executive Vice President, Secretary and General Counsel  
Robert A. Hiney, Executive Vice President - Power Generation  
Vincent C. Vesce, Executive Vice President - Business Services and  
Administration  
Carmine J. Clemente, Deputy General Counsel  
Michael H. Urbach, Senior Vice President and Chief Financial Officer  
Michael Brady, Deputy Treasurer  
Anne Wagner-Findeisen, Vice President - Ethics & Regulatory Compliance and  
Deputy Corporate Secretary  
William Ernsthaft, Assistant General Counsel

“Mr. Ciminelli, Chairman, presided and Mr. Blabey, Secretary, kept the minutes.

#### **AUTHORIZATION OF EXTENDIBLE COMMERCIAL PAPER NOTES**

“The Chairman stated that a matter to be presented at the meeting was consideration of the advisability of adopting the Resolution Authorizing Extendible Commercial Paper Notes, which authorizes the issuance of Extendible Commercial Paper Notes, Series 1 (the ‘Series 1 ECP Notes’ and, collectively with any other series of Extendible Commercial Paper Notes that may be subsequently authorized by the Trustees, the ‘Extendible Commercial Paper Notes’), the principal amount of which outstanding at any one time shall not exceed \$50 million, for purposes specified in such resolution.

“On motion duly made and seconded, the Resolution Authorizing Extendible Commercial Paper Notes (attached hereto as Exhibit 1), together with such changes, insertions, deletions and amendments thereto as the Chairman or the President and Chief Executive Officer of the Authority may approve, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, which shall be deemed to be part of such resolution as adopted, was unanimously adopted.

#### **ISSUING AND PAYING AGENCY AGREEMENT AND DEALER AGREEMENT FOR EXTENDIBLE COMMERCIAL PAPER NOTES**

“The Chairman presented a draft of (i) the Issuing and Paying Agency Agreement relating to the Extendible Commercial Paper Notes (attached hereto as Exhibit 2 and hereinafter referred to as the ‘Issuing and Paying Agency Agreement’), proposed to be entered into with JPMorgan Chase Bank, and (ii) the Dealer Agreement relating to the Series 1 ECP Notes (attached hereto as Exhibit 3 and hereinafter referred to as the ‘Dealer Agreement’), proposed to be entered into with Goldman, Sachs & Co. Said proposed Issuing and Paying Agency Agreement and Dealer Agreement were considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

“RESOLVED, that the Chairman, President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute an Issuing and Paying Agency Agreement, in substantially the form of the draft of such agreement submitted at this meeting, with such changes, insertions, deletions, amendments and supplements as such authorizing executing officer deems in his discretion to be necessary or advisable, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, such execution to be conclusive evidence of such approval; and

“FURTHER RESOLVED, that the Chairman, President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute a Dealer Agreement, in substantially the form of the draft of such agreement submitted at this meeting, with such changes, insertions, deletions, amendments and supplements as such authorizing executing officer deems in his discretion to be necessary or appropriate,

subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, such execution to be conclusive evidence of such approval.

**APPOINTMENT OF ISSUING AND PAYING AGENT  
AND DEALER**

“RESOLVED, that JPMorgan Chase Bank is hereby appointed as Issuing and Paying Agent for the Authority’s Extendible Commercial Paper Notes; and

“FURTHER RESOLVED, that Goldman, Sachs & Co. is hereby appointed as the Dealer for the Series 1 ECP Notes.

**COMMERCIAL PAPER NOTES,  
SERIES 1, 2, 3 AND 4**

“RESOLVED, that the issuance of the Authority’s Commercial Paper Notes, Series 1, Series 2, Series 3 and Series 4 and the application of proceeds of the sale thereof is hereby authorized for the purpose of refunding or redeeming the Authority’s Extendible Commercial Paper Notes.

“FURTHER RESOLVED, that the issuance of the Authority’s Commercial Paper Notes, Series 2, and the application of proceeds of the sale thereof is hereby authorized for the payment of any costs incurred by the Authority in connection with the refunding of the Authority’s Series 1998 B Revenue Bonds, including legal, financial advisor services and printing costs incurred and to be incurred relating to the contemplated issuance of the Series 2002 B Revenue Bonds for such refunding.

**AGREEMENTS FOR BOND AND SPECIAL COUNSEL SERVICES**

“RESOLVED, that the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized on behalf of the Authority to execute letter agreements between the Authority and the law firm of Hawkins, Delafield & Wood, for the provision by such firm of bond counsel services to the Authority and with the law firm of Nixon Peabody LLP for the provision by such firm of special counsel services to the Authority, all in connection with the Series 1 ECP Notes and any other series of Extendible Commercial Paper Notes and the related transactions authorized hereby, with said agreements having such terms and conditions as the Executive Vice President, Secretary and General Counsel may approve.”

Exhibit 1: Resolution Authorizing Extendible Commercial Paper Notes.

Exhibit 2: Draft of Issuing and Paying Agency Agreement.

Exhibit 3: Draft of Dealer Agreement.

**December 17, 2002**

POWER AUTHORITY OF THE  
STATE OF NEW YORK

RESOLUTION  
AUTHORIZING EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES

Adopted December 17, 2002

**POWER AUTHORITY OF THE  
STATE OF NEW YORK**

**RESOLUTION  
AUTHORIZING  
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES**

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**RESOLUTION  
AUTHORIZING EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES**

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York (the "Authority") as follows:

DEFINITIONS

Definitions. 6. Except as provided in paragraph (B) of this Section 101, all terms which are defined in Section 101 of the General Resolution Authorizing Revenue Obligations adopted by the Authority on February 24, 1998, as heretofore and hereafter amended and supplemented in accordance with the terms thereof (the "General Resolution"), shall have the same meanings, respectively, in this Resolution as such terms are given in said Section 101 of the General Resolution.

In this Resolution (hereinafter referred to as the "Resolution"), unless a different meaning clearly appears from the context:

The terms "herein", "hereunder", "hereby", "hereto", "hereof", "hereinafter", and any similar terms, refer to this Resolution, and the term "hereafter" means after the date of adoption of this Resolution;

Words importing the singular number include the plural number and vice versa and words importing persons include firms, associations and corporations. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders;

Any headings preceding the texts of the several Articles and Sections of this Resolution, and any table of contents shall be solely for convenience of reference and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect;

"Authorized Officer" means the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President, Secretary, and General Counsel, Senior Vice President and Chief Financial Officer, Treasurer, or Deputy Treasurer of the Authority, or any Authorized Officer (as defined in the General Resolution);

"Business Day" means any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the State of New York are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed;

"BMA Index" means The Bond Market Association Municipal Swap Index, a seven-day high-grade market index composed of selected tax-exempt variable-rate demand obligations meeting specific criteria. The BMA Index is calculated weekly and released each Wednesday afternoon. If at any time the BMA Index is not available, there shall be used in its place such index as the Issuing and Paying Agent (upon consultation with the Dealer) from time to time determines most closely approximates the BMA Index;

"Dealer" means any of the dealers appointed pursuant to the Section 310 hereof or any additional dealer or any successor entity or entities thereto which may be appointed as a Dealer hereunder by the Authority (all such dealers collectively, the "Dealers");

"Dealer Agreements" means the dealer agreements authorized hereunder or any comparable agreement or agreements with any other Dealer or Dealers authorized by an Authorized Officer (collectively, the "Dealer Agreements"), as the same may be amended or supplemented from time to time;

“Extended Maturity Date” means that date which is 270 days from and including the date of issue of the Extendible Municipal Commercial Paper Note;

“Extendible Municipal Commercial Paper Notes” means the notes issued from time to time under this Resolution;

“Fitch” means Fitch Ratings, its successors, and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized rating agency designated by the Authority upon consultation with the Dealer;

“Holder” or any similar term, when used with reference to an Extendible Municipal Commercial Paper Note, shall mean the registered owner of such Master Note as shown on the books of the Issuing and Paying Agent;

“Interest Period” means,

(i) for Tax-Exempt EMCP Note:

(a) if the Note is paid on the Original Maturity Date, the period from and including the date of issue of such Note to but excluding the Original Maturity Date,

(b) if the Note is not paid on the Original Maturity Date, the period from and including the date of issue of such Note to but excluding the initial Reset Interest Payment Date, and thereafter each one-month period from and including each Reset Interest Payment Date to but excluding the next succeeding Reset Interest Payment Date,

(ii) for Taxable EMCP Note:

(a) if the Note is paid on the Original Maturity Date, there is no Interest Period because Taxable EMCP Notes are sold at a discount and therefore no interest accrues,

(b) if the Note is not paid on the Original Maturity Date, each one-month period from and including each Reset Interest Payment Date (or from and including the Original Maturity Date in the case of the initial Interest Period) to but excluding the next succeeding Reset Interest Payment Date (with interest that accretes from the date of issue of such Note to the Original Maturity Date being paid on the Extended Maturity Date).

“Interest Rate” means the interest rate, not to exceed the Maximum Rate, determined by an Authorized Officer in accordance with Section 306 with respect to any Extendible Municipal Commercial Paper Note at the time of issue, provided that any Extendible Municipal Commercial Paper Note for which the Original Maturity Date is extended shall bear interest at the Reset Rate;

“Issuing and Paying Agency Agreement” means the Issuing and Paying Agency Agreement authorized hereunder between the Authority and the Issuing and Paying Agent, as the same may be amended and supplemented from time to time, or any comparable agreement or agreements with any other Issuing and Paying Agent, as the same may be amended or supplemented from time to time;

“Issuing and Paying Agent” means an agent appointed by the Authority pursuant to Section 307 hereof, or any successor entity which may be appointed by an Authorized Officer as an Issuing and Paying Agent hereunder;

“LIBOR” means for any Interest Period the rate for deposits in U.S. dollars for a one-month period that appears on Telerate Page 3750 (as defined below) as of 11:00 a.m., London time, on the second LIBOR Business Day (as defined below) prior to the first day of such Interest Period (a “LIBOR Determination Date”). If such rate does not appear on such page at such time, then the Issuing and Paying Agent will request the principal London office of each of four major reference banks in the

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London interbank market, selected by the Issuing and Paying Agent, to provide such bank's offered quotation to prime banks in the London interbank market for deposits in U.S. dollars for a one-month period commencing on the first day of such Interest Period as of 11:00 a.m., London time, on the LIBOR Determination Date and in a Representative Amount. If at least two such quotations are so provided, LIBOR will be the arithmetic mean of such quotations. If fewer than two such quotations are provided, the Issuing and Paying Agent will request each of three major banks in The City of New York to provide such bank's rate for loans in U.S. dollars to leading European banks for a one-month period commencing on the first day of such Interest Period as of approximately 11:00 a.m., New York City time, on the LIBOR Determination Date and in a Representative Amount. If at least two such rates are so provided, LIBOR will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then LIBOR will be LIBOR in effect during the preceding Interest Period. All percentages resulting from any calculation on a Note will be rounded to the nearest one hundred-thousandth of a percentage point, with five-one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all amounts used in or resulting from such calculation on a Note will be rounded to the nearest cent (with one-half cent being rounded upwards);

"LIBOR Business Day" means any day on which dealings in U.S. dollars are transacted in the London interbank market;

"Master Note" means any Commercial Paper Master Note Depository Trust Company Form, or comparable form, by and between the Authority and the Issuing and Paying Agent evidencing the issuance of Extendible Municipal Commercial Paper Notes by the Authority from time to time;

"Maximum Rate" means (i) 12% per annum or (ii) if a higher rate is approved by the Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President, Secretary, and General Counsel, or Senior Vice President and Chief Financial Officer of the Authority upon recommendation of the appropriate Dealer, after certification by such Dealer that a substantial likelihood exists that such Extendible Municipal Commercial Paper Note could not be marketed at the maximum rate in light of then-existing market conditions, then such higher rate, provided, however, that in no event shall the interest rate on any Extendible Municipal Commercial Paper Note exceed the maximum rate permitted by applicable law;

"Moody's" means Moody's Investors Service, Inc., its successors, and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Authority upon consultation with the Dealer;

"Offering Memorandum" or "Offering Memoranda" means the offering memorandum or offering memoranda prepared in connection with the issuance of any Extendible Municipal Commercial Paper Notes by the Authority and any supplements or additions to such documents or documents as may be necessary from time to time in connection with the issuance and sale of Extendible Municipal Commercial Paper Notes;

"Original Maturity Date" means the maturity date established by the Authorized Officer for the Extendible Municipal Commercial Paper Note at the time of issue, provided that such Original Maturity Date shall not exceed ninety (90) days from and including the date of issue;

"Prevailing Rating" means the ratings assigned to the Extendible Municipal Commercial Paper Notes by Fitch, Moody's, and S&P or any comparable future designation by any successor rating agency; provided, however, that if at the time of any determination Fitch has announced that the Authority's short-term debt ratings are on Fitch's RatingAlert (negative or evolving), Moody's has announced that the Authority's short-term debt ratings are on review for downgrade, or S&P has announced that the Authority's short-term debt ratings are on S&P's CreditWatch (negative), then the Prevailing Rating from such agency shall not be the rating then assigned by such agency but instead will be the next lower rating of such agency;

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“Representative Amount” means a principal amount of not less than U.S. \$1,000,000 that is, in the Issuing and Paying Agent’s judgment, representative for a single transaction in the relevant market at the relevant time;

“Reset Interest Payment Date” means the first Business Day of the month after the Original Maturity Date, the first Business Day of each month thereafter and the Extended Maturity Date or the date of earlier redemption;

“Reset Rate” means either the Taxable Reset Rate or the Tax-Exempt Reset Rate, as appropriate;

“Resolution” means this Resolution Authorizing Extendible Municipal Commercial Paper Notes of the Authority adopted December 17, 2002, as the same may be amended and supplemented from time to time;

“S&P” means Standard & Poor’s Rating Services, its successors, and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized rating agency designated by the Authority upon consultation with the Dealer;

“Securities Depository” means The Depository Trust Company, or any other Holder of a Extendible Municipal Commercial Paper Note acting as a central securities depository for the Extendible Municipal Commercial Paper Notes or a portion of the Extendible Municipal Commercial Paper Notes, as authorized pursuant to Section 311 of this Resolution, and its successors and assigns, or if any Securities Depository resigns from its function as depository of the Extendible Municipal Commercial Paper Notes, any other securities depository which agrees to follow the procedures required to be followed by the Securities Depository in connection with such Extendible Municipal Commercial Paper Notes or such portion of the Extendible Municipal Commercial Paper Notes, and which is selected by the Authority;

“State” means the State of New York;

“Taxable Extendible Municipal Commercial Paper Notes” or “Taxable EMCP” means any Extendible Municipal Commercial Paper Notes which are not Tax-Exempt Extendible Municipal Commercial Paper Notes;

“Taxable Reset Rate” means a rate of interest per annum determined as follows:

(a) The rate of interest for each Interest Period shall be a per annum rate equal to the greater of (1) the Specified Percentage (set forth in the table below) of LIBOR (as defined herein) for such Interest Period and (2) LIBOR for such Interest Period plus the Minimum Margin (set forth in the table below). The Specified Percentage and Minimum Margin will be determined based on the Prevailing Ratings (as defined below), as follows:

**Prevailing Rating**

<b><u>Standard&amp; Poor 's</u></b>	<b><u>Moody's</u></b>	<b><u>Specified Percentage</u></b>	<b><u>Minimum Margin</u></b>
A-1 or better	P-1	130%	1.50%
A-2	P-2	150%	3.00%
A-3	P-3	175%	4.50%
Lower than A-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	250%	7.50%

(b) If the Prevailing Ratings would indicate different Specified Percentages and Minimum Margins as a result of split ratings assigned to the Issuer, the Specified Percentage and Minimum Margin shall be reflective of the lower of the Prevailing Ratings;

“Tax-Exempt Extendible Municipal Commercial Paper Notes” or “Tax-Exempt EMCP” means the Extendible Municipal Commercial Paper Notes the interest on which is intended by the Authority to be generally excluded from gross income for federal income tax purposes;

“Tax-Exempt Reset Rate” means a rate of interest per annum determined by the following formula:

$$(1.35 \times \text{BMA}) + E$$

As used in the formula, the BMA variable will be the BMA Index and the E variable will be a fixed percentage rate expressed in basis points (each basis point being equal to 1/100 of one percent) that is determined based on the Prevailing Ratings, as follows:

<b><u>Prevailing Rating</u></b>			
<b><u>Fitch</u></b>	<b><u>Moody's</u></b>	<b><u>S&amp;P</u></b>	<b><u>E Variable</u></b>
F-1+	P-1	A-1+	100 basis points
F-1	-	A-1	150 basis points
F-2	P-2	A-2	200 basis points
F-3	P-3	A-3	300 basis points
Lower than F-3 (or rating discontinued)	Lower than P-3 (or rating discontinued)	Lower than A-3 (or rating discontinued)	400 basis points

If the Prevailing Ratings would indicate different E variables as a result of split ratings assigned to the Authority, the E variable will be the arithmetic average of those indicated by the Prevailing Ratings.

The Reset Rate applicable to a Extendible Municipal Commercial Paper Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m., New York time, on its Original Maturity Date and each Thursday thereafter and will apply through the following Wednesday;

“Telerate Page 3750” means the display designated as “Page 3750” on Bridge Telerate, Inc. (or such other page as may replace Page 3750 on that service or such other service as may be designated by

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the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. dollar deposits).

OBLIGATION OF RESOLUTION AND EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES

Authority for the Resolution. This Resolution is adopted in accordance with and pursuant to the Act.

Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Extendible Municipal Commercial Paper Notes authorized to be issued hereunder by those who shall be a Holder of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Authority and each of the Holders from time to time of the Extendible Municipal Commercial Paper Notes, and such provisions are covenants and agreements with such Holders which the Authority hereby determines to be necessary and desirable for the security and payment thereof. The covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Extendible Municipal Commercial Paper Notes, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Extendible Municipal Commercial Paper Notes over any other except as expressly provided in or permitted by this Resolution.

Obligation of Extendible Municipal Commercial Paper Notes. The Extendible Municipal Commercial Paper Notes shall be Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is hereby pledged for the payment of the Extendible Municipal Commercial Paper Notes, provided that such pledge shall be junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Resolution to secure the Extendible Municipal Commercial Paper Notes and all the interests of the Holders of the Extendible Municipal Commercial Paper Notes under this Resolution against all claims and demands of all Persons whomsoever.

AUTHORIZATION, TERMS AND ISSUANCE OF  
EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTES

Authorization of Issue of Extendible Municipal Commercial Paper Notes. Extendible Municipal Commercial Paper Notes in the principal amount set forth below are hereby authorized to be issued for the purposes set forth in Section 401 hereof. The Authority hereby authorizes the issuance a series of Extendible Municipal Commercial Paper Notes which respectively shall bear the designations "Extendible Municipal Commercial Paper Notes, Series 1" (such series being hereinafter referred to as the "Series 1 EMCP Notes"). Subject to Section 602, the principal amount of all Series 1 EMCP Notes outstanding at any time shall not exceed \$50,000,000. For purposes of the foregoing sentence, no Extendible Municipal Commercial Paper Note shall be deemed to be outstanding on its Original Maturity Date or Extended Maturity Date, as the case may be, to the extent that one or more Extendible Municipal Commercial Paper Notes, the proceeds of which are to be used to pay such Extendible Municipal Commercial Paper Note, have been sold on such day. In addition, no Extendible Municipal Commercial Paper Note shall be deemed outstanding hereunder if, on the Original Maturity Date or Extended Maturity Date, as the case may be, of such Extendible Municipal Commercial Paper Note sufficient funds for the payment of such Extendible Municipal Commercial Paper Note are held by the Issuing and Paying Agent for the Holders of such Extendible Municipal Commercial Paper Note. The Extendible Municipal Commercial Paper Notes shall otherwise be subject to the terms, conditions and limitations provided or referred to herein, in the Issuing and Paying Agency Agreement and in the Act. The Authority may create additional series or subseries or designate and redesignate the Extendible Municipal Commercial Paper Notes in such a manner as may be determined by an Authorized Officer.

General Terms of the Extendible Municipal Commercial Paper Notes. The Extendible Municipal Commercial Paper Notes of each Series herein authorized shall be issued in the denomination of \$100,000 or any integral multiple of \$1,000 in excess thereof as determined by an Authorized Officer, shall be numbered consecutively from 1 upwards in order of their issuance, prefixed by the applicable designation to identify the appropriate series (i.e., EMCP1-1, EMCP2-1 or EMCP3-1) and may bear such other or alternative identification as an Authorized Officer may deem appropriate. The Extendible Municipal Commercial Paper Notes shall be issued in registered form, and may be issued through the book-entry system of a Securities Depository upon the determination of an Authorized Officer. The Extendible Municipal Commercial Paper Notes may be issued as Tax-Exempt Extendible Municipal Commercial Paper Notes or Taxable Extendible Municipal Commercial Paper Notes, as an Authorized Officer may determine. The Series 1 EMCP Notes shall be Tax-Exempt Extendible Municipal Commercial Paper Notes.

The Extendible Municipal Commercial Paper Notes shall each be dated their date of issuance and mature on the Original Maturity Date or, if any Extendible Municipal Commercial Paper Note shall remain unpaid at its Original Maturity Date, then on the Extended Maturity Date for such Extendible Municipal Commercial Paper Note; provided, however, that (a) the Original Maturity Date for each Extendible Municipal Commercial Paper Note shall not be less than one day nor greater than 90 days after and including its issue date, and (b) the Extended Maturity Date for the Extendible Municipal Commercial Paper Notes shall be 270 days after and including its issue date.

The Authority shall notify the Dealer and the Issuing and Paying Agent by no later than 11:00 a.m. (New York City Time) on the Original Maturity Date of its intent to extend the Original Maturity Date of an Extendible Municipal Commercial Paper Note to the Extended Maturity Date, and the Issuing and Paying Agent shall correspondingly notify the Securities Depository by 11:30 a.m., New York City time, that the maturity of such Extendible Municipal Commercial Paper Note is being extended. In no event shall the extension of the Original Maturity Date to the Extended Maturity Date constitute a default under the Extendible Municipal Commercial Paper Notes or a breach of any covenant hereunder. In the event that the Authority fails to notify the Dealer and the Issuing and Paying Agent of its determination to extend the maturity date of any Extendible Municipal Commercial Paper Notes to the Extended Maturity Date and repayment does not occur on the Original Maturity Date, the Extendible Municipal Commercial Paper Notes shall be automatically extended to the Extended Maturity Date, and there shall be no event of default under this Resolution or the Extendible Municipal Commercial Paper Notes. The Authority represents that if such extension occurs, such extension shall be solely for liquidity purposes and not for the purpose of gaining an interest rate advantage.

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The Extendible Municipal Commercial Paper Notes shall be payable in any coin or currency of the United States of America which shall then be legal tender for the payment of public and private debts, by wire transfer of immediately available funds on the date such payments are due.

An Extendible Municipal Commercial Paper Note shall not be subject to redemption prior to its Original Maturity Date. After its Original Maturity Date, an Extendible Municipal Commercial Paper Note may be redeemed, in whole but not in part, at the option of the Authority on any Business Day, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of payment, and without premium. To exercise its option, the Authority shall provide not less than 7 or more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent shall promptly notify, by certified mail, postage pre-paid, return receipt requested, the Holders of the Extendible Municipal Commercial Paper Notes to be redeemed and shall notify the Dealer of the date set for such redemption.

The Tax-Exempt Extendible Municipal Commercial Paper Notes shall be issued bearing interest for each Interest Period at the Interest Rate or Rates calculated on the basis of a 365-day or 366-day year (on the basis of actual days elapsed) and the Taxable Extendible Municipal Commercial Paper Notes shall be issued and sold at a discount, bearing interest for each Interest Period at the Interest Rate or Rates calculated on the basis of a 360-day year (on the basis of actual days elapsed). Interest on Tax-Exempt EMCP is payable on the Original Maturity Date of each such Note provided that, if extended to the Extended Maturity Date, interest shall be payable on each Reset Interest Payment Date. Interest on Taxable EMCP is payable on each Reset Interest Payment Date, if any.

Form of Extendible Municipal Commercial Paper Notes. Each series of Extendible Municipal Commercial Paper Notes shall be evidenced by a separate Master Note entered into between the Authority and the Issuing and Paying Agent. The Master Notes evidencing the issuance of each series of Extendible Municipal Commercial Paper Notes by the Authority shall be in substantially the form attached hereto as **Exhibit A**. Extendible Municipal Commercial Paper Notes issued directly by the Authority shall be in substantially the form attached hereto as **Exhibit B**.

No Recourse on Extendible Municipal Commercial Paper Notes. No recourse shall be had for the payment of the Extendible Municipal Commercial Paper Notes or for any claim based thereon or on this Resolution against any Trustee, officer or employee of the Authority or any person executing the Extendible Municipal Commercial Paper Notes and neither the Trustees of the Authority nor any other person executing the Extendible Municipal Commercial Paper Notes shall be subject to any personal liability or accountability by reason of the issuance thereof. The Extendible Municipal Commercial Paper Notes are not and shall not be in any way a debt or liability of the State, and the State shall not be liable on the Extendible Municipal Commercial Paper Notes, and the Extendible Municipal Commercial Paper Notes are not and shall not be payable out of any funds other than those of the Authority.

Execution and Validation of Extendible Municipal Commercial Paper Notes. The Chairman, the Vice Chairman, the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, or Senior Vice President and Chief Financial Officer of the Authority are, and each hereby is, authorized and directed to execute by his or her manual or facsimile signature the Extendible Municipal Commercial Paper Notes in the name of the Authority and the corporate seal (or a facsimile thereof) shall be affixed, imprinted, engraved or otherwise reproduced thereon, if necessary. In case any such Authorized Officer who shall have signed the Master Note issued through a Securities Depository or any Extendible Municipal Commercial Paper Notes not issued through a Securities Depository, shall cease to be such Authorized Officer before the Master Note shall have been executed by the Issuing and Paying Agent or the Extendible Municipal Commercial Paper Notes shall have been authenticated by the Issuing and Paying Agent, the Extendible Municipal Commercial Paper Notes may nevertheless be issued as though the person who signed such notes had not ceased to be such Authorized Officer.

In the event the Extendible Municipal Commercial Paper Notes are issued through a Securities Depository, the Issuing and Paying Agent is hereby authorized (1) to execute by manual signature the Master Note and deliver the same to a Securities Depository upon the order of an Authorized Officer and (2) to proceed with the issuance of additional obligations under the Master Note in such amounts, at such times and pursuant to such terms as any Authorized Officer shall specify in accordance with the terms of the Issuing and Paying Agency

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Agreement and applicable Dealer Agreement. Such directions may be given orally in accordance with the terms of the Issuing and Paying Agency Agreement (unless advice shall be given by electronic data processing (“EDP”) message or teletype, in which event such EDP message or teletype shall be considered written instructions).

In the event the Extendible Municipal Commercial Paper Notes are not issued through a Securities Depository, the Issuing and Paying Agent is hereby authorized to authenticate by manual or facsimile signature the Extendible Municipal Commercial Paper Notes and deliver the same to the purchasers upon the order of an Authorized Officer, in such amounts, at such times, in registered form, as the Issuing and Paying Agent shall be directed by any Authorized Officer in accordance with the terms of the Issuing and Paying Agency Agreement and the applicable Dealer Agreement. Such directions may be given orally in accordance with the terms of the Issuing and Paying Agency Agreement (unless advice shall be given by EDP message or teletype, in which event such EDP message or teletype shall be considered written instructions).

Issue and Sale of Extendible Municipal Commercial Paper Notes. Extendible Municipal Commercial Paper Notes may be sold and issued under the terms of this Resolution whenever an Authorized Officer of the Authority shall prescribe the terms of such Extendible Municipal Commercial Paper Notes (including the principal amount of such Extendible Municipal Commercial Paper Notes, the Interest Rate (if applicable) pertaining to such Extendible Municipal Commercial Paper Notes at the date of its issue, the dates of such Extendible Municipal Commercial Paper Notes and the Original Maturity Dates thereof) and the issuance thereof by the Issuing and Paying Agent, all pursuant to Section 302 hereof and the Issuing and Paying Agency Agreement. Such directions (the “Issuance Request”) prescribing the terms of the Extendible Municipal Commercial Paper Notes may be given orally in accordance with the terms of the Issuing and Paying Agency Agreement (unless advice shall be given by EDP message or teletype, in which event such EDP message or teletype shall be considered written instructions). The Extendible Municipal Commercial Paper Notes shall be sold at such purchase price as shall be determined by an Authorized Officer.

Appointment of Issuing and Paying Agent. JPMorgan Chase Bank (“JPMorgan”) is hereby appointed as an Issuing and Paying Agent, and any Authorized Officer is hereby authorized to enter into an Issuing and Paying Agency Agreement with JPMorgan or with any other Issuing and Paying Agent appointed upon the direction of an Authorized Officer. The Issuing and Paying Agency Agreement is in substantially the form submitted at this meeting, with such changes, insertions and omissions as may be approved by such Authorized Officer, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, including, but not limited to, changes as may be required in connection with the establishment of a book-entry-only registration system in accordance with Section 311 hereof, the execution of the Issuing and Paying Agency Agreement to be conclusive evidence of such approval.

Transfer of Extendible Municipal Commercial Paper Notes.

Registered Notes. 7. Each Extendible Municipal Commercial Paper Note shall be transferable only upon the books of the Issuing and Paying Agent, which shall be kept for that purpose at the office of the Issuing and Payment Agent designated in the Issuing and Paying Agency Agreement, by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Issuing and Payment Agent duly executed by the registered owner or his or her duly authorized attorney. Upon the transfer of any such Extendible Municipal Commercial Paper Note, the Issuing and Paying Agent shall issue in the name of the transferee a new Extendible Municipal Commercial Paper Note of the same aggregate principal amount and maturity as the surrendered Extendible Municipal Commercial Paper Note.

The Authority and the Issuing and Paying Agent may deem and treat the person in whose name any Extendible Municipal Commercial Paper Note shall be registered upon the books of the Issuing and Paying Agent as the absolute owner of such Extendible Municipal Commercial Paper Note, whether such Extendible Municipal Commercial Paper Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Extendible Municipal Commercial Paper Note and for all other purposes, and all such payments so made to any such registered owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Extendible Municipal Commercial Paper Note to the extent of the sum or sums so paid, and neither the Authority nor the Issuing and Paying Agent shall be affected by any notice to the contrary.

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Master Note. 8. The ownership and transfer of any Master Note shall be registered on books of the Issuing and Paying Agent, which shall be kept for that purpose at the office of the Issuing and Paying Agent. Any Master Note shall be transferable by the registered owner thereof in person or by his or her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Issuing and Paying Agent duly executed by the registered owner or his or her duly authorized attorney. Upon the registration of transfer of a Master Note, the Issuing and Paying Agent shall issue in the name of the transferee a new Master Note, evidencing the Authority's obligations with respect to the same book-entry Extendible Municipal Commercial Paper Notes as the instrument surrendered.

The Securities Depository and/or its nominee shall be deemed to be and be treated by the Authority and the Issuing and Paying Agent as the sole and exclusive Holder of each Master Note and of all book-entry Extendible Municipal Commercial Paper Notes evidenced thereby, and the beneficial owners of book-entry Extendible Municipal Commercial Paper Notes shall not be deemed to be or treated as the Holders thereof, for the purposes of payment of the principal of or interest on such book-entry Extendible Municipal Commercial Paper Notes, payments under such Master Note, giving any notice permitted or required to be given to Holders under this Resolution, registering the transfer of such Master Note, obtaining any consent or other action to be taken by Holders, and for any and all other purposes whatsoever, and neither the Authority nor the Issuing and Paying Agent shall be affected by any notice to the contrary. The Issuing and Paying Agent shall pay all principal of and interest on book-entry Extendible Municipal Commercial Paper Notes only to or upon the order of the Securities Depository and/or its nominee, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal of and interest on such book-entry Extendible Municipal Commercial Paper Notes to the extent of the sum or sums so paid.

Authorization of Sale and Distribution of Offering Memorandum. The Extendible Municipal Commercial Paper Notes shall be sold to the purchasers thereof in accordance with the terms and conditions of this Resolution, the Issuing and Paying Agency Agreement and the applicable Dealer Agreement, and the Issuing and Paying Agent is hereby directed and authorized to deliver the Extendible Municipal Commercial Paper Notes to a Securities Depository or the purchasers thereof upon the direction of an Authorized Officer, in accordance with the terms of this Resolution, the applicable Dealer Agreement and the Issuing and Paying Agency Agreement. Any Authorized Officer is hereby authorized to issue an Offering Memorandum or other offering statement, in conjunction with any Dealer, containing such information concerning the Extendible Municipal Commercial Paper Notes or any series thereof, the Authority and its financial condition and such other information as such Authorized Officer shall approve and to revise and update the same, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel. The Authority hereby approves the use of any such Offering Memorandum in connection with the sale of the Extendible Municipal Commercial Paper Notes.

Appointment of Dealers. Goldman, Sachs & Co. is hereby appointed as Dealer for the Series 1 EMCP Notes. The execution and delivery of the Dealer Agreement, in the form submitted at this meeting, are hereby authorized. Any Authorized Officer is hereby authorized to appoint additional Dealers or substitute Dealers for any series of Extendible Municipal Commercial Paper Notes and to execute and deliver one or more Dealer Agreements having such terms and conditions as may be approved by such Authorized Officer, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, the execution of such Dealer Agreements to be conclusive evidence of such approval.

Book-Entry-Only System of Extendible Municipal Commercial Paper Note Registration. Notwithstanding any other provision of this Resolution, the Authority may employ a book-entry-only system of note registration with respect to all or any of the registered Extendible Municipal Commercial Paper Notes, all as more fully set forth in subsections 2 and 3 of this Section. Any provisions of this Resolution inconsistent with book-entry-only Extendible Municipal Commercial Paper Notes shall not be applicable to such book-entry-only Extendible Municipal Commercial Paper Notes.

Except as an Authorized Officer may specify by delivery of a certificate, a book-entry-only system of Extendible Municipal Commercial Paper Note registration shall be employed by the Authority. The Depository Trust Company shall act as the initial Securities Depository for the Extendible Municipal Commercial Paper Notes. Each Authorized Officer is hereby authorized to execute and deliver on behalf of the Authority a Master Note, letter of representation or other agreements, documents or instruments in

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connection with the implementation or operation of such a book-entry-only system and (ii) may prescribe changes to the form of Extendible Municipal Commercial Paper Note required by **Exhibit B** to the extent necessary or convenient to make such Extendible Municipal Commercial Paper Note or Notes eligible for deposit under such a book-entry-only system. The provisions of any letter of representation or other agreement with a Securities Depository shall be deemed to be incorporated in this Resolution and, in accordance with subsection 1 of this Section 311, any provision of this Resolution inconsistent with such letter or agreement shall be deemed amended with respect to Extendible Municipal Commercial Paper Notes thereafter issued in book-entry-only form.

With respect to all book-entry Extendible Municipal Commercial Paper Notes, neither the Authority nor the Issuing and Paying Agent shall have any responsibility or obligation to any Securities Depository participant or indirect participant, or any nominee of any thereof, any person claiming a beneficial ownership interest in book-entry Extendible Municipal Commercial Paper Notes under or through the Securities Depository or any Securities Depository participant or indirect participant, or any other person which is not shown on the books of the Issuing and Paying Agent as being the Holder of a Master Note, with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by the Securities Depository or any Securities Depository participant or other nominees of such beneficial owners; (3) payment or the timeliness of payment by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any amount in respect of the principal of or interest on book-entry Extendible Municipal Commercial Paper Notes; (4) delivery or timely delivery by the Securities Depository to any Securities Depository participant, or by any Securities Depository participant or other nominees of beneficial owners to any beneficial owners, of any notice which is permitted or required to be given to Holders under this Resolution; or (5) any action taken by the Securities Depository or its nominee as Holder of book-entry Extendible Municipal Commercial Paper Notes.

The Authority and the Issuing and Paying Agent may treat the Securities Depository or its nominee as, and deem the Securities Depository or its nominee to be, the absolute owner of each Extendible Municipal Commercial Paper Note issued as a book-entry-only Extendible Municipal Commercial Paper Note for the purpose of payment of the principal of and interest on such Extendible Municipal Commercial Paper Note, for other matters with respect to such Extendible Municipal Commercial Paper Note, for the purpose of registering transfers with respect to such Extendible Municipal Commercial Paper Note, and for all other purposes whatsoever.

The Securities Depository may determine not to continue to act as securities depository for the Extendible Municipal Commercial Paper Notes, and the Authority may determine to discontinue the book-entry-only issuance of the Extendible Municipal Commercial Paper Notes through the Securities Depository and in such case shall deliver a certificate to the Issuing and Paying Agent and the affected Dealer to that effect. In either case, if the Authority determines to replace the Securities Depository with another qualified Securities Depository, the Authority shall prepare or direct the preparation of one or more new, separate, fully registered Master Notes, registered in the name of such successor or substitute qualified Securities Depository or its nominee, or make such other arrangements acceptable to the Authority, the Issuing and Paying Agent and the replacement Securities Depository as are not inconsistent with the terms of this Resolution. If the Authority fails to identify another Securities Depository to replace the Securities Depository, the Authority may amend this Resolution pursuant to Section 602 and shall deliver to the Issuing and Paying Agent for safekeeping, completion, authentication and delivery in accordance with the provisions of this Resolution, as so amended, and of the Issuing and Paying Agency Agreement, Extendible Municipal Commercial Paper Notes executed on behalf of the Authority, with the date of issuance, principal amount, maturity date, owner and rate of interest left blank. Each such Extendible Municipal Commercial Paper Note instrument shall be held in safekeeping by the Issuing and Paying Agent until authenticated and issued in accordance with the provisions of this Resolution and of the Issuing and Paying Agency Agreement.

Extendible Municipal Commercial Paper Notes Mutilated, Lost, Destroyed or Stolen. If any Extendible Municipal Commercial Paper Note shall become mutilated, the Authority, at the expense of the Holder of said Extendible Municipal Commercial Paper Note, shall execute and deliver a new Extendible Municipal

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Commercial Paper Note of like tenor, series and number in exchange and substitution for the Extendible Municipal Commercial Paper Note so mutilated, but only upon surrender to the Authority of the Extendible Municipal Commercial Paper Note so mutilated. If any Extendible Municipal Commercial Paper Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Authority and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the owner, shall execute and the Issuing and Paying Agent shall countersign and deliver a new Extendible Municipal Commercial Paper Note of like tenor, series and number in lieu of and in substitution for the Extendible Municipal Commercial Paper Note so lost, destroyed or stolen. Neither the Authority nor the Issuing and Paying Agent shall be required to treat both the original Extendible Municipal Commercial Paper Note and any duplicate Extendible Municipal Commercial Paper Note as being outstanding for the purpose of determining the amount of Extendible Municipal Commercial Paper Notes which may be issued hereunder, but both the original and the duplicate Extendible Municipal Commercial Paper Note shall be treated as one and the same.

#### APPLICATION OF EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTE PROCEEDS

Application of Proceeds. The Extendible Municipal Commercial Paper Notes are being issued, and the proceeds of sale of each series of Extendible Municipal Commercial Paper Notes shall be applied as follows:

Series 1 EMCP Notes. (a) to refund, redeem or defease any Subordinate Revenue Bond or Obligation of the Authority issued under the Subordinate Resolution or the General Resolution, as the case may be, (b) to refund, redeem or defease any Extendible Municipal Commercial Paper Note, (c) to refund or defease any Commercial Paper Note of the Authority issued under the Amended and Restated Resolution Authorizing Commercial Paper Notes, adopted by the Authority on November 25, 1997, as amended and supplemented (the "Commercial Paper Resolution"), (d) to pay for any costs incurred in connection with the issuance of any Extendible Municipal Commercial Paper Notes, (e) to pay for any costs incurred in connection with the issuance of any Commercial Paper Notes of the Authority issued under the Commercial Paper Resolution, (f) to pay for costs of construction of the Authority's PowerNow! Generation Projects, (g) to pay costs of construction of the 500-MW electric generating plant of the Authority at its Poletti plant site in New York City, (h) to pay any costs of the Authority's Energy Services programs, and (i) for any other purposes subsequently approved by the Authority's Trustees.

Application of Note Proceeds; Note Proceeds Accounts. The Issuing and Paying Agent under this Resolution is hereby directed to establish an account of the Authority to be designated the "Series \_ EMCP Note Proceeds Account" relating to each series of Extendible Municipal Commercial Paper Notes authorized and issued by the Authority. The proceeds of the sale of each series of Extendible Municipal Commercial Paper Notes shall be deposited in the Note Proceeds Account relating to such series. At the direction of an Authorized Officer, moneys in the Series 1 EMCP Note Proceeds Account, (1) other than the proceeds of the Series 1 EMCP Notes issued to refund, redeem or defease Series 1 EMCP Notes, to refund, redeem or defease other series of Extendible Municipal Commercial Paper Notes, or to pay costs incurred in connection with the issuance of Extendible Municipal Commercial Paper Notes, shall be transferred to a fund or account deemed appropriate by an Authorized Officer, (2) shall be applied to the refunding, defeasance or redemption of Series 1 EMCP Notes, or (3) shall be applied to pay costs incurred in connection with the issuance of Extendible Municipal Commercial Paper Notes. Monies in such Note Proceeds Accounts may also be used for any other purposes subsequently authorized by the Authority's Trustees. The Issuing and Paying Agent is hereby authorized to create such funds, accounts and sub-accounts in accordance with this Resolution as necessary for the administration of the Authority's Extendible Municipal Commercial Paper Note program.

Non-Presented Extendible Municipal Commercial Paper Notes. Any monies held by the Issuing and Paying Agent for the Holders of matured Extendible Municipal Commercial Paper Notes which shall remain unclaimed by such Holders after the Original Maturity Date, or if such date is extended in accordance with this Resolution, the Extended Maturity Date, shall be paid to the Authority upon the request of the Authority to the Issuing and Paying Agent, in accordance with the Issuing and Paying Agency Agreement. Upon such payment to the Authority, the Authority shall hold such monies in trust for the Holders of such matured Extendible Municipal Commercial Paper Notes, and such Holders shall look only to the Authority for the payment of such Extendible Municipal Commercial Paper Notes, provided that such monies may be transferred to a bank or trust company for

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the purpose and with the effect provided for in Section 601 hereof and may be applied in accordance with applicable provisions of law.

#### COVENANTS

Covenants. The Authority hereby particularly covenants and agrees with the Holders of the Extendible Municipal Commercial Paper Notes, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purpose as follows:

The Authority shall duly and punctually pay or cause to be paid the principal of and interest on Extendible Municipal Commercial Paper Notes on the Original Maturity Date or the Extended Maturity Date, as the case may be, in the case of principal, and on the Original Maturity Date or the Reset Interest Payment Date, as the case may be, in the case of interest, at the place and in the manner mentioned in the Extendible Municipal Commercial Paper Notes, according to the true intent and meaning thereof.

Upon each date of issuance of the Extendible Municipal Commercial Paper Notes, all conditions, acts and things required by the Constitution or statutes of the State or this Resolution to exist, to have happened and to have been performed precedent to or in the issuance of such Extendible Municipal Commercial Paper Notes shall exist, have happened and have been performed and such Extendible Municipal Commercial Paper Notes, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by said Constitution or statutes.

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Resolution in accordance with the terms of such provisions.

The Authority shall at all times do and perform all acts and things permitted by law and necessary in order to assure that interest paid by the Authority on the Series 1 EMCP Notes shall, for the purpose of Federal income tax, be exempt from all income taxation under any valid provision of law. The Authority shall not take or omit to take any action which would cause interest on any Series 1 EMCP Note to be included in the gross income of any Holder of such Extendible Municipal Commercial Paper Note for Federal income tax purposes by reason of subsection (b) of section 103 of the Internal Revenue Code of 1986 as in effect on the date of issuance of such Extendible Municipal Commercial Paper Note.

The Authority shall give prior written notice to each rating agency then rating the Extendible Municipal Commercial Paper Notes of any (i) any amendments to this Resolution or the Issuing and Paying Agency Agreement, or (iii) any defeasance of the Extendible Municipal Commercial Paper Notes. Any such notice shall be accompanied by a request for a confirmation of the rating then in effect.

MISCELLANEOUS

Defeasance. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Extendible Municipal Commercial Paper Notes, all amounts due on the Extendible Municipal Commercial Paper Notes at the times and in the manner stipulated herein, then the pledge created under this Resolution and all covenants, agreements and other obligations of the Authority hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied, and thereupon all of the moneys and securities of the Authority then subject to such pledge shall be forever free and clear of such pledge and the Extendible Municipal Commercial Paper Notes shall no longer be deemed to be outstanding hereunder. If (i) moneys or (ii) direct obligations of the United States of America, the principal of and interest on which if paid, when due, will provide moneys sufficient to pay any Extendible Municipal Commercial Paper Note or Notes on their Original Maturity Date shall have been set aside and shall be held by a bank or trust company in the State of New York having a capital and surplus of not less than \$25,000,000, in a separate account irrevocably in trust for and assigned to the Holder or Holders thereof (through deposit by the Authority of funds or obligations for such payment or otherwise), such Extendible Municipal Commercial Paper Note or Notes shall be deemed to have been paid within the meaning and with the effect expressed in this paragraph. Moneys so set aside and held may be invested in direct obligations of the United States of America, provided, however, that said obligations shall mature not later than the Original Maturity Date of the Extendible Municipal Commercial Paper Note or Notes to be paid therefrom and shall be scheduled to pay the principal of or interest on such obligations at such times and in such amounts as shall permit the payment of such Extendible Municipal Commercial Paper Note or Notes on the Original Maturity Date. All earnings from the investment of such moneys other than such amounts as are required to pay such Extendible Municipal Commercial Paper Note or Notes shall be paid over to the Authority, as received by such bank or trust company, free and clear of any trust, lien or pledge.

Supplemental Resolutions. The Authority may modify or amend this Resolution at any time by a supplemental resolution, without notice to or the consent of any Holder, (i) to increase the aggregate principal amount of Extendible Municipal Commercial Paper Notes that may be outstanding hereunder at any time, or (ii) to make such provisions as shall not materially and adversely affect the interests of the Holders of the Extendible Municipal Commercial Paper Notes then outstanding. The determination of the Authority as to whether any modification or amendment materially and adversely affects the interests of the Holders shall be binding and conclusive on the Holders.

Agreement of the State. Pursuant to Section 1011 of the Act, the Authority, as agent for the State, does hereby pledge to and agree with the Holders of the Extendible Municipal Commercial Paper Notes that the State will not limit or alter the rights vested in the Authority by the Act until the Extendible Municipal Commercial Paper Notes, together with the interest thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the Holders of the Extendible Municipal Commercial Paper Notes.

Authorized Officer. The Authorized Officers, the Deputy Secretary, and any Assistant Secretary of the Authority are each hereby authorized to deliver and execute in the name and on behalf of the Authority any certificate, opinion, record, approval, agreement, amendment to an agreement, including, the Issuing and Paying Agency Agreement and any Dealer Agreement, or other document required by or authorized pursuant to this Resolution or which they may deem necessary or advisable in order to consummate the issuance, sale or delivery of the Extendible Municipal Commercial Paper Notes and otherwise to effectuate the purposes of this Resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions or portions thereof contained herein shall be held by a court of competent jurisdiction contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Extendible Municipal Commercial Paper Notes issued hereunder.

Payment and Performance on Business Days. Whenever under the terms of this Resolution or the Extendible Municipal Commercial Paper Notes, the performance date of any provision hereof or thereof,

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including the payment of principal of or interest on the Extendible Municipal Commercial Paper Notes shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Extendible Municipal Commercial Paper Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without additional interest accruing after the originally scheduled date of payment.

Effective Date. This Resolution shall be in full force and effect immediately upon its adoption.

EXHIBIT A  
FORM OF DTC MASTER NOTE

[LEFT BLANK, MUNICIPAL COMMERCIAL PAPER - EMCP MASTER NOTE]

[The following provisions shall be deemed  
to be incorporated in the Master Note]

This Note is one of a duly authorized issue of Extendible Municipal Commercial Paper Notes of the Authority, issued under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended ("Act"), and under and pursuant to a resolution adopted by the Authority on December 17, 2002 entitled "Resolution Authorizing Extendible Municipal Commercial Paper Notes", as the same may be amended and supplemented from time to time (the "Resolution"), and is entitled to the benefits and subject to the terms and conditions of the Resolution. A copy of the Resolution is on file at the office of the Authority located at 123 Main Street, White Plains, New York. The principal amount of Series [insert 1, 2 or 3] EMCP Notes issued under the Resolution outstanding at any one time may not exceed \$[insert authorized amount]; provided, however, that the Resolution may be amended at any time, without notice to or the consent of any Noteholder, to increase the aggregate principal amount of Extendible Municipal Commercial Paper Notes that may be outstanding thereunder.

The Extendible Municipal Commercial Paper Notes are Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is pledged for the payment of the Extendible Municipal Commercial Paper Notes, provided that such pledge is junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt.

IN THE EVENT THAT THE AUTHORITY FAILS TO PAY THE PRINCIPAL OF AND INTEREST ON THIS NOTE ON THE ORIGINAL MATURITY DATE, THIS NOTE SHALL BE AUTOMATICALLY EXTENDED TO THE EXTENDED MATURITY DATE, AND THERE SHALL BE NO EVENT OF DEFAULT UNDER THE RESOLUTION OR THIS NOTE. IN NO EVENT SHALL THE EXTENSION OF THE ORIGINAL MATURITY DATE TO THE EXTENDED MATURITY DATE CONSTITUTE A DEFAULT UNDER THIS NOTE OR A BREACH OF ANY COVENANT UNDER THE RESOLUTION.

This Note is transferable, as provided in the Resolution, only upon the books of the Authority kept for that purpose at the office of JPMorgan Chase Bank, as Issuing and Paying Agent, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Note together with a written instrument of transfer satisfactory to such Issuing and Paying Agent, duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution, upon payment of the charges therein prescribed. The Authority and such Issuing and Paying Agent may deem and treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and interest due hereon and for all other purposes.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Note that the State of New York will not limit or alter the rights vested in the Authority by the Act, until this Note and each of the other Notes of like tenor issued under the Resolution, together with the interest hereon and thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of all such Notes.

Pursuant to the Act, the Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Note, be deemed to be obligations of the State of New York.

Neither the Trustees of the Authority nor any other officer or employee of the Authority shall be subject to any personal liability or accountability by reason of the issuance hereof.

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This Note shall not be entitled to any security, right or benefit pursuant to the Resolution or be valid or obligatory for any purposes unless the Certificate of Authentication hereon has been duly executed by JPMorgan Chase Bank, the Issuing and Paying Agent.

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of this Note, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

EXHIBIT B TO RESOLUTION  
(FORM OF EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTE)

POWER AUTHORITY OF THE STATE OF NEW YORK

EXTENDIBLE MUNICIPAL COMMERCIAL PAPER NOTE, SERIES [1/2/3]

No. [EMCP1/EMCP2/EMCP3]-[insert number]

ISSUE DATE:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED THE AUTHORITY PROMISES TO PAY

ON \_\_\_\_\_ (THE "ORIGINAL MATURITY DATE"), OR IF SUCH ORIGINAL MATURITY DATE IS EXTENDED IN ACCORDANCE WITH THE RESOLUTION, THEN ON [270 DAYS FROM AND INCLUDING THE ISSUE DATE] (THE "EXTENDED MATURITY DATE")

TO THE ORDER OF

THE SUM OF THE PRINCIPAL AMOUNT PLUS INTEREST DETERMINED IN ACCORDANCE WITH THE RESOLUTION (THE "INTEREST")

PAYABLE AT

Power Authority of the State of New York ("Authority") acknowledges itself indebted to and for the value received, hereby promises to pay on the ORIGINAL MATURITY DATE, or if such Original Maturity Date is extended in accordance with the Resolution (as defined below), then on the EXTENDED MATURITY DATE, to the order of \_\_\_\_\_ or registered assigns, the PRINCIPAL AMOUNT plus INTEREST by wire transfer of immediately available funds on the date payments are due.

This Note is one of a duly authorized issue of Extendible Municipal Commercial Paper Notes of the Authority, issued under and pursuant to the Power Authority Act, Title 1 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended ("Act"), and under and pursuant to a resolution adopted by the Authority on December 17, 2002 entitled "Resolution Authorizing Extendible Municipal Commercial Paper Notes", as the same may be amended and supplemented from time to time (the "Resolution"), and is entitled to the benefits and subject to the terms and conditions of the Resolution. A copy of the Resolution is on file at the office of the Authority located at 123 Main Street, White Plains, New York. The principal amount of Series [insert 1, 2 or 3] EMCP Notes issued under the Resolution outstanding at any one time may not exceed \$[insert authorized amount]; provided, however, that the Resolution may be amended at any time, without notice to or the consent of any Noteholder, to increase the aggregate principal amount of Extendible Municipal Commercial Paper Notes that may be outstanding thereunder.

The Extendible Municipal Commercial Paper Notes are Subordinated Indebtedness within the meaning of the General Resolution and shall be payable from the Trust Estate; provided that such payments shall be subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided in Sections 503 and 604 of the General Resolution. The Trust Estate is pledged for the payment of the Extendible Municipal Commercial Paper Notes, provided that such pledge is junior and inferior to the pledge of the Trust Estate created in the General Resolution for the payment of the Obligations and Parity Debt.

IN THE EVENT THAT THE AUTHORITY FAILS TO PAY THE PRINCIPAL OF AND INTEREST ON THIS NOTE ON THE ORIGINAL MATURITY DATE, THIS NOTE SHALL BE

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AUTOMATICALLY EXTENDED TO THE EXTENDED MATURITY DATE, AND THERE SHALL BE NO EVENT OF DEFAULT UNDER THE RESOLUTION OR THIS NOTE. IN NO EVENT SHALL THE EXTENSION OF THE ORIGINAL MATURITY DATE TO THE EXTENDED MATURITY DATE CONSTITUTE A DEFAULT UNDER THIS NOTE OR A BREACH OF ANY COVENANT UNDER THE RESOLUTION.

This Note is transferable, as provided in the Resolution, only upon the books of the Authority, kept for that purpose at the office of JPMorgan Chase Bank, as Issuing and Paying Agent, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Note together with a written instrument of transfer satisfactory to such Issuing and Paying Agent, duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution, upon payment of the charges therein prescribed. The Authority and such Issuing and Paying Agent may deem and treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal and interest due hereon and for all other purposes.

Pursuant to Section 1011 of the Act, the Authority, as agent for the State of New York, does hereby pledge to and agree with the holder of this Note that the State of New York will not limit or alter the rights vested in the Authority by the Act, until this Note and each of the other Notes of like tenor issued under the Resolution, together with the interest hereon and thereon, have been fully met and discharged or adequate provision shall have been made by law for the protection of the holders of all such Notes.

Pursuant to the Act, the Authority has no power to pledge the credit of the State of New York, nor shall any of its obligations, including this Note, be deemed to be obligations of the State of New York.

Neither the Trustees of the Authority nor any other officer or employee of the Authority shall be subject to any personal liability or accountability by reason of the issuance hereof.

This Note shall not be entitled to any security, right or benefit pursuant to the Resolution or be valid or obligatory for any purposes unless the Certificate of Authentication hereon has been duly executed by JPMorgan Chase Bank, the Issuing and Paying Agent.

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Note, exist, have happened and have been performed in due time, form and manner as required by law and that the issuance of the Notes, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by law.

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IN WITNESS WHEREOF, the POWER AUTHORITY OF THE STATE OF NEW YORK has caused this Note to be executed in its name by the manual or facsimile signature of its Chairman, Vice Chairman, President and Chief Executive Officer, Executive Vice President, Secretary and General Counsel, or Senior Vice President and Chief Financial Officer, and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, all as of the ISSUE DATE.

POWER AUTHORITY OF THE  
STATE OF NEW YORK

By \_\_\_\_\_  
Authorized Officer

[FACSIMILE SEAL]

NOT VALID UNLESS AUTHENTICATED

Authenticated:

JPMORGAN CHASE BANK

Issuing and Paying Agent

By \_\_\_\_\_  
Authorized Signature

## ISSUING AND PAYING AGENCY AGREEMENT

THIS ISSUING AND PAYING AGENCY AGREEMENT (the “Agreement”) is entered into as of this \_\_\_ day of January, 2003 by and between the Power Authority of the State of New York (the “Authority”) and JPMorgan Chase Bank (“JPMorgan” or “the Issuing and Paying Agent”).

WHEREAS, the Authority has issued Extendible Municipal Commercial Paper Notes, Series 1 (the “Series 1 Notes”) pursuant to a resolution adopted by the Authority on December 17, 2002, entitled “Resolution Authorizing Extendible Municipal Commercial Paper Notes,” as the same may be amended and supplemented from time to time (the “Resolution”), certified copies of which the Authority has delivered to JPMorgan;

WHEREAS, the Authority may authorize additional series of Extendible Municipal Commercial Paper Notes (collectively with the Series 1 Notes, the “Notes”);

WHEREAS, the Authority wishes to enter into this Agreement with JPMorgan to provide that JPMorgan act as the Authority’s agent in connection with the issuance and payment of the Notes, all pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

**“Section 1. Definitions.** Except as otherwise defined in this Agreement, all capitalized words and terms used in this Agreement have the same meanings as in the Resolution. The following definitions apply whenever the specified terms are used in this Agreement:

**“Account”** shall have the meaning specified in Section 5 hereof.

**“Authorized Persons”** shall have the meaning specified in Section 2 hereof.

**“Authorized Signer”** shall have the meaning specified in Section 2 hereof.

**“Missing Notes”** shall have the meaning specified in Section 2 hereof.

### **Section 2. Issuance of Notes.**

(a) Notes Issued through The Depository Trust Company (“DTC”).

If the Authority issues Notes through DTC, the Authority acknowledges that (i) JPMorgan has previously entered into a commercial paper certificate agreement (the “Certificate Agreement”), a copy of which is appended hereto as **Appendix A**, with DTC and (ii) the continuation in effect of the Certificate Agreement is a necessary prerequisite to JPMorgan’s providing services related to the issuance and payment of each of the Notes. The Authority understands and agrees that the Certificate Agreement shall supplement the provisions of this Agreement, and that the Authority is bound by the provisions of the Certificate Agreement.

The Authority has delivered to JPMorgan executed Letters of Representations with respect to the Notes (collectively, the “Representations”) copies of which are appended hereto as **Appendix B**. Further, the Authority understands and agrees that such Representations supplement the provisions of this Agreement, and that the Authority and DTC shall be bound by the provisions of the Representations. JPMorgan and the Authority agree to

comply with the relevant portions of DTC's Commercial Paper Issuing and Paying Agent Manual, and the DTC Same Day Settlement System Rules (collectively, the "DTC Rules").

The Authority has delivered to JPMorgan one DTC Master Note relating to the Series 1 Notes and intends to issue an additional Master Note for each additional series of Notes issued by the Authority (collectively, the "Master Notes") evidencing the Notes to be issued. The Authority's book-entry notes ("Book-Entry Notes") shall not be issued in physical form, but their aggregate face amount shall be represented by each Master Note in the form of **Appendix C** executed by the Authority pursuant to the book-entry commercial paper program of DTC. Such Master Notes shall (i) bear the manual or facsimile signatures of the requisite number of Authorized Signers (hereinafter defined), (ii) specify the date of issuance, full legal name of the Authority, and the name of the entity acting as paying agent for the Authority, and (iii) be registered in the name of Cede & Co., as nominee of DTC. JPMorgan shall maintain the Master Notes in safekeeping, in accordance with its customary practices. As long as Cede & Co. is the registered owner of the Master Notes, the beneficial ownership interest therein shall be shown on, and the transfer of ownership thereof shall be effected through, entries on the books maintained by DTC and the banks of its direct and indirect participants. The Master Notes and the Book-Entry Notes shall be subject to DTC's rules and procedures, as amended from time to time. JPMorgan shall not be liable or responsible for sending transaction statements of any kind to DTC's participants or the beneficial owners of the Book-Entry Notes, or for maintaining, supervising or reviewing the records of DTC or its participants with respect to such Book-Entry Notes. In accordance with DTC's program, JPMorgan shall obtain from the CUSIP Service Bureau a written list of CUSIP numbers for Authority's Book-Entry Notes, and JPMorgan shall deliver such list to DTC. The CUSIP Service Bureau shall bill the Authority directly for the fee or fees payable for the list of CUSIP numbers for the Authority's Book-Entry Notes.

Any Notes (as evidenced by the Master Notes), upon being issued by JPMorgan on behalf of the Authority, shall bind the Authority notwithstanding that such Authorized Signer shall have died or shall have otherwise ceased to hold office on the date such Note is issued by JPMorgan. Furthermore, the Authority agrees that JPMorgan shall have no duty or responsibility to determine the genuineness of the facsimile and/or manual signatures appearing on the Master Notes.

(b) Notes Issued through the Authority.

If the Authority itself issues Notes, each Note shall be delivered by the Authority to JPMorgan in a non-bearer form, substantially in the form of Exhibit B to the Resolution, with the amount, date of issue, Original Maturity Date, Extended Maturity Date, place of payment (if not printed thereon), and the name of the registered owner, left blank, the intent of the Authority and JPMorgan being that such Note become a registered Note once completed by JPMorgan, and each such Note shall be signed on the Authority's behalf by an Authorized Signer (hereinafter defined). The Notes shall be numbered consecutively and may bear such other identification as the Authority may deem appropriate. Deliveries of Note stock shall be made to JPMorgan from time to time. JPMorgan shall count and verify each such delivery under JPMorgan's normal control procedures. In the event that JPMorgan determines that one or more Notes are missing from a given delivery, JPMorgan shall promptly so advise the Authority and shall designate the same on JPMorgan's books as missing notes ("**Missing Notes**"). In no event shall JPMorgan make payment on any Missing Note; provided, however, that if the Authority advises JPMorgan that the Authority has recovered any Missing Note(s), JPMorgan shall delete such designation upon delivery of such Missing Note(s) to JPMorgan by the Authority or the Authority's designated representative and such Missing Note shall thereupon be a Note. Except to the extent that JPMorgan has made a prohibited payment on a Missing Note, the Authority shall indemnify JPMorgan in connection therewith in accordance with the provisions of Section 7 hereof.

(c) Authorized Signer.

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An “**Authorized Signer**” shall be anyone of the persons named below and any other person whose name is furnished to JPMorgan hereafter by the Authorized Signer, each of whom shall be authorized to execute and deliver to JPMorgan the Notes issued pursuant to this Agreement. Instructions relating to the completion and issuance of Notes and any other action on the Authority’s behalf hereunder shall be given to JPMorgan from time to time by “**Authorized Persons.**” An Authorized Person shall be anyone of the persons named below and any other person whose name is furnished to JPMorgan hereafter by an Authorized Signer.

Furnished in **Appendix D** hereto are specimen signatures for the initial Authorized Signers, and the Authority shall furnish JPMorgan with specimen signatures for any other Authorized Signers at the time their names are furnished to JPMorgan.

The following is a list of the initial Authorized Persons who may issue instructions to JPMorgan hereunder and take other action on the Authority’s behalf as described herein.

<u>Name</u>	<u>Title</u>
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Michael E. Brady	Deputy Treasurer

**Section 3. Instructions and Delivery and Transfer of Notes.**

(A) Issuance Instructions. Upon JPMorgan’s receipt of instructions from any person reasonably believed by JPMorgan to be an Authorized Person, JPMorgan shall

- (a) in the case of Master Notes:
  - (i) hold the Master Notes in safekeeping;
  - (ii) assign to each Note issued upon the Authority’s instructions a CUSIP number as specified in and in accordance with the CUSIP number assignment received by JPMorgan from the CUSIP Bureau;
  - (iii) cause to be delivered a Note on behalf of the Authority upon receipt of instructions from an Authorized Officer of the Authority, as to principal amount, net dollar amount, payee, date of issue, Original Maturity Date (which shall not be a date more than 90 days from and including the date of issue), Extended Maturity Date (which shall be a date which is 270 days from and including the date of issue), Interest Rate, by way of data entry or date transfer to the DTC Same Day Funds Settlement System (“SDFS”), and to receive from SDFS a confirmation receipt that such delivery was effected and
  - (iv) credit the net proceeds of all deliveries of Notes to the appropriate account of the Authority established with JPMorgan upon the Authority’s instruction. The Authority understands that all instructions under this Agreement are to be directed to JPMorgan’s Commercial Paper Operations Department. JPMorgan shall provide the Authority, or, if applicable, the Authority’s Dealers, with access to JPMorgan’s Money Market Issuance System or other electronic means (collectively, the “System”) in order that JPMorgan may receive

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electronic instructions for the issuance of Notes. Electronic instructions must be transmitted in accordance with the procedures furnished by JPMorgan to the Authority or its Dealer in connection with the System. These transmissions shall be equivalent to the giving of a duly authorized written and signed instruction which JPMorgan may act upon without liability. In the event that the System is inoperable at any time, an Authorized Person may deliver written, telephone or facsimile instructions to JPMorgan, which instructions shall be verified in accordance with any security procedures agreed upon by the parties. JPMorgan shall incur no liability to the Authority in acting upon instructions believed by JPMorgan in good faith to have been given by an Authorized Person. In the event that a discrepancy exists between a telephonic instruction and a written confirmation, the telephonic instruction will be deemed the controlling and proper instruction. All issuance instructions regarding the Notes must be received by 1:00 P.M. New York time in order for the Notes to be issued or delivered on the same day.

- (b) in the case of Notes of any series issued directly by the Authority
  - (i) complete a Note of such series as to amount, date of issue, Original Maturity Date (which shall not be a date more than 90 days from and including the date of issue), Extended Maturity Date (which shall be a date which is 270 days from and including the date of issue), place of payment (if not printed thereon), and the name of the registered owner (in the case of a registered Note), in accordance with such instructions;
  - (ii) authenticate the Note by having any officer or other person designated by JPMorgan for that purpose countersign it; and
  - (iii) deliver the Note in accordance herewith to or for the account of the person designated in such instructions to receive such Note (hereinafter sometimes called the “purchaser.”)

(B) Delivery and Transfer of Notes Issued Directly by the Authority. Whenever JPMorgan is instructed to deliver without payment any Note by mail, such Note shall be in registered form, with the registered owner of such Note being the person so designated in the Authority’s instructions, and JPMorgan shall effect delivery by uninsured, registered mail to such payee or to such other person as is specified in such instructions to receive such Note.

Each registered Note shall be transferable only upon the books of the Issuing and Paying Agent, which shall be kept for that purpose at the office of the Issuing and Paying Agent located at the address designated on the signature page hereof, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Issuing and Paying Agent duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Note, the Issuing and Paying Agent shall issue in the name of the transferee a new registered Note of the same aggregate principal amount, Original Maturity Date and Extended Maturity Date, and bearing the same Interest Rate, as the surrendered Note.

The Authority and the Issuing and Paying Agent may deem and treat the person in whose name any registered Note shall be registered upon the books of the Issuing and Paying Agent as the absolute owner of such Note, whether such Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Note and for all other purposes. The Authority agrees to indemnify and save the Issuing and Paying Agent harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence under this Agreement, in so treating such registered owner.

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JPMorgan may complete, authenticate and deliver any Note hereunder bearing or purporting to bear the facsimile signature of any Authorized Signer, regardless of by whom or by what means the actual or purported facsimile signature may have been affixed thereto, if such facsimile signature resembles the facsimile specimen of such Authorized Signer furnished to JPMorgan hereunder. JPMorgan may complete, authenticate and deliver any Note hereunder even though the person who signed such Note thereafter ceases to be an Authorized Signer for purposes of this Agreement.

JPMorgan's countersignature of any Note hereunder shall be for authentication purposes only and neither JPMorgan nor any person countersigning or otherwise completing Notes on JPMorgan's behalf shall have any liability in respect of any Note.

**Section 4. Payment of Notes.** Except as expressly provided in Section 3(B) hereof, whenever the Authority instructs JPMorgan to deliver any Note hereunder, JPMorgan is authorized to deliver such Note against a receipt for delivery given by the purchaser in lieu of actual payment, but JPMorgan shall not be responsible for the form or content of such receipt. The Authority agrees that such authorization can be modified only with JPMorgan's prior written consent. The Authority understands that under the custom of the commercial paper market the purchaser is committed to settle in immediately available funds at or before the close of business on the same day on which the purchaser receives the Note by making payment to JPMorgan for the Authority's account.

JPMorgan shall have no liability whatsoever if the purchaser to whom delivery of any Note is made delays or fails to pay therefor, in whole or in part, for any reason.

JPMorgan shall credit any funds received by JPMorgan in payment for any Note to such ordinary deposit account of the Authority with JPMorgan (each such account hereinafter sometimes called an "**Account**") as the Authority shall advise JPMorgan in writing from time to time. The Authority's accounts with JPMorgan shall be subject to JPMorgan's account conditions as amended from time to time, receipt of a copy of which is hereby acknowledged. In the event of a conflict between this Agreement and such account conditions, this Agreement shall govern.

If the Authority requests JPMorgan (which request may be made by telephone) to transfer the proceeds of the issuance of any Note to another bank for the Authority's account on the day of such issuance, in order to assure availability of the funds to the Authority on such day, it may be necessary for JPMorgan to effect such transfer by wire in immediately available funds prior to actual receipt by JPMorgan of such proceeds. In such circumstances, the Authority authorizes JPMorgan to make a wire transfer of funds in accordance with such instructions and to simultaneously debit any Account in the amount so transferred pursuant to Section 6 hereof. Notwithstanding the foregoing, JPMorgan shall have no obligation to effect any credit or make any transfer in respect of the proceeds of the issuance of any Note until JPMorgan has actually received such proceeds in collected funds and such receipt is not subject to reversal or cancellation. Such transfers shall be pursuant to the agreement between JPMorgan and the Authority specifying certain security procedures.

**Section 5. Extension of Maturity Date.** (a) The Authority may elect to extend the maturity date of any Note by providing notice to the Issuing and Paying Agent, substantially in the form attached as **Appendix E** hereto, by 11:00 a.m., New York City time, on the Original Maturity Date. In the event that the maturity date of any Note is extended in accordance with the terms of the Resolution, the Issuing and Paying Agent shall provide notice to the Holder of such Note of any such extension, substantially in the form attached as **Appendix F** hereto, by 11:30 a.m., New York City time.

(b) If a Note's maturity date is extended and the Authority elects to redeem such Note prior to the Extended Maturity Date, then, upon the Issuing and Paying Agent receiving the proper notice from the Authority

pursuant to the Resolution of such redemption, the Issuing and Paying Agent shall issue such notice of redemption as required by the Resolution to the holder of such Note.

**Section 6. Place of Payment.** If JPMorgan is designated as the place of payment of any Note, JPMorgan is authorized and ordered for the Authority's account to pay the principal amount of such Notes upon its maturity, together with any interest thereon as calculated based on the Interest Rate as determined by the Issuing and Paying Agent in accordance with the Resolution, to the date of maturity, regardless of whether such Note was duly authorized by all necessary corporate action, provided, however, that JPMorgan shall have no obligation to the Authority or to the holder of any Note to make credit available for the purpose of effecting payment on any Note. The Authority shall make payments to the Issuing and Paying Agent by wire transfer of immediately available funds on the dates such payments are due.

**Section 7. Overdrafts.** JPMorgan is authorized at any time to charge any Account in the amount required for any payment by JPMorgan on the Authority's behalf in respect of any Note or for any other amount due and payable by the Authority hereunder. JPMorgan shall have no obligation to pay any Note that would result in an overdraft to an Account. In the event that JPMorgan, in JPMorgan's sole discretion, pays a Note in excess of the available collected balance in the Authority's Account, the deficiency shall be treated in accordance with and subject to JPMorgan's customary banking practices with respect to overdrafts (including the imposition of interest, funds usage charges and administrative fees). JPMorgan shall advise the Authority of the amount of such deficiency and (if applicable) such rate of interest not later than two business days following the date such deficiency arises, provided that JPMorgan's failure to so advise the Authority shall not affect in any way the Authority's obligation to pay such amounts.

**Section 8. Indemnification.** The Authority hereby agrees to indemnify, defend and save harmless, JPMorgan and JPMorgan's directors, officers, employees and agents (each an "indemnified person") against, any and all claims, liability, losses, damages, costs and expenses of any nature (including reasonable attorneys' fees and expenses) alleged to arise, arising out of, or in connection with JPMorgan's or their performance under this Agreement, excluding with respect to any indemnified person only claims, liability, losses, damages, costs and expenses to the extent arising out of such person's or their gross negligence or willful misconduct.

**Section 9. Representations and Warranties of Authority.** The Authority hereby represents and warrants to JPMorgan that the Resolution is unchanged and in full effect, that the execution, delivery and performance of this Agreement (including JPMorgan's appointment as the Authority's agent for the purposes stated herein) and any Note which the Authority shall have instructed JPMorgan to issue on the Authority's behalf pursuant to this Agreement have been duly authorized by all necessary corporate action, have received any necessary governmental approvals, constitute the Authority's legal, valid and binding obligations, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), and do not and shall not violate any provision of law or the Authority's by-laws or result in the breach of or constitute a default or require any consent under any agreement or instrument to which the Authority is a party, and that all Notes, when issued, shall be exempt from the registration requirements under the Securities Act of 1933, as amended, by virtue of Section 3(a)(2) or other exemptive provisions thereof, and from registration pursuant to applicable state securities ("Blue Sky") laws. The Authority shall furnish JPMorgan with such other documents and information as JPMorgan may reasonably request from time to time in connection with this Agreement, including an opinion of counsel for the Authority in the form attached hereto as **Appendix G**. Each direction given or made by an Authorized Officer to authenticate and deliver the Notes pursuant to this Agreement shall constitute a certification by the Authority that: (i) the Authority has performed all of the covenants and agreements that it is required to have performed as of the date of such direction under the terms of the Resolution, this Agreement and the Tax Certificate, as defined below, and (ii) the representations and warranties contained in

the Resolution, this Agreement and the Tax Certificate remain true and accurate as of the date of such direction and apply to the Notes to which such direction applies. For the purposes of the immediately preceding sentence, the "Tax Certificate" shall mean the Arbitrage and Use of Proceeds Certificates delivered by the Authority, relating to the Series 1 Notes, dated January \_\_, 2003, as amended and supplemented from time to time.

**Section 10. Duties of JPMorgan as Issuing and Paying Agent.** In acting under this Agreement, JPMorgan shall be required to perform only such duties as are expressly set forth in this Agreement. No implied covenants or obligations on JPMorgan's part shall be read into this Agreement and in particular JPMorgan shall be under no obligation at any time to make any inquiry into, or disclose to the Authority any information which is or may hereafter come into JPMorgan's possession regarding any person to whom the Authority has instructed JPMorgan to deliver any Note or who is entitled to receive payment in respect of any Note as holder thereof or such person's credit standing or financial condition. JPMorgan shall not be required to ascertain whether the issuance of any Note (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with this Agreement or any other agreement to which the Authority is a party (whether or not JPMorgan is also a party to such other agreement). Neither JPMorgan nor any of JPMorgan's officers, employees or agents shall be responsible for any act taken or not taken by JPMorgan or them pursuant to this Agreement, in the absence of JPMorgan's or their gross negligence or willful misconduct, nor shall JPMorgan be responsible for any act or omission, or for the solvency, of any broker or agent selected, without JPMorgan's gross negligence or willful misconduct, by JPMorgan to effect any transaction hereunder. In no event shall JPMorgan be liable to the Authority under this Agreement for any indirect, consequential or special damages.

**Section 11. Instruction Procedures.** Except as otherwise expressly provided herein, all instructions, notices, funds transfer requests and other communications hereunder shall be in writing, personally delivered or sent by regular mail, telex, or facsimile transmission to the receiving party at the address following such party's signature below, and shall be deemed given when received. Instructions for the issuance of Notes hereunder may also be given by telephone or transmitted electronically by any electronic means or instruction system acceptable to JPMorgan, and such instructions shall be deemed given when received by JPMorgan. Because such instructions will be executed by JPMorgan upon receipt, in the event of any discrepancy between a written confirmation subsequently sent by the Authority and the original instruction, such confirmation will be of no effect and the Authority's original instruction will govern and control. However, in the event that the Authority advises JPMorgan of an error in the Authority's original instruction, JPMorgan shall endeavor to amend, cancel or otherwise adjust the original instruction in accordance with the Authority's request, to the extent reasonably possible. JPMorgan shall incur no liability in taking or omitting to take any action upon any instructions given in the foregoing manner which JPMorgan reasonably believes to have been given by an Authorized Person or if such instructions are received in good faith in accordance with any security procedures agreed upon by JPMorgan and the Authority or any other agreements the Authority may have with JPMorgan regarding the acceptance of such instructions, and JPMorgan shall have no further obligation to verify or inquire into any matters pertaining to any such instructions.

**Section 12. Compensation.** The Authority shall pay such compensation for JPMorgan's services pursuant to this Agreement as specified in **Appendix H** hereto, as such pricing and compensation arrangement may be modified by JPMorgan from time to time, provided, however, that JPMorgan shall give the Authority at least 30 days' prior written notice of the effective date of any such modifications. The Authority shall reimburse JPMorgan for any amounts JPMorgan is required to pay in connection with overdrafts in the Authority's Accounts created pursuant to Section 7 hereof.

**Section 13. Force Majeure and Severability.** This Agreement contains the entire understanding of the parties hereto with respect to the subject matter contained herein and supersedes and cancels any and all prior agreements, representations or statements, written or oral, of either party with respect thereto. In no event shall JPMorgan be liable for any failure or delay in the performance of JPMorgan's obligations hereunder because of

**December 17, 2002**

circumstances beyond JPMorgan's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppage for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement, inability to obtain material, equipment or communications facilities, or the failure of equipment or interruption of communications facilities, and other causes whether or not of the same class or kind as specifically named above. This Agreement may not be amended except in a writing executed by the party to be bound. In the event that one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect or on the basis of any particular circumstances, the validity, legality and enforceability of such provision or provisions under other circumstances and of the remaining provisions shall not in any way be affected or impaired. No failure or delay on the part of either party in exercising any power or right under this Agreement shall operate as a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or of any breach or default, shall be effective unless in writing and signed by the party against whom the waiver is to be enforced.

**Section 14. Effectiveness and Termination.** This Agreement may be terminated at any time by either party upon thirty (30) days prior written notice or upon such other later date specified in such written notice. Upon termination JPMorgan shall return to the Authority any Notes then held in safekeeping by JPMorgan upon the Authority's instructions. No such termination shall, however, affect the Authority's or JPMorgan's respective responsibilities hereunder arising prior to such termination. The provisions of Section 7 hereof shall survive the termination of this Agreement.

**Section 15. Telephone Conversations.** Either party hereto may electronically record any or all telephonic conversations between the parties hereto and any such tape recordings may be submitted in evidence to any court or in any legal proceeding for the purpose of establishing any matters pertinent hereunder.

**Section 16. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

**Section 17. No Personal Liability.** No Trustee, officer or employee of the Authority shall be held personally liable on the Notes or in connection with any claim based thereon or on the Resolution or on this Agreement.

**Section 18. Authority Requests for Information.** Upon the reasonable request of the Authority, given at any time and from time to time, JPMorgan shall promptly provide the Authority with information with respect to the Notes issued and/or paid hereunder.

**Section 19. Counterparts.** This Agreement may be executed in counterparts, each of which shall be an original, and all of which shall constitute but one and the same instrument.

**December 17, 2002**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

POWER AUTHORITY OF THE STATE OF  
NEW YORK

By \_\_\_\_\_

Michael E. Brady  
Deputy Treasurer

Notice Address:

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

**ACCEPTED AND AGREED:**

JPMORGAN CHASE BANK

By \_\_\_\_\_

Title: \_\_\_\_\_

Notice Address:

450 W. 33rd Street 15th Floor  
New York, New York 10001-2697  
Attention: Commercial Paper Service Delivery

**APPENDIX A**

DTC CERTIFICATE AGREEMENT

=====

**APPENDIX B**

DTC LETTER OF REPRESENTATIONS

=====

**APPENDIX C**

FORMS OF MASTER NOTES

*Voluminous documents not attached*

APPENDIX D  
INITIAL AUTHORIZED SIGNERS

<u>Name and Title</u>	<u>Signature</u>
Michael H. Urbach, Senior Vice President and Chief Financial Officer	_____
Michael E. Brady, Deputy Treasurer	_____

APPENDIX E

NOTICE OF ELECTION TO EXTEND MATURITY DATE

To: JPMorgan Chase Bank  
450 West 33<sup>rd</sup> Street, 15<sup>th</sup> Floor  
New York, New York 10001-2697  
Attention: Commercial Paper Service Directory

Date:

CUSIP No.:

Principal Amount:

Original Maturity Date:

Extended Maturity Date: [A date which is 270 days from and including the  
Issue Date]

Interest Payment Frequency: \_\_\_\_\_1, \_\_\_\_\_ and monthly thereafter on the first  
Business Day of each month and on the redemption date or  
Extended Maturity Date

Accrual Period: Tax-Exempt EMCP: Actual/actual basis

Taxable EMCP: Actual/360

Callable: The note may be redeemed, in whole but not in part, at the  
option of the Authority on any date, at a redemption price  
equal to 100% of the principal amount, plus accrued interest  
to the date of payment, and without premium, upon not less  
than 7 nor more than 25 calendar days" notice to the Issuing  
and Paying Agent.

Variable Rate Index: Tax-Exempt EMCP:  $(1.35 \times \text{BMA}) + E$ , adjusted weekly,  
where the BMA variable is The Bond Market Association  
Municipal Swap Index, and the E variable is based upon  
Prevailing Ratings.

Taxable EMCP: The greater of (1) the Specified Percentage  
of LIBOR and (2) LIBOR plus the Minimum Margin

The undersigned is an Authorized Officer and, on behalf of the Power Authority of the State of New  
York (the "Authority"), hereby elects to extend the maturity of the Note described above.

**December 17, 2002**

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Resolution Authorizing Extendible Municipal Commercial Paper Notes, adopted by the Authority on December 17, 2002.

POWER AUTHORITY OF THE STATE OF  
NEW YORK

By: \_\_\_\_\_

Title:

December 17, 2002

APPENDIX F

NOTICE TO HOLDER OF NOTE OF EXTENSION OF MATURITY DATE

From: JPMorgan Chase Bank  
450 West 33<sup>rd</sup> Street, 15<sup>th</sup> Floor  
New York, New York 10001-2697  
Attention: Commercial Paper Service  
Delivery

To: [Name and address of Holder of Note]

This letter serves as a notice of extension of the maturity date from the Original Maturity Date to the Extended Maturity Date with respect to the Extendible Municipal Commercial Paper Notes of the Power Authority of the State of New York (the "Authority") described below, for which we serve as Issuing and Paying Agent (the "IPA").

Except as otherwise defined herein, all capitalized words and terms used herein have the same meanings as in the Resolution Authorizing Extendible Municipal Commercial Paper Notes, adopted by the Authority on December 17, 2002.

IPA #:

CUSIP number:

Issue Date:

Original Maturity Date:

Principal Amount:

Extended Maturity Date: [A date which is 270 days from and including the Issue Date]

Interest Payment Frequency: \_\_\_\_\_1, \_\_\_\_\_ and monthly thereafter on the first Business Day of each month and on the redemption date or Extended Maturity Date

Callable: The note may be redeemed, in whole but not in part, at the option of the Authority on any date, at a redemption price equal to 100% of the principal amount, plus accrued interest to the date of payment, and without premium, upon not less than 7 nor more than 25 calendar days" notice to the IPA.

**December 17, 2002**

Signature:

Authorized Officer for IPA

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Please call [IPA phone number] if there are any problems with this transmission.

December 17, 2002

APPENDIX G

[LETTERHEAD OF HAWKINS, DELAFIELD & WOOD,  
BOND COUNSEL TO THE AUTHORITY]

January \_\_, 2003

Power Authority of the State of New York  
123 Main Street  
White Plains, New York 10601

JPMorgan Chase Bank,  
as Issuing and Paying Agent  
450 West 33rd Street  
New York, NY 10001-2697

Ladies and Gentlemen:

We have acted as bond counsel to Power Authority of the State of New York (the "Authority") in connection with the Authority's issuance of its Extendible Municipal Commercial Paper Notes, Series 1 (the "Notes").

The Notes are authorized and issued under and pursuant to the Power Authority Act, Title I of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended, and a resolution of the Authority entitled "Resolution Authorizing Extendible Municipal Commercial Paper Notes," adopted December 17, 2002.

We are of the opinion that it is not necessary to register the Notes under the Securities Act of 1933, as amended, and the Notes are exempt from registration pursuant to all applicable state securities laws.

Very truly yours,

## APPENDIX H

SCHEDULE OF FEES FOR JPMORGAN CHASE BANK  
AS ISSUING AND PAYING AGENT

<u>Description</u>	<u>Fees</u>
--------------------	-------------

New Program Implementation	\$
----------------------------	----

Monthly Program Maintenance	
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**Physical Note Processing**Issuance

Telephone Input (per Note)  
Automated Input (per Note)

RedemptionReporting

Activity, Maturity Outstanding

Commercial Paper Issuance Credit

Commercial Paper Redemption Debit  
and Rate - per report

With each invoice for the above fees rendered to the Authority, JPMorgan shall provide a statement of the credit to be applied as an offset to such fees, such credit to be equal to, in JPMorgan's reasonable determination, the value obtained by JPMorgan in maintaining Authority balances currently held by JPMorgan's Institutional Trust Group during the period covered by the invoice. In no event shall such credit exceed the aggregate fee amount shown on the invoice.

**POWER AUTHORITY OF THE STATE OF NEW YORK**  
**123 Main Street**  
**White Plains, New York 10601**

EXTENDIBLE MUNICIPAL COMMERCIAL PAPER DEALER AGREEMENT

January \_\_, 2003

Goldman, Sachs & Co.  
85 Broad Street  
New York, New York 10005

The POWER AUTHORITY OF THE STATE OF NEW YORK, a corporate municipal instrumentality and political subdivision of the State of New York (the "Issuer"), proposed to issue notes (as defined below) from time to time and, in connection therewith, agrees as follows with Goldman, Sachs & Co. ("Dealer"):

Definitions.

"Issuing and Paying Agency Agreement" shall mean the agreement, dated as of the date hereof, between the Issuer and JPMorgan Chase Bank, providing for the issuance and payment of the Notes; and "Issuing and Paying Agent" shall mean JPMorgan Chase Bank, in its capacity as Issuing and Paying Agent under the Issuing and Paying Agency Agreement.

"Notes" shall mean the Extendible Municipal Commercial Paper Notes, Series 1, issued by the Issuer from time to time in denominations of at least \$100,000, or any integral multiple of \$1,000 in excess thereof, as determined by an Authorized Officer, and with Original Maturity Dates of 90 days or less, substantially in the form set forth in the Resolution.

"Resolution" shall mean the Resolution Authorizing Extendible Municipal Commercial Paper Notes adopted by the Issuer on December 17, 2002, as the same may be amended and supplemented from time to time.

Except as otherwise defined in this Agreement, all capitalized words and terms used in this Agreement have the same meanings as in the Resolution.

Appointment of Dealer; Responsibilities of Dealer.

Subject to the terms and conditions herein contained, the Issuer hereby appoints Dealer, and Dealer hereby accepts such appointment, as a dealer for the Issuer in connection with the offering and sale of the Notes.

In its capacity as a dealer, Dealer shall be allocated \$50 million in aggregate principal amount of Notes issued by the Issuer, including any refundings of any such Notes. Dealer shall exercise its customary efforts to solicit purchases of the Notes allocated to it. It is understood and agreed that Dealer's responsibilities hereunder will include (i) the soliciting of purchases of Notes from investors that can purchase tax-exempt commercial paper or other short-term tax-exempt securities, (ii) providing information to the Issuer concerning such purchases, and (iii) performing such other related functions as may be requested by the Issuer and agreed to by Dealer.

Issuance and Sale of Notes.

9. While (1) the Issuer has and shall have no obligation to sell Notes to Dealer or to permit Dealer to arrange any sale of Notes for the account of the Issuer and (2) Dealer has and shall have no obligation to purchase Notes from the Issuer or, subject to Section 2(b) above, to arrange any sale of Notes for the account of the Issuer, the parties hereto agree that any Notes which Dealer purchases or the sale of which Dealer arranges will be purchased or sold by Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.

**December 17, 2002**

The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agency Agreement and, unless otherwise specified by the Issuer, the Notes shall be evidenced by a Master Note registered in the name of The Depository Trust Company ("DTC") or its nominee in the form or forms annexed to the Resolution.

The Issuer will pay Dealer a fee for each purchase of Notes by Dealer or sale of Notes arranged by Dealer on behalf of the Issuer, at a rate of 0.075% per annum on the outstanding principal amount of such Notes purchased or sold (computed in each case on the basis of a 360-day year). Such fee will be payable by the Issuer quarterly in arrears upon presentation of a statement by Dealer.

In the event that Dealer is unable to arrange for the sale of any Note and has determined that it will not purchase such Note, then Dealer shall notify the Issuer by telephone of such fact by 10:00 A.M. (New York City time) on the date on which such Note was contemplated to be issued.

On any Original Maturity Date, the Authority shall notify the Issuing and Paying Agent and the Dealer no later than 11:00 A.M. (New York City time) whether any Notes are to have their maturities extended to the Extended Maturity Date. The Issuing and Paying Agency Agreement shall require the Issuing and Paying Agent to notify the Holders of any such Notes not later than 11:30 A.M. (New York City time) of the identity of Notes having extended maturities to the Extended Maturity Date.

Representations and Warranties of the Issuer.

The Issuer represents and warrants that:

The Notes have been duly authorized and, when issued and delivered as provided in the Issuing and Paying Agency Agreement and paid for, will be duly and validly issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

The Issuer is duly organized and validly existing under the laws of the State of New York and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the Issuing and Paying Agency Agreement.

This Agreement and the Issuing and Paying Agency Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

There are no consents, authorizations or approvals of, or filings with, any Federal or state government authority required in connection with the issuance or sale by the Issuer of the Notes or the performance of its obligations thereunder, other than the approval of the Comptroller of the State of New York pursuant to the Act, which approval has been obtained and a copy thereof furnished to Dealer, and except as may be required by state securities laws.

The execution, delivery and performance by the Issuer of this Agreement, the Notes and the Issuing and Paying Agency Agreement will not result in a breach or violation of, conflict with, or constitute a default under any law, regulation, order, judgment, agreement or instrument to which the Issuer is a party or by which the Issuer or any of its property is bound.

Upon an agreement for the sale of Notes and at each date upon which Notes are, or are to be issued, the Issuer shall be deemed to represent and warrant to Dealer that (i) the Notes issued on such date have been duly authorized, issued and delivered and, upon payment therefore, will constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general

**December 17, 2002**

principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), and (ii) the representations and warranties of the Issuer set forth in paragraphs (b) through (e) of this Section 4 are true and correct as if made on such date.

No registration under Securities Act of 1933, as amended, of any security is required in connection with the offer and sale of the Notes in accordance with the terms hereof.

The Offering Memorandum (as defined below) does not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Covenants and Agreements of Issuer.

The Issuer will not permit to become effective any amendment to or modification of the Resolution or the Issuing and Paying Agency Agreement, which might adversely affect the interests of the Holder of any Notes then outstanding; provided that the Resolution may be supplemented in accordance with its terms. The Issuer will give Dealer notice of any proposed amendment to or modification of the Resolution or the Issuing and Paying Agency Agreement prior to the effective date thereof.

As soon as available and in any event with 90 days after the end of each semi-annual fiscal period ending June 30 and December 31, the Issuer will provide (i) the financial statements of the Issuer prepared in conformity with generally accepted accounting principles and on a basis consistent with the financial statements for the period ending December 31, 2001, as at the last day of such period. Financial statements for each fiscal period ending December 31 shall be accompanied by an opinion as to such financial statements of independent certified accountants of recognized standing. Financial statements for each fiscal period ending June 30 which are not accompanied by such an opinion shall be certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer of the Authority. As soon as available, the Issuer will provide (i) copies of any other published reports of financial condition, receipts and expenditures prepared or issued by the Issuer for general distribution to investors or lenders, and (ii) all final offering documents prepared in connection with any offering of sale of securities by the Issuer. The Issuer further agrees to notify Dealer promptly upon the occurrence of any event which would render any material fact disclosed in any financial or other report or document provided by the Issuer hereunder untrue or misleading in any material respect.

The Issuer will provide Dealer with such other documents as Dealer shall reasonably request.

The Issuer will provide to Dealer, as soon as practical, an offering memorandum (the "Offering Memorandum") containing business and financial information concerning the Issuer, its operations and financial condition, and a description of the Notes (with any amendments and supplements provided by the Issuer) which may be distributed by Dealer in connection with the sale of Notes until the Issuer provides Dealer with updated or revised Offering Memoranda.

Upon the occurrence of any event relating to or affecting the Authority that would cause the Offering Memorandum then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading, the Authority agrees to promptly supplement or amend the Offering Memorandum so that the Offering Memorandum, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading

Conditions Precedent

At or promptly following the execution of this Agreement and as a condition precedent to any obligations of Dealer hereunder, the Issuer shall furnish to Dealer the following documents:

A copy of the Issuing and Paying Agency Agreement.

A certified copy of the Resolution.

An Opinion of Bond Counsel to the Issuer substantially in the form attached to the Offering Memorandum provided to Dealer pursuant to paragraph 5(f) hereof.

Offering Memorandum

Indemnification

The Authority will indemnify and hold harmless Dealer and its directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (hereinafter the "Indemnitees") against any and all liabilities, penalties, suits, causes, of action, losses, damages, claims, costs and expenses (including, without limitation, fees and disbursements of counsel) or judgments of whatever kind or nature (each a "Claim"), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (i) any allegation that the Offering Memorandum or any information provided by the Issuer to the Dealer included (as of any relevant time) or omits to state any material fact necessary to make the statements therein, in light of the circumstances under the which they were made, not misleading or (ii) arising out of or based upon the breach by the Authority of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim arises out of or is based upon information supplied by Dealer. The foregoing indemnity shall not extend to any Claims to the extent they arise from the gross negligence of Dealer in the performance or failure to perform its obligations hereunder.

General

The representations and warranties of the Issuer contained herein shall survive the delivery of Notes and shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of any party hereto.

The Issuer will promptly pay, or reimburse Dealer on demand for, all reasonable out-of-pocket costs and expenses incurred by Dealer in connection with the preparation of this Agreement, the negotiation of the transaction contemplated hereby and any amendments thereto, provided that such payment or reimbursement shall not in the aggregate exceed \$5,000.

All notices required under the terms and provision hereof shall be in writing, given in person, by mail (postage prepaid), or by telex or telecopier, any such notice shall be effective when received at the address specified below for the intended recipient. Notices and other communications hereunder shall (except to the extent otherwise expressly provided) shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notices:

if to the Authority:

Power Authority of the State of the New York  
123 Main Street  
White Plains, New York 10601  
Attention: Corporate Finance Division

if to the Dealer:

Goldman, Sachs & Co.  
85 Broad Street, 26<sup>th</sup> Floor  
New York, New York 10004  
Attention: Municipal Money Market Desk  
Phone: 212.902.6633  
Fax: 212.346.4209

This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

**December 17, 2002**

The terms of this Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by written instrument signed by each of the parties.

The Issuer or Dealer may terminate this Agreement on not less than 30 days' written notice. The representations and warranties of the Issuer to Dealer as provided above shall survive any termination of this Agreement. In the event that the Issuer does not provide Dealer with the information required by Section 5(b) hereof or Section 5(e) hereof, Dealer may terminate this Agreement on 5 days' written notice or one day's written notice, respectively.

No Trustee, officer or employee of the Issuer shall be held personally liable on the Notes or in connection with any claim based thereon or on the Resolution or on this Agreement.

If you agree with the foregoing, please indicate your acceptance below, whereupon this letter shall become a binding agreement between Dealer and the Issuer as of the day and year first above written.

Very truly yours,

POWER AUTHORITY OF THE  
STATE OF NEW YORK

By: \_\_\_\_\_

Michael E. Brady  
Deputy Treasurer

Accepted and agreed:

GOLDMAN, SACHS & CO.

\_\_\_\_\_

**6. 2003 Operation and Maintenance, Capital and Fuel Budgets**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the 2003 Budgets for Operation and Maintenance (‘O&M’), Capital and Fuel Purchases as follows:

	2003 Budget <u>(\$ Millions)</u>
O&M	239.0
Capital	519.3
Fuel	193.2

BACKGROUND

“The Authority is committed to provide reliable, affordable energy, retain and create jobs within New York State and promote the development of energy efficient technologies. Over the coming year the Authority will continue to strategically position itself to meet the new challenges of a deregulated market. The 2003 budgets are intended to provide the Authority’s operating facilities and support organizations with the resources needed to meet our overall mission and strategic objectives.

DISCUSSION

O&M

“The O&M budget of \$239.0 million represents an increase of \$23.2 million or 10.7% from the 2002 budget of \$215.8 million. The increase is attributable to increases in Power Generation, \$17.4 million, Transmission, \$4.0 million and Headquarter Support, \$3.4 million, offset by a \$1.7 million reduction in Research and Development. Salaries, including overtime and fringe benefits, account for \$146.4 million or approximately 61% of the budget.

“The 2003 payroll budget increase of \$3.3 million is the result of wage and salary increases, offset slightly by a reduction in overtime. Fringe benefits increase by \$8.3 million, primarily due to greater anticipated pension contribution, resulting from poor fund performance. Unfavorable market conditions and claims experience for medical, prescription drug and dental insurance, also contribute to the increase. Non-payroll expenses of \$92.6 million increase by \$11.5 million in 2003 primarily due to increases in non-recurring production and transmission facility initiatives, increased maintenance costs for the Power Now! Generators and the planned Flynn outage.

“Power Generation’s 2003 budget is \$17.4 million (15.9%) over 2002, primarily due to increased non – recurring initiatives (\$3.9 million primarily at Niagara), additional maintenance and security costs for the Power Now! Generators (\$2.8 million), the Flynn outage (\$3.7 million), increases in property and liability insurance (\$1.0 million) and FERC fees (\$1.1 million), and increased payroll and benefit costs. Major non-recurring work includes the LPGP Overhaul (\$5.4 million), Niagara Gantry Crane and Deck Restoration (\$1.8 million), Niagara Upgrade (\$0.8 million), Niagara Dam Face Repair (\$0.7 million) and the replacement of Heat Recovery Steam Generator tubes and parts at Flynn (\$0.6 million).

“The 2003 Transmission budget is \$4.0 million (10.3%) above the 2002 budget, due to a greater amount of labor being charged to support the transmission system, increased contractor supported right-of-way maintenance, tower painting and breaker refurbishment/manifold design.

“Headquarters support departments are \$3.4 million or 5.8% above 2002 levels, due to the inclusion of computer purchases in O&M that were classified as capital purchases in prior years (\$1.0

million), the transition of Energy Risk Assessment and Control from startup to a fully complemented function (\$0.9 million), and increased payroll and benefit costs, partially offset by the elimination of 11 vacant positions.

“The R&D budget of \$7.8 million is \$1.7 million (17.6%) below 2002 reflecting a \$1.5 million reduction in institutional funding.

**Fuel**

“The Fuel budget of \$193.2 million is an increase of \$9.8 million (5.3%) from 2002. This is a cash budget reflecting planned fuel purchases in 2003. This budget includes fossil fuel purchases for Poletti, Flynn and the Combustion Turbines. The budget assumes higher commodity prices, greater gas usage at Poletti and higher generation at the Combustion Turbines.

**Capital**

“The 2003 Capital budget totals \$519.3 million, which is an increase of \$36.5 million (7.6%) over 2002. Included in this request are both new and ongoing capital projects as well as general plant equipment purchases. The increase is primarily due to community commitment payments for the St. Lawrence Relicensing project, budgeted at \$74.0 million, partially offset by reduced spending in most other projects. The 500 MW Combined Cycle, accounts for \$207.3 or 40% of the budget, while Energy Efficiency projects are budgeted for \$94.0 million or 18.0% of the 2003 request.

“Other significant projects include \$27.1 million for the completion of Power Now! project work, \$25.6 million for the continuation of the Niagara Upgrade and \$21.9 million for St. Lawrence Upgrade/Life Extension.

**FISCAL INFORMATION**

“Payment will be made from the Operating Fund for Operation and Maintenance and Fuel Purchases.

“Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for capital expenditures.

**RECOMMENDATION**

“The Senior Vice President and Chief Financial Officer and the Vice President and Controller recommend approval of the 2003 Operation & Maintenance, Fuel and Capital budgets as discussed herein.

“The Executive Vice President – Power Generation, Executive Vice President, Secretary and General Counsel, respective Vice Presidents, Regional Managers, and I concur in the recommendation.”

*Ms. Tursi presented the highlights of staff's budgetary recommendations to the Trustees.*

*Responding to questions from Trustee Seymour, Ms. Tursi discussed the various factors which support the increases in the Capital Budgets as well as that portion of the O&M Budget related to headquarters support departments for 2003.*

*Responding to questions from Trustee Carey, President Zeltmann concurred that the Authority needs to make long-term decisions regarding its funding of NYSERDA activities and with respect to energy efficiency research issues in general.*

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

**RESOLVED, That the 2003 budgets for Operations & Maintenance, Research & Development, Fuels and capital expenditures, as discussed in the foregoing report of the President and Chief Executive Officer, are hereby approved; and be it further**

**RESOLVED, That it is hereby authorized that up to \$117.9 million of monies in the Operating Fund be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1) (a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer.**

**7. Procurement (Services) Contracts –  
Business Units and the Facilities - Awards**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘7-A’ for the Authority’s Business Units/Departments, as well as for the facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require 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, require Trustees' approval.

DISCUSSION

“While the Authority's policy is to use its own staff to perform necessary engineering, technical and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required that is not available within the Authority. With respect to Headquarters, it is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

“The terms of these contracts will be more than one year; therefore the Trustees' approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$255,000 to \$4,500,000. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

“On December 13, 1991, the Long Island Lighting Company (‘LILCO’) and the Authority entered into the Capacity Supply Agreement (‘CSA’) and the Gas Transportation Agreement (‘GTA’), both relating to the Authority’s Richard M. Flynn Plant (‘Flynn’) located in Holtsville, Long Island, New York. Pursuant to the CSA, the Authority is obligated to obtain gas balancing services, or their equivalent, for the twenty-year term of the CSA. Commencing with the commercial operation date of the Flynn Plant in May 1994, the Authority has obtained the required gas balancing from LILCO and subsequently from KeySpan Energy Delivery Long Island (‘KeySpan’). On May 28, 1998, the Long Island Power Authority (‘LIPA’) acquired LILCO; as a result, the CSA was retained by LIPA and the GTA was assigned by LILCO to KeySpan. Notwithstanding the fact that the gas balancing obligations are contained in the CSA, the

Authority is obligated in accordance with the Gas Balancing Letter Agreement with KeySpan dated December 22, 2000, to obtain such services or their equivalent. (In addition, KeySpan, as the local gas distribution company serving the Flynn Plant, is the only provider with the practical ability to provide the level of balancing and swing absorption service, particularly short-notice and intra-day, required for a large generating plant dispatched in today's electric market.) The Authority has satisfied this obligation with previous agreements with LILCO dated May 23, 1994 and October 22, 1997, and with the existing agreement with KeySpan dated December 22, 2000.

"The new agreement with KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery – Long Island) ('KeySpan'; unnumbered letter agreement) would become effective on January 1, 2003, subject to the Trustees' approval. The purpose of this agreement is to provide for gas balancing services for the Richard M. Flynn Plant. Gas balancing services are required to handle the differences between Authority-owned natural gas delivered into KeySpan's gas system each day and the quantity actually consumed. Under the subject agreement, KeySpan would continue to provide the same level of gas balancing service as under the existing agreement. Since the natural gas delivered to the Flynn Plant (as well as to the PowerNow! gas turbine generator unit at Brentwood) is delivered to KeySpan, the Authority has the operational flexibility to move gas between the plants, if needed. The Authority has previously paid \$1,800,000 per year for such services (\$150,000 per month). As a result of negotiations based on historical operating data, the cost for the same service would be reduced to \$1,500,000 per year (\$125,000 per month) under the new agreement. The term of this agreement is three years, subject to the Trustees' approval, which is hereby requested. The Trustees are requested to authorize the Vice President – Energy Resource Management, or his designee, to execute the subject gas balancing service agreement, having such terms as he deems necessary or advisable consistent with the discussion above, subject to approval of the form of such agreement by the Executive Vice President, Secretary and General Counsel. Approval is also requested for the total amount expected to be expended for the term of the contract, \$4,500,000. This agreement would not allow termination at the convenience of the Authority and would obligate the Authority to make payments for the gas balancing services, as described above, in accordance with the terms of such agreement.

"The contract with Medicus, P.C. (Q-02-3029; PO # TBA) would become effective on January 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for medical services, including a Consulting Medical Director (on a '24/7' basis), Medical Review Officer, Medical Doctor and staff to perform physical examinations, and a Medical Program Coordinator. Services shall also include medical record retention and miniaturization (microfilming) services for all Authority headquarters offices and sites. Medicus was the low bidder of three bids received (in addition to 13 declining/non-responding bidders and notice in the Contract Reporter). This firm is clearly qualified to perform all requisite services and has consistently demonstrated the ability to provide quality service to the Authority for the past twelve years. Medicus has a qualified licensed physician on staff who is board certified in occupational medicine and is certified as a Medical Review Officer. Medicus also has the personnel and facilities to handle and store the centralized medical records, and has a subcontracted record miniaturization service in place. Physical examinations can also be conducted for Headquarters employees, as needed. Headquarters project engineers, for example, are sometimes given temporary field assignments requiring the use of a respirator, when exposure to asbestos or other hazardous materials or environmental conditions is possible. Users of respiratory equipment require annual respirator clearance to comply with safety and health standards in accordance with Federal and State requirements. Staff therefore recommends the award of the subject contract to Medicus. The intended term of this contract is three years (with an option to extend for two additional years), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract (including the option years), \$255,000. It should be noted that the rates will remain firm for the duration of the contract, including the two option years.

"The Lewiston Pump Generating Plant at the Niagara Power Project consists of 12 reversible pump-generating units. Such units are inherently subject to more stressful operation than conventional turbine generators. At LPGP, frequent starts and stops within the wide range of operation of the reservoir water level cause accelerated wear of many of the machine components. A major overhaul requires complete disassembly of each unit, including removal and rehabilitation of the turbine, head cover and

related components. In 1996, the Authority embarked on a program to overhaul the subject units, as approved by the Trustees at their meeting of December 19, 1995. To date, seven LPGP units have been overhauled, under two contracts that were competitively bid. The new contract with Voith Siemens Hydro Power Generation, Inc. ('Voith Siemens'; Q-02-3031; PO # TBA) would commence on January 2, 2003 for the overhaul of the five remaining pump-generating units at LPGP. Staff solicited proposals from 15 firms, including those responding to a notice in the Contract Reporter, for the completion of the overhaul project. Based on a thorough review and evaluation of the four bids received and the bidders' qualifications, as well as requests for additional information and clarification, and meetings with the two apparent low bidders, staff recommends the award of the subject contract to Voith Siemens, the low and most qualified bidder. Voith Siemens has successfully, safely and expeditiously completed the overhaul of four units at LPGP under a previous contract. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option to extend for one additional year, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the three-year term of the contract, \$3,924,204.

"As a result of deregulation of the electric utility industry in New York State, as well as the Authority's compliance with the New York Independent System Operator's ('ISO') installed capacity requirement for the New York City area, the Authority has embarked constructing a 500 MW Combined Cycle Power Plant ('500 MW Plant'). The 500 MW Plant will be fueled by natural gas, with the option to burn No. 2 (or other) distillate oil as a secondary fuel. The enhanced efficiency conferred by this plant, when combined with low cost fuel supplies, will help to ensure the Authority's ability to effectively compete in a deregulated, highly competitive marketplace. Due to limited staff resources and expertise, the Authority retained the services of an experienced fuel consultant to provide assistance in evaluating the cost and feasibility of various fuel supply and transportation options, including ancillary services (such as natural gas storage and balancing) for the 500 MW Plant. The Authority has already initiated discussions with various interstate and local natural gas delivery providers based upon a preliminary fuel plan developed with the assistance of the incumbent fuel consultant, PACE Global Energy Services LLC ('PACE'). Since the term of the existing contract is expiring and the need for such consulting services continues, staff solicited proposals from 13 firms (including those responding to a notice in the Contract Reporter). Based on a thorough review and evaluation of the four bids received and the bidders' qualifications, staff recommends the award of the subject contract to PACE, the most technically qualified bidder. PACE has demonstrated exceptional ability in both the commercial and technical areas, including sound strategic planning and modeling capabilities. In addition, the firm has the best knowledge of the New York City energy market and pipeline infrastructure. The new contract with PACE Global Energy Services LLC (FD-2002-10) would commence on January 2, 2003 for the continuation of fuel consulting services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested; the contract would be awarded for an initial term of two years with an option to extend for one additional year. Approval is also requested for the total amount expected to be expended for the three-year term, \$1,000,000.

#### FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2003 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request.

RECOMMENDATION

“The Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Vice President and Chief Engineer, the Vice President – Project Management, the Vice President – Energy Resource Management, the Director – Power Generation Support Services, the Regional Manager – Western New York, and the Regional Manager – Southeast New York, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit ‘A’ and as discussed above.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, and I concur in the recommendation.”

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

*Responding to questions from Chairman Ciminelli, in relation to the potential use of bio-diesel fuel, Messrs. Hiney and Hoff stated that the Authority is continuing to examine and encourage the use of alternative fuel sources wherever possible.*

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "7-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Vice President – Energy Resource Management, or his designee, is hereby authorized to execute a Letter Agreement with KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery - Long Island), with such revisions as may be approved by the Vice President – Energy Resource Management as necessary or advisable and further subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

**RESOLVED, That the Vice President – Energy Resource Management and all other officers of the Authority, be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolution.**

**8. Procurement (Services) Contracts – Business Units and Facilities – Extensions, Approval of Additional Funding and Increases in Compensation Ceiling**

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The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘8-A’ in support of projects and programs for the Authority’s Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of contracts with Conectiv Operating Services Company, Turner Engineering Company, and Van Ness Feldman PC, as well as an increase in the combined compensation ceiling of the contracts with Acres International Corp. and Proto-Power Corp. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

**BACKGROUND**

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

“The Authority’s Expenditure Authorization Procedures require Trustees’ approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of \$3,000,000.

**DISCUSSION**

“While the Authority’s policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required which is not available within the Authority.

“Although the firms identified in Exhibit ‘8-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees’ approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

“Extension of each of the contracts identified in Exhibit ‘8-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in Support of Business Units/Departments and Facilities:

“The contract with **ABB Energy Information Systems, Inc. (4500026893)** provides for maintenance support services for the ABB Power Gateway software. This proprietary software provides the communication link between the Energy Control Center’s (‘ECC’) Energy Management System (‘EMS’) and the New York Independent System Operator’s (‘NYISO’) Market Information System (‘MIS’). Services include program improvements, changes and/or debugging, and new versions of the program developed by the licensor in an effort to improve software performance and to keep up with NYISO MIS changes and requirements. The original contract, which was awarded on a sole source basis to the original software developer, became effective on January 1, 2000 for an initial one-year term. At their meeting of December 19, 2000, the Trustees approved a two-year extension and a total contract amount of \$170,000. An additional three-year extension is now requested in order to continue to provide such services to support and upgrade this integral software. The current contract amount is \$160,688 (of the \$170,000 previously approved by the Trustees); it is anticipated that an additional \$250,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

“The four contracts with **Alexander Building Corp. (4600000678), GTL Construction (4600000677), TDT Inc. (4600000680) and Wager Contracting Co., Inc. (formerly Brookside Contracting Co., Inc. (4600000679)** provide for all labor, materials, supervision, tools and equipment necessary to perform general contracting services for the Authority’s Clarence D. Rappleyea Building in White Plains, NY. The original awards, which were competitively bid, became effective on January 1, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and provide services, on an ‘as needed’ basis. The current ‘Target Values’ (i.e., total authorized dollar limits) are as follows: \$225,000 each for Alexander Building, TDT and Wager and \$888,000 for GTL Construction; it is anticipated that additional funding in the estimated aggregate amount of \$3,000,000 may be required for the extended term. (The additional funding is based on the following projections: 1) \$1,200,000 (based on \$150,000 per contractor per year) to perform general contracting tasks estimated to cost less than \$50,000 per task, that will be assigned to the four contractors on a rotating basis; and 2) an additional \$1,800,000 to support larger tasks estimated to cost more than \$50,000, that will be bid by the four contractors (e.g., buildout of the 14<sup>th</sup> floor, IRC, lobby upgrade, and other emergent restacking and buildout projects). The Trustees’ approval is requested to extend the subject contracts through December 31, 2004 and to approve the additional funding requested.

“The four contracts with **BAC Electrical Construction Co., Inc. (4600000690), Delta Electric Inc. (4600000689), Healy Electric Inc. (4600000691) and West-Fair Electric Contractors, Inc. (4600000692)** provide for general electrical services for the Authority’s Clarence D. Rappleyea building, parking garage and grounds, in White Plains, NY. The scope of work to be performed includes the furnishing of all materials, equipment, tools, transportation, supervision and labor for demolishing, removing, erecting, installing, connecting, testing, troubleshooting and placing in service various electrical equipment or materials, as may be required. The original awards, which were competitively bid, became effective on January 1, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and provide services, on an ‘as needed’ basis. The current ‘Target Values’ are \$150,000 per contractor; it is anticipated that additional funding in the aggregate amount of \$400,000 may be required for the extended term (based on the projected amount of \$50,000 per contractor per year). The Trustees’ approval is requested to extend the subject contracts through December 31, 2004 and to approve the additional funding requested.

“The two contracts with **CARCO Group Inc. (4500052942) and HireCheck, Inc. (4500052949)** provide for background investigation services to support the Authority’s operations at its headquarters offices and all operating facilities. In view of recent events threatening our national security, the Authority decided to expand its pre-employment screening program to include comprehensive background investigations for all employees and contractors. Pre-employment screening elements include: employment history, education, criminal history, professional licenses, credit history, and verification of identification, address, driver’s license, social security number, and military service. Contractor screening elements

include identity verification and criminal history. The scope of services includes the production and delivery of reports resulting from investigatory methods employed to validate or uncover desired information. The original awards, which were competitively bid, became effective on March 1, 2002 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise the option and provide services, on an 'as needed' basis. The current contract amounts are \$50,000 per contract; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through February 28, 2004 with no additional funding requested.

"The contract with **CSG Services Inc. (formerly Planergy; 4500050087)** provides for the installation of new and the removal, recycling and disposal of used refrigerators within the tenant apartments of the New York City Housing Authority (or other Public Housing Authority customers located in the southeast New York region), as part of the Authority's Energy Efficient Refrigerator program. (It should be noted that the new refrigerators are procured under a separate contract, which was competitively bid and awarded to a refrigerator supplier.) The contractor performs the aforementioned services using Authority-approved environmental processing/recycling/disposal facilities, in compliance with all existing federal, state and local laws, rules, regulations, permits, and/or ordinances applicable to these services. The original contract, which was competitively bid, became effective on January 1, 2002 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise the option and continue such services to support the program, as needed. The current contract amount is \$1,296,000; it is anticipated that an additional \$1,400,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2003 and to approve the additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The three contracts with **Diane Viera (4500050542), Donelle Sawyer (4500050550) and Harrison I. Getz, Jr. (4500050547)** provide for computer design and production services to support ongoing projects (e.g., annual report, newsletters, brochures, presentations, exhibits). The original awards, which were competitively bid, became effective on January 2, 2002 for an initial term of one year, with an option to extend for up to one additional year. A ten-month extension is now requested in order to exercise the option and to continue to provide services, on an 'as needed' basis, in order to meet the production deadlines of required projects. The current contract amounts are as follows: \$58,500 for Diane Viera, \$8,000 for Donelle Sawyer, and \$69,500 for Harrison Getz. It is anticipated that the following additional amounts may be required for the extended term of the contracts: \$60,000 for D. Viera; \$8,000 for D. Sawyer; and \$70,000 for H. Getz, respectively. The Trustees' approval is requested to extend the subject contracts through October 31, 2003 and to approve the additional funding requested.

"The contract with **Dickstein Shapiro Morin & Oshinsky LLP (S98-02869)** provides for legal advice and counsel to the Authority regarding various regulatory issues and activities and, if requested by the Authority, representation before regulatory bodies (e.g., Federal Energy Regulatory Commission ('FERC'), Public Service Commission, New York State Siting Board) in connection with anti-trust matters and hydro-rate litigation. The services of this firm are utilized when special expertise is required that is not available within the Authority, or when it is cost-effective to handle peak workloads that cannot be covered with in-house staff. This firm has also performed work in support of the Authority's Generation Projects and provides advice on the Poletti expansion case. Due to the need to commence services, interim approval to award the contract, which became effective on March 1, 1998, had been authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. At their meeting of March 31, 1998, the Trustees approved a three-year award in the amount of \$750,000. An additional two-year extension and an increased compensation ceiling of \$1,637,500 were approved by the Trustees at their meeting of December 19, 2000. Since the continuation of this firm's experience and expertise is necessary in connection with the various ongoing aforementioned matters, an additional one-year extension, with the option to extend for one additional year, is now requested. The firm will continue to provide advice, counsel and representation on FERC-related matters such as mitigation of the prices of generation in New York City, and various other regulatory issues and activities, as may be requested by the Authority. The current contract amount is \$1,637,500; it is anticipated that no additional funding will be

required for the extended term. The Trustees' approval is requested to extend the subject contract through February 28, 2004 (with the option to extend for one additional year in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures) with no additional funding requested.

"At their meeting of December 16, 1997, the Trustees approved the consolidation of Statewide (non-SENY) High Efficiency Lighting Programs ('HELP') into a single program known as the Energy Services Program ('ESP'), and initial funding of \$30 million. ESP is an energy efficiency program that provides a turnkey approach to identifying, procuring, and implementing energy savings solutions for participants outside the SENY territory. Under this program, turnkey direct installation services are provided to a broad number of facilities including State office buildings, SUNY campuses, county facilities, and school districts. This program has enabled public customers to reduce their operating costs and embark on energy savings projects with no up-front capital, with energy and related operational maintenance savings paying for the overall improvements. At their meeting of June 29, 1999, the Trustees approved an additional \$50 million for the program, increasing the total funding to \$80 million. (An additional \$100 million was authorized by the Trustees at their meeting of September 25, 2001 and two new awards for such services were approved at their January 29, 2002 meeting.)

"The three contracts with **DMJM + Harris, Inc. (formerly Harris Energy Systems, a division of Frederic R. Harris; 4500018459)**, **Select Energy Services, Inc. (formerly HEC Energy Services; S98-02067)** and **Wendel Construction (S98-02065)** provide for program management and implementation services for the aforementioned ESP program. At their meeting of March 31, 1998, the Trustees approved three-year awards to HEC Energy Services (now Select) and Wendel in the initial combined amount of \$30 million, with an option to extend for two additional years. The original contracts, which were competitively bid, became effective on April 1, 1998. The two-year option to extend the contracts through March 31, 2003 was subsequently authorized by the President. At their meeting of June 29, 1999, the Trustees approved an aggregate increase of \$20 million to fund the two contracts. The Trustees approved the award of a third contract for such services to Frederic R. Harris (now DMJM + Harris), in the amount of \$30 million, at their meeting of January 26, 2000. The original contract, which was also competitively bid, became effective on February 1, 2000 for a three-year term. A nine-month extension of the Select contract and an extension of the DMJM and Wendel contracts through December 31, 2004 are now requested in order to continue to provide program management and implementation services for the ESP, as needed. For example, DMJM + Harris will continue to work on various projects at the Empire State Plaza in Albany in an effort to reduce the load; Select is expected to complete several ongoing weather-dependent projects, which involve building shell measures (windows) and to perform additional minor work related to recently implemented HVAC measures; and Wendel is expected to complete work for two school districts (that had been held in abeyance due to delays at the State Education Department), as well as to undertake several projects for the aggressive implementation of energy saving measures at the Empire State Plaza, at the request of the Office of General Services. The current contract amounts are as follows: \$20,050,000 for DMJM + Harris, \$27,120,000 for Select Energy Services, and \$23,000,000 for Wendel; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract with Select Energy Services through December 31, 2003 and the subject contracts with DMJM + Harris and Wendel Construction through December 31, 2004 with no additional funding requested. It should be noted that all costs, including Authority overheads and the cost of advancing funds, will be recovered by the Authority.

"The contract with **Duane Morris LLP (4500059362)** provides for legal services relating to patent and other intellectual property ('IP') matters including, but not limited to: licensing and litigating patents, trademarks and copyrights. In addition, the services of this firm may be used in reference to the Authority's website, ensuring the Authority's domain name registration is protected, and seeking other internet registrations, if needed. The firm of Nims, Howes, Collison, Hansen & Atkins, which has represented the Authority on patent/IP issues for some time, ceased practice effective March 1, 2002. The partners and associates from the Nims firm, who were involved in pending matters on behalf of the Authority, were retained by the Duane Morris firm. Because of their expertise, familiarity with Authority issues, and involvement in pending assignments, a contract was awarded to the Duane Morris firm on a sole source basis. The subject contract became effective on March 1, 2002, for an initial term of one year, with

an option to extend for one additional year. A one-year extension, with the option to extend for one additional year, is now requested in order to continue services in support of the aforementioned matters, as may be required. The current contract amount is \$25,000; it is anticipated that an additional \$75,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 28, 2004 (with the option to extend for one additional year in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures) and to approve the additional funding requested.

"Maintenance Resource Management ('MRM') is the program established by Power Generation in 1994 to control work processes in the areas of maintenance, engineering and project management activities. The program focuses on continually achieving and sustaining incremental improvement in workforce performance through more effective use of management and craft labor, as well as material resources. This is achieved by analyzing planned versus actual work activities, including scope of work, number of work hours and materials required. The MRM program has already yielded financial benefit to the Authority. The planning and scheduling emphasis of the program has reduced the need for routine overtime without increasing the work backlog at the Power Generation facilities. In addition, improved coordination of contract labor with Authority workers has reduced the need to supplement Authority staff with contract labor.

"The contract with **Fluor Daniel, Inc. (S98-05302)** provides for work sampling, training and support for productivity improvement. Work sampling is a technique using a formal structure to observe work processes in order to determine the degree of direct work or support activity occurring at the job site; it is performed on a regular basis to measure the effect of management interaction and to identify areas of improvement. This effort has become a significant barometer of the success of the MRM program. To establish comparable data throughout the years of sampling, the Fluor Daniel method of observing work processes needs to be maintained. In addition, the subject contract provides for training to support professional development of work planners. When work sampling was first performed by Fluor Daniel, the task was executed and managed entirely by the consultant. Their role has now evolved into mentoring Authority staff during sampling to provide the necessary consistency throughout the facilities in the analysis of the results. The subject contract, which became effective on September 29, 1998, was awarded on a sole source basis in order to perform services related to the previous contract, which had been competitively bid. The Trustees authorized a three-year extension at their meeting of December 14, 1999. An additional three-year extension is now requested in order to continue support of the MRM program. The current contract amount is \$500,000 (of the \$525,000 previously approved by the Trustees); it is anticipated that an additional \$125,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

"The contract with **H.B. Maynard and Company, Inc. ('Maynard'; S95-68327)** provides for the development of maintenance labor standards (i.e., time standard) using sophisticated software tools and maintenance management training. The labor standards provide an objective benchmark of the labor requirements for maintenance tasks based on the particular method(s) used by Authority staff and provide a gage to measure productivity. This contract, which was competitively bid, became effective on January 9, 1995; extensions and additional funding were approved by the Trustees at their meetings of December 17, 1996, December 15, 1998 and December 14, 1999. The use of labor standards permits concise management of tasks and allows for early intervention of work management problems. During the past eight years, Maynard has performed the following services for the Authority: 1) analyzed work practices in relation to labor estimate standardization; 2) developed labor standards for the extensive overhaul of the Lewiston Pumped Generating Plant turbine generators at the Niagara Project (which has realized significant time savings); and 3) analyzed janitorial services at the Niagara Project, in order to 'right-size' the workforce. Throughout this process, Authority staff has gained knowledge and expertise from the consultant. An additional three-year extension is now requested to support the modification of existing standards for the St. Lawrence Project's Life Extension and Modernization Program, as well as other large recurring tasks. The current contract amount is \$2,175,000; it is estimated that an additional \$125,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

“The contract with **MRO Software, Inc. ‘MRO’ (formerly Project Software and Development, Inc., ‘PSDP’; S93-51382)** provides for specialized application software and associated maintenance services and licensing fees, training, and consulting services to support the MRM program. In addition to providing the vehicle to issue, plan and control work orders, this contract is used to effect the integration between the work control and planning environment and the material management and financial management software. This contract, which was competitively bid, became effective on September 30, 1993; extensions and additional funding were approved by the Trustees at their meetings of December 15, 1994, December 17, 1996 and December 14, 1999. The MRO software has become integral to the MRM program; it has demonstrated the flexibility and robustness needed to accomplish the goals of the program. Such specialized software licenses, maintenance and other related services are expected to be required for the life of the program; a three-year extension is requested at this time. The current contract amount is \$3,278,909; it is estimated that an additional \$900,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

“The contract with **Work Technology Corp. (‘Worktech’; S98-07027)** provides for specialized application software and consulting services for implementation support of the MRM program. The subject contract, which became effective on November 30, 1998, was awarded on a sole source basis, since Worktech has unique and expert knowledge of MAXIMO (the work management software application used by the MRM program), as well as of database management. The consultant also supplements Authority staff to accomplish specific tasks during major implementation phases of the MRM program. At their meeting of December 14, 1999, the Trustees approved a three-year extension and additional funding. An additional three-year extension is now requested, since Worktech’s unique expertise will be needed during the next several years to consolidate the seven work management databases into one enterprise system. Such consolidation will enable greater standardization and resource sharing of material and labor among the Authority’s generation and transmission facilities. The current contract amount is \$340,000; it is estimated that an additional \$180,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested.

“The contract with **O’Connell Electric Company (4500048551)** provides for all machinery, tools and labor for the installation, termination and field testing of cable, as well as other electrical grounding work, to support Phase II of the Convertible Static Compensator (‘CSC’) project at the Frederick R. Clark Energy Center. The original award, which was competitively bid, became effective on November 8, 2001 for a term of one year. Due to delays in the delivery of two transformers (from another vendor) for this phase of the CSC project, an extension through the third quarter of next year is now requested in order to allow sufficient time to complete the associated cable work to be performed under the subject contract. The current contract amount is \$741,044; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through September 30, 2003 with no additional funding requested.

“The contract with **Stuntz Davis & Staffier, PC (S98-00459)** provides for legal advice and counsel to the Authority in connection with the Authority’s relicensing of the Niagara and St. Lawrence-F.D. Roosevelt Power Projects (‘Projects’). The firm also participates in the Authority’s Strategic Planning conference. The original contract, which was awarded as the result of a competitive search, became effective on February 1, 1998 for an initial term of one year. At their meeting of December 15, 1998, the Trustees approved a two-year extension of the subject contract and a total contract amount of \$150,000. An additional two-year extension through January 31, 2003 and an additional \$150,000 were approved by the Trustees at their meeting of December 19, 2000. Since the continuation of this firm’s experience and expertise is necessary in assisting in-house counsel on relicensing matters for the Projects, an additional one-year extension is now requested. The current contract amount is \$300,000; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through January 31, 2004 with no additional funding requested.

“The two contracts with **TCE Systems Inc. (460000738)** and **Telestrides, Inc. (460000747)** provide for temporary communications engineering personnel to support the Authority’s Telecommunications Group, as may be required. From time to time, the Authority requires short-term staff augmentation to support the Group’s workload or projects related to radio and microwave systems and telephone networks. As such needs arise, the two firms are requested to submit the resumes and rates of potential candidates who meet the requirements of specific short-term assignments. Qualified candidates are interviewed and selected by the Authority’s hiring manager for such assignments. The original awards, which were competitively bid, became effective on February 4, 2002 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and to continue to provide services, as may be required. The current ‘Target Values’ are \$62,500 per contract; it is currently estimated that additional funding in the aggregate amount of \$125,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through February 3, 2005 and to approve the additional funding requested.

“The contract with **Waste-Stream Inc. (460000895)** provides for refuse removal and disposal for the St. Lawrence – F.D. Roosevelt Power Project. Services include furnishing all containers for five locations with removal twice a week, and include the landfill and container fees. The original contract for such services was awarded to Lavalle Transportation Inc. (‘LTI’), the low bidder; it became effective on January 4, 2002 for an initial term of one year, with an option to extend for up to two additional years. Effective August 1, 2002, LTI sold its waste removal division to Waste-Stream Inc. On that date, the subject contract was issued to Waste-Stream, the second low bidder, who honored Lavalle’s prices through December 2002. A two-year extension of the original contract term is now requested in order to exercise the option to continue services. The current target value is \$41,200; it is anticipated that an additional \$128,464 will be required for the extended term and includes support for the Life Extension and Modernization project. The Trustees’ approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

#### **Increases in Compensation Ceiling:**

“The two contracts with **Acres International Corp. (460000497)** and **Proto-Power Corp. (460000496)** provide for professional design engineering and consulting services in support of the operation and maintenance of the Authority’s hydroelectric, pumped storage and fossil fuel generation projects, transmission and other support facilities. Services include, but are not limited to: preparation of engineering and design, studies, estimating, scheduling, safety assessments, testing activities, equipment specifications, permits, licenses, and procedure preparation. At their meeting of June 27, 2000, the Trustees approved the three-year awards, in the initial combined amount of \$800,000, with an option to extend for one additional year. The original contracts, which were competitively bid, became effective on July 5, 2000. Several emergent engineering tasks during 2001 (e.g., to support the Massena substation transmission facility improvement and the B-G South Access Road landslide remediation projects), resulted in an accelerated rate of expenditures. At their meeting of December 18, 2001, the Trustees approved an additional \$500,000, thereby increasing the combined compensation ceiling to \$1,300,000. During 2002, emergent engineering tasks, primarily related to high priority security improvements, resulted in additional accelerated expenditures. An additional \$300,000 was subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A review of the current and projected workload for the next few years suggests that the demand for such engineering services will continue to grow at a rate that cannot be met solely by staff resources within the Authority’s Engineering Division. Staff anticipates the need to utilize such external engineering services for specialized assignments when task backlog exceeds staff capability or when special expertise is not available to support operational needs. It is anticipated that additional security enhancements will continue through 2003. Continuity of engineering support is considered essential for the successful completion of this and other aforementioned initiatives. The firms have performed well and have successfully supplemented Authority staff resources in meeting the Authority’s needs for professional engineering services. A one-year extension is now requested in order to exercise the option to provide for such continued services. The current contract amounts total \$1,600,000 (\$1,250,000 for Acres and \$350,000 for Proto-Power); it is anticipated that an additional aggregate \$1,150,000 will be required for the extended term. In accordance with the current terms of the contract, hourly billing rates for various professional

levels will be reviewed each year and may be adjusted based on prescribed economic indicators. Markup, overhead, and profit will remain fixed for the duration of the contracts. The Trustees' approval is requested to extend the subject contracts through June 30, 2004 and to approve the additional funding requested, thereby increasing the combined compensation ceiling to \$2,750,000.

“The contract with **Conectiv Operating Services Company (4500039794)** provides for operations and maintenance (‘O&M’) support for ten gas turbine units (LM6000s), installed as part of the PowerNow! Generation Project. (The Brentwood unit is operated and maintained by Authority personnel at the Authority’s Flynn plant.) Due to time constraints, the original award became effective on March 16, 2001, subject to the Trustees’ subsequent ratification and approval. At their meeting of March 27, 2001, the Trustees ratified the award of the subject contract to Conectiv and approved a two-year award with an option for one additional year, in the amount of \$6,500,000. At their meeting of December 18, 2001, the Trustees approved an extension of the contract through March 15, 2004 and increased the compensation ceiling to \$12,700,000 due to the cash flow analysis on the level of support required for this effort. O&M support will continue to be required on a daily basis to provide routine maintenance, verify site integrity, troubleshoot problems, and related activities, since the Authority does not have sufficient staffing resources to perform such services. Staffing coverage is required on a 7-day/week basis (7 AM – midnight at the double unit sites and 7 AM – 7 PM at the single unit sites). An extension through December 31, 2004 is now requested in order to continue to provide the aforementioned ongoing daily prevention and maintenance activities, conduct outage-related activities, and provide additional support during peak season, as may be required. The current contract amount is \$9,500,000 (of the \$12,700,000 previously approved by the Trustees); it is anticipated that an additional \$9,000,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$21,700,000.

“The Authority, working together with the New York City Transit (‘NYCT’) and Urenco Power Technologies (‘Urenco’), has installed a 1MW Flywheel Energy Storage System (‘FESS’) for use by NYCT on its Far Rockaway subway line. The FESS system was designed to provide system voltage support, peak shaving, and energy storage during regenerative braking. The system is presently operating in a limited mode and will be connected to the revenue line by the end of this year. Upon successful completion and certification of the project, NYCT plans to implement the technology at strategic locations throughout its rail system. The contract with **Turner Engineering Company (‘TENCO’; 4500049855)** provides for the evaluation and certification of electromagnetic interference (‘EMI’) associated with the FESS system. The evaluation is being performed at the request of NYCT, to meet its internal EMI standards and certification for power equipment operating on its rail system. This pilot installation has been subjected to rigorous testing to identify any possible interference mechanisms that could impact the safe and reliable operation of the rail signaling system and of the trains. The original contract, which was awarded as the result of a competitive search, became effective on December 17, 2001 for an initial term of one year. The system has undergone extensive EMI testing and measurements, and safety and reliability analyses, which have identified potential abnormalities that could impact performance, safety and reliability. The evaluation is ongoing and requires additional effort to complete the certification requirements. Such work is related to the fault tree analysis, software program reliability, the installation and evaluation of an EMI detector, safety analyses, and final certification. It is anticipated that the evaluation of the 1MW pilot FESS installation will be completed in the first quarter of 2003. In addition, NYCT plans to upgrade the 1MW FESS to a 2MW system, which will require similar EMI testing and measurements, and safety and reliability analyses prior to certifying the new design for implementation throughout the NYCT system. A two-year extension is now requested in order to complete the original scope of services for the certification of the 1MW FESS, as well as to perform EMI measurements, safety and reliability analyses for the upgraded 2MW system, which utilizes the next generation flywheel. The current contract amount is \$379,892; it is anticipated that an additional \$770,000 may be required for the extended term (\$170,000 to complete the original scope of work for the 1MW FESS and an estimated \$600,000 for EMI and safety analyses on the 2MW FESS system). The Trustees’ approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$1,149,892. It should be noted that all costs will be recovered by the Authority.

“The contract with **Van Ness Feldman P.C. (‘VNF’; S98-00371)** provides for strategic advice and counsel to the Authority relating to the relicensing process of the Niagara and St. Lawrence – F.D. Roosevelt Power Projects (‘Projects’) and the substantive issues involved. In addition, this firm has significant experience and familiarity with the Federal Energy Regulatory Commission (‘FERC’) and with issues of national policy relating to environmental and hydro-licensing concerns, and has the resources to supplement the efforts of Authority staff when necessary. The original agreement became effective on February 1, 1998 for an initial term of one year. At their meeting of December 15, 1998, the Trustees approved a two-year extension through January 31, 2001 and a total contract amount of \$600,000. An additional two-year extension and an increase in the compensation ceiling to \$1,761,735 were approved by the Trustees at their meeting of December 19, 2000. An additional \$440,000 was subsequently authorized in accordance with the Authority’s Expenditure Authorization Procedures. VNF has been an integral part of the Relicensing Teams for both Projects and it is anticipated that the firm will continue to play a critical role in the relicensing process, as well as in the implementation phase. VNF has also been instrumental in assisting the Authority in recovering \$1.48 million in FERC overcharges, based on the inclusion of unwarranted administrative costs submitted by eight federal agencies under the Energy Policy Act of 1992. Since the continuation of VNF’s experience and expertise is necessary in assisting in-house counsel on relicensing matters for the Projects, an additional two-year extension is now requested. In addition, the Authority will require the assistance of experienced FERC counsel in Washington, D.C. to address federal energy policy issues involving reform of the licensing and relicensing process under the Federal Power Act, and VNF is well-suited for this role. The current contract amount is \$2,201,735; it is anticipated that an additional \$500,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through January 31, 2005 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$2,701,735.

### FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2003 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment for contracts in support of the Research & Technology Development and Energy Services Programs will be made from the Energy Conservation Effectuation and Construction Fund.

### RECOMMENDATION

“The Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Vice President and Chief Engineer, the Vice President – Project Management, the Chief Information Officer, the Director – Research and Technology Development, the Director – Energy Services, the Director – Corporate Services, the Director – Employee and Labor Relations, the Director – Communications and Marketing Services, the Director – Power System Operations, the Regional Manager – Central New York, and the Regional Manager – Southeast New York, recommend the Trustees’ approval of the extensions and additional funding of the procurement contracts listed in Exhibit ‘8-A’, as well as an increase in the compensation ceiling of the procurement (services) contracts with Conectiv Operating Services Company, Turner Engineering Company, and Van Ness Feldman PC, and an increase in the combined compensation ceiling of the contracts with Acres International Corp. and Proto-Power Corp.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Transmission, the Senior Vice President – Public and Governmental Affairs, and I concur in the recommendation.”

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

*Responding to questions from Trustee Seymour, Messrs. Hoff and Tscherne discussed the logistics of the Authority's contract with DMJM + Harris and of that firm's various projects at the Empire State Plaza in Albany.*

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

**“RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit “8-A” is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further**

**“RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Conectiv Operating Services Company, Turner Engineering Company, and Van Ness Feldman PC, as well as an increase in the combined compensation ceiling of the contracts with Acres International Corp. and Proto-Power Corp., be, and hereby are, approved as recommended in the foregoing report of the President and Chief Executive Officer in the amounts and for the purposes listed below:**

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<b>Provide Operations &amp; Maintenance support for ten gas turbine units (LM6000s), installed as part of the PowerNow! Project:</b>		
<b>Conectiv Operating Services Company 4500039794</b>		
<b>Additional Funding Requested</b>	<b>\$9,000,000</b>	<b>12/31/04</b>
<b>Previously Approved Contract Amount</b>	<b>\$12,700,000</b>	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$21,700,000</u></b>	

<u>Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<b>Provide for evaluation and certification of electromagnetic interference (EMI) for the Urenco flywheel energy storage system (FESS) for use by NYCT:</b>		

**Turner Engineering Company  
4500049855**

<b>Additional Funding Requested</b>	<b>\$770,000</b>	<b>12/31/04</b>
<b>Previously Approved Contract Amount</b>	<b>\$379,892</b>	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$1,149,892</u></b>	

**O & M**

**Provide legal services re hydroelectric relicensing matters for NIA & STL and energy policy issues:**

**Van Ness Feldman PC  
S98-00371**

<b>Additional Funding Requested</b>	<b>\$500,000</b>	<b>01/31/05</b>
<b>Previously Approved Contract Amount</b>	<b>\$1,761,735</b>	
<b>Additional Funding Authorized per EAPs</b>	<b>\$440,000</b>	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$2,701,735</u></b>	

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<p><b>Provide for professional design engineering and consulting services for the operation &amp; maintenance of the Authority's hydroelectric, pumped storage and fossil fuel generation projects, transmission and other support facilities:</b></p>		
<p><b>Acres International Corporation 4600000497</b></p>		
<p><b>Proto-Power Corp. 4600000496</b></p>		
<b>Additional Funding Requested</b>	<b>\$1,150,000</b>	<b>06/30/04</b>
<b>Previously Approved Combined Total</b>	<b>\$1,300,000</b>	
<b>Additional Amount Authorized per EAPs</b>	<b><u>\$ 300,000</u></b>	
<b>REVISED AGGREGATE COMPENSATION CEILING</b>	<b><u>\$2,750,000</u></b>	

**9. Services in Support of the Long Island Power Authority's Capacity Program – Summer 2003**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Long Island Power Authority’s (‘LIPA’) Trustees have requested the Power Authority’s assistance in the implementation of LIPA’s program to add capacity to the power system on Long Island for the summer of 2003. The requested services would be provided by the Power Authority’s Code Enforcement Unit and the Real Estate Department. This item is in support of LIPA’s program and requests authority to acquire through purchase, appropriation, or transfer of jurisdiction of certain real property located in the North Bellport area of the Town of Brookhaven on Long Island. This property will be used by LIPA for the construction, operation and maintenance of a 79.9 MW turbine generator. The construction of the facility is called the North Bellport Energy Center Project (the ‘Project’). Such acquisition, appropriation, or transfer of jurisdiction may also include permanent or temporary easements necessary for the construction, operation, and maintenance of generating facilities which will help meet the need for additional generating capacity and improved system reliability for the summer of 2003.

DISCUSSION

“LIPA has informed the Authority that there is a need for immediate action to add at least 200 MW of new generating capacity on Long Island to be in operation beginning in the summer of 2003. Immediate action is required to assure that there is an adequate supply of electricity and to help protect and preserve human life, health, property, and natural resources against the potentially serious adverse consequences of a shortfall next summer in generating capacity on Long Island. LIPA has informed the Authority that the maintenance of a continuous and reliable supply of electric power and energy within Southeastern New York is an essential matter of urgent concern to the general public. The proposed acquisition of real property will support this action.

“LIPA is in the process of concluding negotiations with PSEG Power Development, LLC (an affiliate of Public Service Electric and Gas Co.) for the construction of a single cycle General Electric (‘GE’) Frame 7 EA natural gas turbine generator which would generate 79.9 MW at the Project site. The turbine is to be constructed at the North Bellport site on Long Island on an expedited schedule to meet projected demand for the summer of 2003.

“LIPA's staff, in consultation with the project sponsors, outside engineers and environmental consultants, identified an 18 acre site in Suffolk County that is appropriate for siting the turbine. Presently, the reputed owner of this 18 acre site is Zorn and Company. LIPA must acquire real estate interests respecting this site, including but not limited to any temporary easements necessary for development, operation and maintenance of the Project. The real estate interests in the sites must be acquired in sufficient time to help ensure that the turbine is operational by the summer of 2003. LIPA has informed the Authority that the installation schedule requires immediate acquisition of the site.

“On November 14, 2002, LIPA as lead agency, performed an assessment of the potential environmental impacts of the Project and its individual components as required by the State Environmental Quality Review Act (‘SEQRA’). That assessment culminated in the production of the comprehensive Environmental Assessment (the ‘EA’). The EA concluded that the proposed Project, while a ‘Type I’ action under SEQRA, will not, either individually or cumulatively, have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA. By their action on November 14, 2002, the LIPA Trustees: (1) adopted the comprehensive EA; and (2) authorized the filing and publication of a Negative Declaration for the Project.

“On November 14, 2002, the LIPA Trustees further approved a separate resolution authorizing LIPA to acquire the necessary real estate interests in order to install the turbine. LIPA lacks the necessary Eminent Domain expertise and resources that would permit it to accomplish this goal on time.

Accordingly, LIPA has requested the Authority's assistance in acquiring or appropriating property at North Bellport in Brookhaven upon which to install the turbine. The Authority's real estate staff, with the support of the Commissioner of Transportation and his staff, have the requisite expertise to acquire the real property rights on an expedited schedule.

“Under Public Authorities Law (‘PAL’) Section 1020-f (h), all state agencies, including the Authority, are authorized to do all things necessary to assist LIPA in its endeavors. Further, under the seventh undesignated paragraph of PAL, Section 1005, the Authority with LIPA’s concurrence, is authorized to assist upon such terms and conditions as LIPA deems reasonable, in constructing generating, transmission and related facilities within LIPA's service territory. Section 1005 also grants the Authority broad power to assist in maintaining a continuous and adequate supply of dependable electric power and energy, particularly in Southeastern New York. Accordingly, the Authority is authorized to undertake the activities requested by LIPA, for such activities will assist LIPA in constructing generating facilities which in turn are necessary to maintain the reliability of the electric system on Long Island. In addition, any failure of such electric system would have grave consequences for the portion of this State's electric system outside of Long Island and for the Authority's Southeastern New York customers.

#### FISCAL INFORMATION

“The costs incurred in connection with the acquisition of such property and payment for the time spent by the Power Authority's staff in support of LIPA will be recovered pursuant to the memorandum of understanding between the Authority and LIPA which is currently being negotiated.

#### RECOMMENDATION

“For the foregoing reasons, the Deputy General Counsel and the Vice President - Contracts and Real Estate recommend that the Trustees approve and adopt the attached Resolution authorizing the Chairman and/or the President and Chief Executive Officer and their designees to take all steps necessary to acquire through purchase, appropriation, or transfer or jurisdiction the site and any temporary or permanent easements deemed necessary, to take any actions necessary to effect such acquisitions and to further delegate to the Chairman and/or the President and Chief Executive Officer, the authority to approve the payments to be made for the appropriation of the site.

“The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation.”

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

*Responding to questions from Trustee Seymour, Mr. Clemente confirmed that PSEG Power Development, LLC is currently negotiating to build the proposed turbine generator for LIPA.*

*Responding to questions from Vice Chairman McCullough, Mr. Blabey reported that the LIPA has been promptly reimbursing the Authority, in accordance with the applicable memorandum of understanding, and noted that Ms. Denise Baker has done an excellent job of staying on top of this billing process.*

*Responding to further questions from Trustee Seymour, Mr. Clemente discussed pending and potential litigation matters related to the LIPA program. Mr. Clemente also noted that LIPA previously built nine generators last year and proposes to build four more under its current program.*

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

**RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary or convenient to acquire in fee simple or leasehold, by purchase, appropriation, or transfer of jurisdiction the real property on which to develop a generating site and any permanent or temporary easements or other interests which are necessary or convenient for the development of the North Bellport Energy Center Project and hereby finds and determines that such real property is required for a public use; and hereby determines that such real property is reasonably necessary for the construction, maintenance, and operation of the North Bellport Energy Center Project so as to maintain the reliability of the electric system on Long Island and in Southeastern New York; and hereby further finds that the absence of adequate electric capacity on Long Island creates a situation in which the public interest will be endangered by any delay caused by the public hearing requirement of Article 2 of the Eminent Domain Procedure Law; and be it further**

**RESOLVED, That the Chairman and/or the President and Chief Executive Officer or their designees be and hereby is authorized to take all steps necessary to acquire certain real property interests in the North Bellport site as discussed in the foregoing report and as may be necessary or advisable to assist LIPA in effectuating its North Bellport Energy Center Project by acquisition, appropriation, or transfer of jurisdiction and to approve the payments to be made for the acquisition of the site; and be it further**

**RESOLVED, That the President and Chief Executive Officer, the Executive Vice President - Power Generation, the Vice President and Chief Engineer, or the Vice President - Project Management be, and hereby are, authorized and directed to execute on behalf of the New York Power Authority such certificates, agreements, documents, and directions, and to take all other actions as are necessary for the appropriation of such real property, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

**RESOLVED, That the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, or the Director of Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, leases, indentures, papers or instruments which may be deemed necessary or advisable to carry out the foregoing, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof.**

**10. Motion to Conduct Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session in connection with certain contractual matters relating to particular persons and corporations.”

*On motion duly made and seconded, an Executive Session was held at approximately 11:45 a.m. in connection with certain contractual matters relating to particular persons and corporations.*

**11. Marcy South Transmission Facilities - Monticello Maintenance Center – Authorization to Sell Property**

The President and CEO submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize the President and Chief Executive Officer to sell approximately 27 acres of land and improvements in the Town of Thompson, County of Sullivan, as shown and described on Exhibit ‘10-A’, to the County of Sullivan.

**BACKGROUND**

“By Resolution adopted at their meeting of February 26, 1985, the Trustees approved the acquisition of approximately 47.782 acres of land located in the Town of Thompson, Sullivan County. This property is shown on Power Authority of the State of New York, Map No. ST-1146, Parcel No. 1146. The Authority purchased the property in July 1985 for the construction of the Monticello Maintenance Facility (‘Facility’) at a cost of \$78,000 or approximately \$1,630 an acre. The Facility was constructed in 1988 at a cost of approximately \$7,625,000. At November 30, 2002, the net book value (undepreciated cost) of the Facility will be approximately \$5,208,000.

“The Facility includes a 19,000 ± square foot building with garage facilities, several offices, conference rooms, kitchen facilities, and approximately seven acres of blacktop surrounded by security fencing. The Facility was constructed and has been used for the last twelve years to house staff and material in support of the maintenance of the southeastern portion of the Marcy-South Transmission Facilities, including the Hudson River crossing. Due to a decision to centrally locate this function out of the Blenheim-Gilboa facility, the Monticello Maintenance Facility has now become surplus to the Authority's needs. The Authority is prepared to sell the Facility, the seven acres on which the Facility is located and approximately 20 contiguous acres. The Authority would retain approximately 20 acres of unimproved property and additional access and utility easements for future use.

**DISCUSSION**

“Following the establishment of surplus status for the facility, the Authority obtained two appraisals for the entire 47.782 acre parcel including improvements setting the local real estate market valuations at approximately \$707,000 and \$970,000. With appraisals in hand, the Authority received two unsolicited offers for the purchase of the Facility; one from the County of Sullivan (‘County’), and one from the Town of Thompson (‘Town’), located in Sullivan County. Based upon the unsolicited bids, the Authority requested the County and Town to make offers for the facility based upon the following criteria:

- Best and final price.
- How much additional lands outside the seven acre fenced property was sought to be acquired.
- Proposed use of the facility and the impact of such use on the local community, if any.

“The Town offered to purchase the Facility and the seven acre parcel within the fence line for \$1,025,000 together with an undefined and unmeasured area sufficient to maintain the fenced property. The Town made no offer for any additional lands. The Town would use the Facility for Town maintenance purposes, and the Town would vacate its current location.

“The County offered \$750,000 for the seven acre parcel and Facility together with 20 additional acres. The County would use the Facility for county maintenance purposes (i.e. to service hundreds of miles of roads, 400 bridges, and 100 buildings). Further, the County stated that if it consummates the purchase of the Facility, it would then sell its current land and improvements, located in the Town of Thompson, to the Center for Discovery (‘Center’). The Center is a private, not-for-profit agency serving a

mentally and physically challenged population. The acquisition by the Center of the current County facility would allow the Center to do a much needed and anticipated expansion and, in so doing, create at least 30 new full-time jobs. In order to assure such employment, the Authority requested the County to commit to conveying its present facility to the Center, and that the Center commit to creating at least thirty new full-time jobs within a three-year time frame of the commencement of its expansion project. The County is willing to make these commitments and in addition, if the promised jobs fail to be created within the three-year time frame, the County has stated it will pay to the Authority an additional \$275,000.

“Neither proposed offer reflects the existing book value of the facility and its innate value. However, the offers are consistent with the appraisals and the Authority will save approximately \$500,000 per year in operating and maintenance costs from selling the facility. Taking into consideration all of these circumstances, and since the Authority will be in effect making a major ‘contribution’ of value to whomever it sells the facility, staff believes that a sale of the property should be made in a manner that most benefits the local community. Since the County has many more residents than the Town, staff believes it better represents the local community. Further, the proposed transfer of property between the County and the Center for Discovery will also benefit the community through the creation of additional employment in the area. Under these circumstances, staff believes that the property should be sold to the County if fair and reasonable consideration may be obtained.

#### FISCAL INFORMATION

“Proceeds of a sale would be deposited in the Operating Fund and partially offset the \$5,208,000 million un-recovered capital cost of the Facility.

#### RECOMMENDATION

“The Vice President - Procurement and Real Estate recommends that the President and Chief Executive Officer be authorized to sell the Facility and 27 acres of land to the County of Sullivan on fair and reasonable terms consistent with this report.

“The Executive Vice President - Power Generation, the Senior Vice President – Public and Governmental Affairs, and the Deputy Secretary and Deputy General Counsel and I concur in the recommendation.”

*The Trustees unanimously voted to approve staff’s recommendations subject to the amendments discussed during the executive session.*

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

**RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds and determines: that the real property and improvements on the land shown and described as Exhibit “10-A” is no longer required for Authority use; that such real property and improvements may be conveyed by the Authority to the County of Sullivan for such fair and reasonable consideration as may be negotiated by the President and Chief Executive Officer with the assistance of such staff as he requires; that as part of such consideration for such sale, the President and Chief Executive Officer may accept the County of Sullivan’s conveyance of certain of its property to the Center for Discovery; and that the sale of such real property and improvements to the County for such fair and reasonable consideration will not result in a significant adverse environmental impact; and be it further**

**RESOLVED, That the President and Chief Executive Officer, or his designee, is authorized on behalf of the Authority, to execute a contract for sale and deed for such real property and improvements, together with such other agreements, papers, or instruments which may be necessary**

**December 17, 2002**

**or desirable to carry out the foregoing, subject to approval as to form of all such documents by the Executive Vice President, Secretary and General Counsel.**

12. **Voluntary Contribution Resolution**

*The Trustees unanimously voted to approve staff's recommendations.*

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

“Mr. Chairman, I move to resume the meeting in Open Session.”

**14. Quarterly Review of Power For Jobs Employment Commitments**

The President and Chief Executive Officer 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 1<sup>st</sup> Quarter of 1998, 1999, 2000 and 2001. The Authority had 107 customers first receiving power in the 1<sup>st</sup> Quarter of these years.

“Thus, staff reviewed a total of 107 contracts. This initial review resulted in a detailed examination of 34 contracts with customers that were below the 90% job commitment threshold.

**BACKGROUND**

“The 107 contracts reviewed represent overall power allocations of 87.755 MW and total employment commitments of 56,483 Total jobs. In the aggregate, these customers reported actual employment of 62,146.31 positions, which represents some 110.03% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 34 customers whose actual job levels are below the minimum threshold.

**DISCUSSION**

“At their meeting of March 26, 2002, the Trustees approved a one year moratorium against taking enforcement action against customers when their actual employment levels fall short of their agreed upon employment commitments. As a result, the following discussion of PFJ customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit ‘14-A’.

**Acme Architectural Products, Inc.**, Brooklyn, Kings County

**Allocation:** 1000 kW of Power for Jobs Power

**Jobs Commitment:** 665 jobs

**Background:** Acme Architectural Products, Inc. (‘Acme’) is a privately-owned company that was founded in 1924 and is now a leading manufacturer of building products for the construction industry. Acme is one of the largest manufacturers in Brooklyn. The company manufactures hollow metal doors and frames, bathroom partitions, office furniture and architectural wall products. The company’s sales were affected by September 11<sup>th</sup>. For the past year Acme averaged 549.17 positions, i.e., 82.58% of its commitment. The company forecasts growth for the coming year.

**AIL Systems Inc.**, Deer Park, Suffolk County

**Allocation:** 2700 kW of Power for Jobs Power

**Jobs Commitment:** 886 jobs

**Background:** AIL Systems Inc. (‘AIL’), in business for over 50 years, is a leading systems integrator and producer of hi-tech aerospace electronics for the military and for commercial applications. EDO Incorporated purchased AIL two years ago. AIL’s employment level is continuing to decline. For the past year AIL averaged 603.42 jobs, i.e., 68.11% of its commitment.

**Barry Steel Fabrication, Inc.**, Lockport, Niagara County

**Allocation:** 75 kW of Power for Jobs Power

**Jobs Commitment:** 49 jobs

**Background:** Barry Steel Fabrication, Inc. ('Barry Steel') founded 26 years ago is a privately-owned company. Barry Steel designs and fabricates steel structures such as steel columns, beams, stairways and railings, as well as complete buildings. For the past year Barry Steel averaged 31.83 jobs, i.e., 64.97% of its commitment. After facing tough economic times Barry Steel's business is picking up. They just got some big customers and are hiring again. Though as a policy Barry Steel prefers to use overtime and double time instead of hiring new employees, the company foresees considerable hiring soon, as some casinos will be opening nearby.

**Brodock Press, Inc.**, Utica, Oneida County

**Allocation:** 400 kW of Power for Jobs Power

**Jobs Commitment:** 113 jobs

**Background:** Founded in 1960, Brodock Press Inc. ('Brodock') is a high quality commercial color printing company. The economic downturn and September 11<sup>th</sup> seriously hurt business this past year, as most of Brodock's business is in NYC. For the past year Brodock averaged 98.50 jobs, i.e., 87.17% of its commitment. The company has begun to see a turnaround and they expect to meet their commitment next year.

**Buffalo Technologies Corp.**, Buffalo, Erie County

**Allocation:** 350 kW of Power for Jobs Power

**Jobs Commitment:** 73 Jobs

**Background:** Buffalo Technologies Corp. is a privately-owned company in business over 90 years. The company custom designs and manufactures energy efficient, high quality processing equipment for the food, chemical and pharmaceuticals industries. Buffalo Technologies is one of the few companies that can offer product design, testing, engineering and manufacturing in one location. This past year was Buffalo Technologies worst year. Buffalo's customers are making 50% fewer orders. Their facility is too big and expensive to maintain and they are currently looking for a much smaller facility to move into. For the past year Buffalo Technologies averaged 58.83 jobs, i.e., 80.59% of its commitment. The sales force is working very hard to find business.

**Cameron Fabricating Corporation**, Horseheads, Chemung County

**Allocation:** 325 kW of Power for Jobs Power

**Jobs Commitment:** 142 jobs

**Background:** Cameron Fabricating Corporation ('Cameron'), founded in 1983, is a high-end manufacturer of custom fabricated metal products and services. Though initially the company's main markets were for food related manufacturing, the company has since expanded markets. Business remains steady for Cameron though the economy is hurting. The company has a policy of utilizing overtime rather than hiring new employees. Cameron would meet its commitment if it could count overtime into its FTEs. For the past year Cameron averaged 125.83 jobs, i.e., 88.61% of its commitment.

**Cecilware Corp.**, Long Island City, Queens County

**Allocation:** 400 kW of Power for Jobs Power

**Jobs Commitment:** 400 jobs

**Background:** Cecilware Corp. is a privately held company in business since 1911. Cecilware manufactures equipment for the food services industry including, cappuccino machines, coffee machines and fryers. Cecilware was strongly impacted by September 11<sup>th</sup> and the economic downturn. For the past year Cecilware Corp. averaged 295.92 jobs, i.e., 73.98% of its commitment. The company sees growth for the coming year as they have a very big order starting in January 2003.

**Distributor Data Forms, Inc.**, Cortland, Cortland County

**Allocation:** 100 kW of Power for Jobs Power

**Jobs Commitment:** 24 jobs

**Background:** Distributor Data Forms, Inc., founded in 1986, manufactures custom continuous and snap out business forms, as well as performs some commercial printing. Poor economic conditions have made

times difficult for Distributor Data Forms but the reported employment level is currently being maintained. For the past year Distributor Data Forms, Inc. averaged 19.33 jobs, i.e., 80.56% of its employment commitment. The company is trying to expand into new areas of business but growth is slow. Distributor expects to hire more employees in the spring.

**Divine Brothers Company**, Utica, Oneida County

**Allocation:** 375 kW of Power for Jobs Power

**Jobs Commitment:** 183 jobs

**Background:** Divine Brothers Company, founded in 1892, originally manufactured quality buffing wheels to industry, but has since expanded to finishing products, industrial casters and wheels and specialty molded polyurethane products. Divine Brothers had a difficult time this past year due to a decrease in orders. For the past year Divine Brothers Company averaged 146.83 jobs, i.e., 80.24% of its employment commitment. Since reporting, orders have increased and the company added 15 jobs, bringing them to within 2 jobs of their commitment. Divine Brothers expects to meet their commitment by the end of this year.

**Empire Coating, Inc.**, Albion, Orleans County

**Allocation:** 150 kW of Power for Jobs Power

**Jobs Commitment:** 35 base jobs and 8 created jobs by end of third year

**Background:** Empire Coating, Inc. ('Empire'), founded in 1989, is a surface coater for manufacturers in both the U.S. and Europe. The company applies liquid coatings for military applications, and the image and screen print businesses. Empire has been strongly affected by the downturn in the economy this past year. The company has been very aggressive in seeking new business and has modernized their facility for peak efficiency in response to the downturn. For the past year Empire Coating, Inc. averaged 28.42 jobs, i.e., 81.20% of its employment commitment. Due to Empire's new small powder coating department's growth the company was able to save three positions; with continued growth forecast for this department.

**Exolon-ESK Company**, Tonawanda, Erie County

**Allocation:** 600 kW of Power for Jobs Power

**Jobs Commitment:** 130 jobs

**Background:** Exolon-ESK Company, in business since 1914, manufactures silicone carbide and fused aluminum oxide used for the abrasive, refractory and metallurgical industries. The company's main customers are grinding wheel manufacturers, refractory producers and granite quarries. Exolon-ESK faced a very difficult year against Chinese competitors. In August 2001 the company was acquired by Washington Mills Electro Minerals Company, becoming a wholly owned subsidiary of Washington Mills. Administrative functions have been consolidated into Washington Mills Niagara Falls facility. For the past year Exolon-ESK Company averaged 80.50 jobs, i.e., 61.92% of its employment commitment. Though the plan has been to direct Washington Mills Electro Minerals' processing needs through Exolon-ESK's facility, producing job growth, the downturn in the economy has forced the company to maintain their current employment level.

**Fitzpatrick & Weller, Inc.**, Rochester, Monroe County

**Allocation:** 1000 kW of Power for Jobs Power

**Jobs Commitment:** 230 jobs

**Background:** Fitzpatrick & Weller, Inc., is a family owned business operating since 1895 as a woodworking company. The company manufactures furniture components, casket parts, staircase parts, kitchen cabinet parts, as well as, hardwood lumber. They had a very tough year, forcing them to lay-off many employees. However, Fitzpatrick has rebounded by 39 jobs since its low point of 131 employees in January 2002. For the past year Fitzpatrick & Weller, Inc. averaged 165.92 jobs, i.e., 72.14% of its employment commitment. Though the company does not forecast growth of more than an additional 10 jobs, they do see growth, as Fitzpatrick has been placed on a preferred supplier list for a group of four domestic factories ensuring continued work. Additionally, Fitzpatrick has undergone implementation of lean manufacturing concepts and invested in new equipment.

**Frontier Corp.**, Rochester, Monroe County

**Allocation:** 4000 kW of Power for Jobs Power

**Jobs Commitment:** 3271 base jobs and 264 created jobs by the end of third year

**Background:** At the time of application Frontier Corp. ('Frontier') was the overall 12<sup>th</sup> largest phone company in the US and the 6<sup>th</sup> largest long distance provider. The company also is a major leader in internet data transmission and web hosting. Frontier hosts some of the world's largest web sites including, Yahoo and Netscape and handles 60% of all internet searches. In 1999 Frontier merged with Global Crossing LTD. This past year Global Crossing filed for Chapter 11 protection. Though now separate from Global, Frontier's current situation is due to Global's problems. For the past year, Frontier averaged 2427.00 jobs, i.e., 74.20% of its contractual commitment.

**Hadco Corporation**, Owego, Tioga County

**Allocation:** 2400 kW of Power for Jobs Power

**Jobs Commitment:** 1156 jobs

**Background:** Hadco Corporation, based in New Hampshire, purchased the Owego site in 1979. The company is a leading developer and supplier of advanced interconnect products and services. The Owego plant is a high-volume multilayered printed circuit board manufacturing facility. For the past year Hadco Corporation averaged 991.50 jobs, i.e., 85.77% of its employment commitment. They blame the overall economic situation for their shortfall.

**Imaging and Sensing Technology Corporation**, Horseheads, Chemung County

**Allocation:** 700 kW of Power for Jobs Power

**Jobs Commitment:** 176 jobs

**Background:** Founded in 1988, Imaging and Sensing Technology Corporation, manufactures analytical lamps, electro-optical devices, environmental instruments, high current DC switches, sensors and controls, and visual imaging systems. During 2001, Imaging and Sensing sold two of its businesses and lost the associated personnel. The sale of the businesses in conjunction with the poor economy has impacted the company. For the past year Imaging and Sensing Technology Corporation averaged 126.42 jobs, i.e., 71.83% of its employment commitment. In response to the downturn, the company invested in acquiring an instruments group and has been bringing workers to NY from that group's facilities in Vancouver, Canada and Austin, Texas.

**Isola Laminate Systems**, Hoosick Falls, Rensselaer County

**Allocation:** 750 kW of Power for Jobs Power

**Jobs Commitment:** 147 jobs

**Background:** Formed in 1980 as Allied Signal Laminates, the company was purchased in 1999 by Isola Laminate Systems. The company manufactures copper clad laminates and prepreg products for the printed circuit board industry. Due to September 11<sup>th</sup> and some other economic factors, the facility has had to temporarily shut down this year. For the past year Isola Laminate Systems averaged 40.92 jobs, i.e., 27.83% of its employment commitment. There are plans to begin production again either by the end of this year or during the first quarter of 2003.

**J. C. Plastics, Inc.**, Rochester, Monroe County

**Allocation:** 150 kW of Power for Jobs Power

**Jobs Commitment:** 28 jobs

**Background:** J. C. Plastics, Inc. has been in business since 1977. The company is a custom injection molded plastics manufacturer. The past year was difficult for J. C. Plastics. The employment level is currently at 15 FTEs. For the past year J. C. Plastics, Inc. averaged 20.92 jobs, i.e., 74.70% of its commitment. They have grown since reporting and expect to have five more FTEs in about six months.

**J. J. Cassone Bakery Inc.**, Port Chester, Westchester County

**Allocation:** 450 kW of Power for Jobs Power

**Jobs Commitment:** 247 jobs

**Background:** J.J. Cassone Bakery Inc., is a family owned bakery in business over 90 years, baking bread loaves, rolls, cakes, donuts and pastries. For the past year J. J. Cassone Bakery Inc. averaged 207.08 jobs, i.e., 83.84% of its employment commitment.

**Jada Precision Plastics Corporation**, Rochester, Monroe County

**Allocation:** 375 kW of Power for Jobs Power

**Jobs Commitment:** 91 jobs

**Background:** Jada Precision Plastics Corporation ('Jada'), founded in 1967, is a custom injection molder of thermoplastic materials for the automotive, business machine and imaging industries. For the past year Jada averaged 61.00 jobs, i.e., 69.32% of its employment commitment. Jada is currently at 75 FTEs, i.e., 82.41% of its job commitment. The company is cautiously optimistic about continued growth and meeting its commitment.

**Jamestown Advanced Products, Inc.**, Jamestown, Chautauqua County

**Allocation:** 300 kW of Power for Jobs Power

**Jobs Commitment:** 113 jobs

**Background:** Jamestown Advanced Products, Inc., founded in 1987, manufactures metal grease interceptors, floor drains, steel pallets, campground equipment, and mailboxes. For the past year Jamestown Advanced Products, Inc. averaged 99.42 jobs, i.e., 87.98% of its employment commitment. The company currently meets its commitment at 105 jobs, i.e., 92.92% of its commitment.

**Kozy Shack, Inc.**, Hicksville, Nassau County

**Allocation:** 1000 kW of Power for Jobs Power

**Jobs Commitment:** 139 jobs

**Background:** Kozy Shack, Inc., founded 35 years ago in Brooklyn, moved to Hicksville in 1994. The company manufactures dairy puddings - rice, chocolate, tapioca, and flan. For the past year Kozy Shack, Inc. averaged 120.50 jobs, i.e., 86.69% of its employment commitment. Kozy Shack added a second shift recently and expects job growth in 2003.

**Kraft Foods**, Walton, Delaware County

**Allocation:** 1000 kW of Power for Jobs Power

**Jobs Commitment:** 180 jobs

**Background:** Kraft Foods has had this facility since 1912 and manufactures cottage cheese, sour cream and premium dips. Kraft eliminated a truck fleet as part of a streamlining process, as well as, discontinued a product line, accounting for a drop of about 30 positions. For the past year Kraft Foods averaged 151.08 jobs, i.e., 83.94% of its employment commitment. The company will be adding a lot of new production in 2003, which will require more workers, bringing the company into compliance shortly.

**Marlette National Corporation**, Buffalo, Erie County

**Allocation:** 500 kW of Power for Jobs Power

**Jobs Commitment:** 102 jobs

**Background:** Marlette National Corporation, based in Wisconsin, with a Buffalo facility since the 1920s, is an electroplating firm for the automotive industry – chrome finishing radiators and bumpers. Though business was slow in 2001 for Marlette, it has since picked up and the company is at 60 employees with four more to be hired by December. For the past year Marlette National Corporation averaged 48.08 jobs, i.e., 42.93% of its employment commitment. The company foresees continued growth.

**Midstate Spring Inc.**, Syracuse, Onondaga County

**Allocation:** 140 kW of Power for Jobs Power

**Jobs Commitment:** 50 jobs

**Background:** Midstate Spring Inc., founded in 1939, manufactures precision springs, wire forms and four slide parts. The economy has hurt Midstate Spring. Sales are significantly down and the company continues to have difficulty. For the past year Midstate Spring Inc. averaged 32.17 jobs, i.e., 64.33% of its employment commitment.

**Novapak Corporation**, Philmont, Columbia County

**Allocation:** 700 kW of Power for Jobs Power

**Jobs Commitment:** 153 jobs

**Background:** Novapak Corporation is a custom extrusion blow molder of plastic containers for the cosmetics, medical, specialty and industrial markets. Novapak's sales dropped significantly this past year. The company reduced its work force through attrition rather than lay-offs. For the past year Novapak Corporation averaged 132.33 jobs, i.e., 86.49% of its employment commitment. Though the company is not sure of when they will grow further, they are maintaining their current employment level.

**Par Foam Products, Inc.,** Buffalo, Erie County

**Allocation:** 185 kW of Power for Jobs Power

**Jobs Commitment:** 202 jobs

**Background:** Par Foam Products, Inc., a minority owned and operated company, manufactures products made out of sponge, rubber foam and plastic for major industrial customers. Par Foam's business slowed dramatically after September 11<sup>th</sup>, forcing the company to lay people off. For the past year Par Foam Products, Inc. averaged 162.58 jobs, i.e., 80.49% of its employment commitment. Par Foam's customer base is in the automotive industry and since that sector has improved the company has had an upswing and foresees meeting its commitment within six months.

**PCB Piezotronics, Inc.,** Depew, Erie County

**Allocation:** 600 kW of Power for Jobs Power

**Jobs Commitment:** 451 jobs

**Background:** PCB Piezotronics, Inc. manufactures piezoelectric transducers for measurements of pressure, force and vibratory phenomena, as well as, related electronic instrumentation for tailoring the transducers signal to customer requirements. Part of the company was spun-off last year, accounting for fifteen employees lost, in addition to the economy hurting business. For the past year PCB Piezotronics, Inc. averaged 354.83 jobs, i.e., 78.68% of its employment commitment. Since reporting, hiring has dramatically increased and the company expects to meet its commitment soon, having received record bookings in the past three months.

**Precision Systems Manufacturing, Inc.,** Liverpool, Onondaga County

**Allocation:** 200 kW of Power for Jobs Power

**Jobs Commitment:** 81 jobs

**Background:** Precision Systems Manufacturing, Inc., in jeopardy of being liquidated, was bought by its current owners in 1998. Precision provides machining, sheet metal fabrication, certified welding, and custom design and build for special machines. The company is currently at 65 FTEs with two more to be added by the end of November. For the past year Precision Systems Manufacturing, Inc. averaged 63.75 jobs, i.e., 78.70% of its employment commitment. The company received a lot more work from a large customer and they expect continued growth.

**Producto Machine Company,** Jamestown, Chautauqua County

**Allocation:** 350 kW of Power for Jobs Power

**Jobs Commitment:** 131 jobs

**Background:** . Producto Machine Company, founded in 1928, manufactures precision tooling components for the aerospace, electronics, sheet metal, paper stamping, plastics and pharmaceutical industries. This past year was a very tough one for Producto. The company has started to see some growth and has recalled almost all people that were laid-off due to difficulties. For the past year Producto Machine Company averaged 102.42 jobs, i.e., 78.18% of its employment commitment. The company remains committed to growth and has developed some new markets.

**Southern Tier Plastics, Inc.,** Binghamton, Broome County

**Allocation:** 350 kW of Power for Jobs Power

**Jobs Commitment:** 79 jobs

**Background:** Founded in 1967, Southern Tier Plastics, Inc. is a custom molder of plastic injection parts for world-wide distribution. Business is picking up after a very tough year, with the addition of several new customers. Though orders are still down, the company has added several contract workers. For the past year Southern Tier Plastics, Inc. averaged 60.58 jobs, i.e., 76.69% of its employment commitment. Southern Tier is optimistic about growth and maintaining or growing their workforce.

**Standard Manufacturing Co., Inc.**, Troy, Rensselaer County

**Allocation:** 160 kW of Power for Jobs Power

**Jobs Commitment:** 152 jobs

**Background:** Standard Manufacturing Co., Inc. is a privately held company in business since 1924. Standard manufactures and sells apparel worldwide. The company receives raw materials and drafts, cuts, and sews them into finished products and then ships them. For the past year Standard Manufacturing Co., Inc. averaged 116.58 jobs, i.e., 76.70% of its commitment. While the past year was difficult, the company is expanding. The current employment level is 152 jobs, i.e., 100.00% of Standard's commitment.

**Syracuse China Company**, Syracuse, Onondaga County

**Allocation:** 500 kW of Power for Jobs Power

**Jobs Commitment:** 487 jobs

**Background:** Founded in 1871 as Onondaga Pottery Co., Syracuse China Company is a leader in the manufacture of chinaware in North America. Sales at Syracuse China decreased 15% in 2001, which resulted in a staffing level decline. For the past year Syracuse China Company averaged 423.17 jobs, i.e., 86.89% of its employment commitment. Since reporting, business has rebounded and the company is meeting its commitment.

**Syracuse Label Company, Inc.**, Liverpool, Onondaga County

**Allocation:** 300 kW of Power for Jobs Power

**Jobs Commitment:** 151 jobs

**Background:** Syracuse Label Company, Inc., in business since 1967, prints labels mainly for consumer products but also for industrial use. The company is currently at 121 FTEs and they are hiring again with business on the upswing. For the past year Syracuse Label Company, Inc. averaged 119.42 jobs, i.e., 79.08% of its employment commitment. Syracuse foresees growth as orders from several large customers have picked up.

**Syracuse Plastics, Inc.**, Fayetteville, Onondaga County

**Allocation:** 400 kW of Power for Jobs Power

**Jobs Commitment:** 123 jobs

**Background:** Syracuse Plastics, Inc., founded in 1953, manufactures plastic parts and components for various customers and industries, as well as, performs finishing, assembly and other contract manufacturing services. For the past year Syracuse Plastics, Inc. averaged 62.67 jobs, i.e., 50.95% of its employment commitment. Though the employment level trended up in their report to 84 jobs as of January 2002, i.e., 68.29% of its commitment, the company does not foresee much more growth.

**RECOMMENDATION**

“The Manager – Business Power Allocations and Compliance recommends that the Trustees defer action with regard to 34 companies addressed above in this memorandum of the President and Chief Executive Officer due to the one year moratorium in effect against taking enforcement action against customers whose actual employment levels fall short of their agreed upon employment commitments.

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

*Mr. Pasquale presented the highlights of this informational item to the Trustees.*

*Responding to questions from Chairman Ciminelli, Mr. Pasquale explained the next Power for Jobs report to the Trustees would be in January, 2003.*

*Trustee Carey remarked that the Trustees and Authority staff made a wise decision to enact the one-year moratorium against enforcement action, noting that several of the companies receiving*

*allocations are showing improved employment numbers. Vice Chairman McCullough and Trustee Carey stated that the challenge for the Authority going forward will be to differentiate between those companies who are likely to recover from the general economic downturn and those who are not.*

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

**RESOLVED, That the Authority hereby defers action with respect to the 34 companies identified in the report due to the one year moratorium in effect against taking enforcement action against customers whose actual employment levels fall short of their agreed upon employment commitments.**

December 17, 2002

December 17, 2002

Exhibit '14-A'

## I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average '01-'02 Jobs	Average Annual % Achieved
Acme Architectural Products, Inc.	11/24/98	PFJ	1000	665	549.17	82.58
AIL Systems Inc.	1/27/98	PFJ	2700	886	603.42	68.11
Barry Steel Fabrication, Inc.	11/24/98	PFJ	75	49	31.83	64.97
Brodock Press, Inc.	9/28/98	PFJ	400	113	98.50	87.17
Buffalo Technologies Corp.	10/27/98	PFJ	350	73	58.83	80.59
Cameron Fabricating Corporation	11/24/98	PFJ	325	142	125.83	88.61
Cecilware Corporation	10/27/98	PFJ	400	400	295.92	73.98
Distributor Data Forms, Inc.	10/27/98	PFJ	100	24	19.33	80.56
Divine Brothers Company	10/27/98	PFJ	375	183	146.83	80.24
Empire Coating, Inc.	4/27/99	PFJ	150	43	28.42	81.20
Exolon-ESK Company	9/28/98	PFJ	600	130	80.50	61.92
Fitzpatrick & Weller, Inc.	10/27/98	PFJ	1000	230	165.92	72.14
Frontier Corporation	5/25/99	PFJ	4000	3535	2427.00	74.20
Hadco Corp.	2/24/99	PFJ	2400	1156	991.50	85.77
Imaging and Sensing Technology, Corp	6/29/99	PFJ	700	176	126.42	71.83
Isola Laminate Systems	9/28/98	PFJ	750	147	40.92	27.83
J. C. Plastics, Inc.	10/27/98	PFJ	150	28	20.92	74.70
J.J. Cassone Bakery, Inc.	10/27/98	PFJ	450	247	207.08	83.84
Jada Precision Plastics Co.	10/27/98	PFJ	375	91	61.00	69.32
Jamestown Advanced Products, Inc.	10/27/98	PFJ	300	113	99.42	87.98
Kozy Shack, Inc.	1/27/98	PFJ	1000	139	120.50	86.69
Kraft Foods	9/28/98	PFJ	1000	180	151.08	83.94
Marlette National Corporation	10/27/98	PFJ	500	102	48.08	42.93
Midstate Spring, Inc.	9/28/98	PFJ	140	50	32.17	64.33
Novapak Corporation	10/27/98	PFJ	700	153	132.33	86.49
Par Foam Products, Inc.	11/24/98	PFJ	185	202	162.58	80.49
PCB Piezotronics, Inc.	10/27/98	PFJ	600	451	354.83	78.68
Precision Systems Mfg., Inc.	9/28/98	PFJ	200	81	63.75	78.70
Producto Machine Company	9/28/98	PFJ	350	131	102.42	78.18
Southern Tier Plastics, Inc.	9/28/98	PFJ	350	79	60.58	76.69
Standard Manufacturing Co., Inc.	10/27/98	PFJ	160	152	116.58	76.70
Syracuse China Company	9/28/98	PFJ	500	487	423.17	86.89
Syracuse Label Co., Inc.	9/28/98	PFJ	300	151	119.42	79.08
Syracuse Plastics, Inc.	9/28/98	PFJ	400	123	62.67	50.95

**15. 500 MW Combined Cycle Project -  
Transmission Line Contract -  
Welsbach Electric Corp. - Award**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve a contract in the amount not to exceed \$3,000,000 to Welsbach Electric Corp. of College Point, New York for the installation of the 138 kV Transmission Lines for the 500 MW Combined Cycle Project.

**BACKGROUND**

“At their meeting of October 26, 1999, the Trustees authorized the award of a contract to the General Electric Company (‘GE’) for the engineering, procurement, and delivery of the Power Island components for the 500 MW Combined Cycle Plant at the Charles Poletti Site.

“On October 1, 2002, the Siting Board granted issuance of the Certificate of Environmental Compatibility and Public Need under the Article X Proceeding. The Authority accepted the Certificate on October 8, 2002. The Public Service Commission approved the Compliance Filing, a pre-requisite for the start of construction work, on October 17, 2002.

“Engineering and design activities for the Project are complete; all power plant equipment has been released for fabrication. In September 2002, the first components, including heat recovery steam generator modules and air cooled condenser parts, were delivered to the site.

“The construction of the 500 MW Project will involve four construction contracts as follows: 1) Site Work Contract for site preparation and installation of foundation piles; 2) General Work Contract for construction and installation of the power plant equipment; 3) Fuel Supply and Bulk Storage Contract for the demolition of existing oil storage tanks and installation of new tanks including fuel oil and gas supply piping and gas metering station; and 4) Transmission Line Contract for the installation of underground and above ground transmission lines for electrical interconnection of the new generating units to Consolidated Edison Company of New York, Inc. (‘Con Edison’) electric substation.

“The Trustees approved award of the site preparation contract to NorthStar Contracting Corporation on December 18, 2001. Subsequent to receipt of the Article X Certificate and approval of the Compliance Filing, the site preparation work started on October 21, 2002. Construction work is proceeding on-schedule. To-date, about 2000 piles have been installed.

“The General Work Contract was awarded to Slattery Skanska of Whitestone, New York, and the Fuel Supply and Bulk Storage Contract was awarded to Tully Construction of Flushing, New York, as authorized by the Trustees at their meeting of November 26, 2002.

**DISCUSSION**

“The High Voltage Transmission Line Contract scope of work includes the installation of 138kV underground and above ground transmission lines including insulators, conductors and shield wires, steel poles, steel structures, grounding, and associated accessories and hardware. It also includes installation of various electrical conduits to the Con Edison substation and Poletti gas metering building for relay and protection, and instrumentation and control.

“Construction work for the transmission line facilities is scheduled to start in January 2003 to support initial start up of the plant in the Fall 2004.

“In response to a Request for Proposal for the Transmission Line Contract, six lump sum bids were received on November 14, 2002 from the following companies:

<b><u>BIDDER</u></b>	<b><u>BID AMOUNT</u></b>
Welsbach Electric Corp. (Welsbach)	\$2,748,000
NorthStar Contracting Corp. (NorthStar)	\$3,163,000
EJ Electric Installation (EJ Electric)	\$3,229,425
Mass Electric of New York (Mass Electric)	\$3,648,000
Hawkeye Electric, LLC (Hawkeye)	\$4,009,390
Five Star Electric Corp. (Five Star)	\$4,250,000

“A post-bid addendum was issued on November 21, 2002 for quotes to include additional conduit work and relay upgrade work in the diesel fire pump house. and bids were received on December 3, 2002. The revised prices including this added work are as follows:

<b><u>BIDDER</u></b>	<b><u>REVISED BID AMOUNT</u></b>
Welsbach Electric Corp. (Welsbach)	\$2,929,000
EJ Electric Installation (EJ Electric)	\$3,408,775
NorthStar Contracting Corp. (NorthStar)	\$3,659,270
Mass Electric of New York (Mass Electric)	\$3,835,430
Hawkeye Electric, LLC (Hawkeye)	\$4,215,250
Five Star Electric Corp. (Five Star)	\$4,413,000

“The added conduit work is in the scope of General Work Contract for \$517,000 as an option. Welsbach’s price for this work is approximately \$184,000. By transferring the work to this contract, the Authority would save about \$335,000.

“The proposals from the three low bidders were evaluated by a committee of Authority Project Management and Procurement Staff, and DMJM + Harris (Authority’s Construction Manager). Mass Electric, Hawkeye Electric, and Five Star Electric, the three highest bidders, were not considered for further evaluation. As part of the bid evaluation process, the three low bidders were required to provide written clarifications of their proposals including pricing, schedule and scope of work. In addition, a post-bid clarification meeting was held with Welsbach (the lowest bidder) to provide the bidder the opportunity to discuss in detail their construction capabilities, understanding of the bidding documents and bid clarifications. Welsbach clarified all issues to the satisfaction of the Authority. In addition, Welsbach took no exceptions to the commercial terms and conditions.

“Welsbach indicated that it had not made any provisions for environmental training for its personnel who would work inside Con Edison property. The cost of training would be approximately \$40,000.

“Based on the lowest price, it is recommended that the 138 kV Transmission Line work contract be awarded to Welsbach Electric Corp in an amount not to exceed \$3,000,000 which will include an allowance of \$40,000 for environmental training of contractor’s personnel as mentioned above.

**FISCAL INFORMATION**

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Procurement and Real Estate, the Vice President - Project Management, the Vice President and Chief Engineer, and the Senior Project Manager recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve award of a Transmission Line Contract in the amount not to exceed \$3,000,000 to Welsbach Electric Corp.

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

*Mr. Crouch presented the highlights of staff's recommendations to the Trustees and noted that the proposed award is consistent with the Project budget.*

*Responding to questions from Chairman Ciminelli, Mr. Crouch confirmed that proposed award amount was budgeted for.*

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, that the 138 kV high voltage transmission line contract for the 500 MW Combined Cycle Project be awarded to Welsbach Electric Corp. as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purpose listed below:**

<u>Capital</u>	<u>Expenditure Authorization</u>
500 MW Combined Cycle Project 138 kV High Voltage Transmission Line Contract	
Welsbach Electric Corp.	
Current Request	<u>\$3,000,000</u>
<b>TOTAL AMOUNT AUTHORIZED</b>	<u><b>\$3,000,000</b></u>

16. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, January 28, 2003, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

*At this time, Chairman Ciminelli, on behalf of all the Trustees, expressed appreciation and thanks to Mr. Crouch for his years of exemplary service and great accomplishments during his tenure at NYPA. Mr. Crouch thanked the Trustees and all his colleagues at the Authority for their best wishes and stated that NYPA is a great organization which represents the best of government. President Zeltmann further congratulated Mr. Hahn on his upcoming retirement, noting the great job Mr. Hahn and his security staff have done under difficult circumstances to make the Authority an industry leader in the field of plant security.*

*On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:27 p.m.*

17. Closing

Upon motion duly made and seconded, the meeting was closed at 12:39 P.M.

A handwritten signature in cursive script that reads "David E. Blabey". The signature is written in dark ink and is positioned above the typed name.

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