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

June 25, 2002

Table of Contents

	Subject	Page No.	Exhibit
1.	Minutes of the Regular Meeting held on May 28, 2002	4	
2.	Financial Reports for the Five Months Ending May 31, 2002	5	'2-A'
3.	Report from the President and Chief Executive Officer	6	
4.	Landfill Gas Power Generation Program – Expenditure Authorization and Award Resolution	7	
5.	Allocation of 17,125 kW of Replacement Power Resolution	12	'5-A'
6.	Procurement (Services) Contracts – Business Units and Facilities – Awards Resolution	17	'6-A'
7.	Procurement (Services) Contracts – Business Units and Facilities – Extensions and Approval of Additional Funding Resolution	22	'7-A'
8.	Authorization to Execute Irrevocable Letter of Credit Agreements Resolution	30	
9.	St. Lawrence/F. D. Roosevelt Power Project – Life Extension and Modernization – Voith Siemens Hydro Power Generation – Increase in Contract Value and Expenditure Authorization Resolution	31	
10.	Delegation of Authority to Enter into Energy-Related Transactions, Fuel Related Transactions, and Hedging Transactions Related to Energy and Fuel Resolution	34	'10-A'
11.	Poletti 500 MW Combined Cycle Project – Lease from Con Edison – Storage and Lay Down Area Resolution	35	'11-A' '11-B'
12.	New York State and Local Employees' Retirement System – Retirement Incentive Resolution	37	

	Subject	Page No.	Exhibit
13.	Power Now! Project – General Work Contract – Slattery Skanska, Inc. – Authorization of Final Payment Resolution	41	
14.	Motion to Conduct an Executive Session	43	
15.	Motion to Resume Meeting in Open Session	44	
16.	Next Meeting	45	
17.	Closing	46	

June 25, 2002

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
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President – Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President - Chief Engineer
Anne Wagner-Findeisen	Vice President - Ethics & Regulatory Compliance and Deputy Secretary
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
George L. Johansen	Inspector General
Dennis T. Eccleston	Chief Information Officer
John J. Hahn	Deputy Inspector General
Gerard V. Loughran	Assistant General Counsel – Human Resources and Labor Relations
George W. Collins	Treasurer
John L. Osinski	Executive Director – Regulatory Affairs
Gary Paslow	Executive Director – Policy Development
John R. Bopp	Director – Compensation and Employee/Labor Relations
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director - Accounting
Angelo S. Esposito	Director – Energy Services
John B. Hamor	Director – Intergovernmental Relations
Douglas M. Kerr	Director – Marketing Planning and Pricing
Mark D. O'Connor	Director – Real Estate
William V. Slade	Director – Environmental Division
Shalom Zelingher	Director – Research and Technology Development
Michael A. Saltzman	Senior Information Specialist
William Helmer	Special Licensing Counsel
Helen L. Eisenfeld	Manager – Cost Control
John Grzan	Senior Project Manager
Thomas P. Antenucci	Project Manager
Michael J. Norris	Real Estate Appraiser
Bonnie Fahey	Executive Assistant
Betty C. Fennell	Assistant Secretary
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Alice F. Simon	Assistant Ethics Officer and Assistant Secretary

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 May 28, 2002 were unanimously adopted.

2. **Financial Reports for the Five Months Ending May 31, 2002**

Mr. Bellis provided the final Financial Reports for the five months ending May 31, 2002.

3. Report from the President and Chief Executive Officer

President Zeltmann stated that his report would be provided later during the course of the meeting.

4. Landfill Gas Power Generation Program -
<u>Expenditure Authorization and Award</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize an expansion of the existing programs previously approved by the Trustees for the Town of Colonie ('Colonie') and for Madison County to implement landfill gas projects ('LFG Projects'). Such expanded program (the 'LFG Program') would combine the already approved Colonie and Madison County LFG Projects with LFG Projects for other municipalities, counties, and other public entities in New York State ('NYS'). The Trustees are also requested to approve additional funding in the amount of $20 million for the permitting, design, engineering, and procurement for such LFG Program.

"The Trustees are also requested to authorize the construction phase of LFG Projects in Colonie and Madison County. These projects were previously approved for these projects on October 31, 2000 and November 27, 2001, respectively, and the Trustees authorized the release of funds for the feasibility, engineering, design, procurement, and environmental assessment of these projects at that time.

"In addition, the Trustees are requested to approve a contract award to LFG Technologies Inc., the lowest qualified bidder, and to expand the existing contract with DMJM/Harris to perform program management and implementation services for LFG Projects.

"This request for authorization also includes approval to enter into agreements with NYS municipalities, counties, and other public entities for the development of LFG power generation projects.

<u>BACKGROUND</u>

"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.

"At their meeting of October 31, 2000, the Trustees approved $3.6 million for an LFG Project with Colonie and authorized the release of a portion of those funds for the feasibility, engineering, design, procurement, and environmental assessment of the project. At their meeting of November 27, 2001, the Trustees authorized the use of $2.4 million to develop an LFG Plant at the Madison County landfill site and authorized the release of a portion of those funds for the feasibility, engineering, design, procurement, and environmental assessment of the project. The current estimated costs of the Colonie and Madison County projects are $5 million and $2.1 million respectively. These amounts are included in the total additional funding requested.

"LFG is a readily available, local energy source that offsets the need for non-renewable resources such as coal and oil. In fact, LFG, along with sewage treatment gas, is the only renewable energy source that, when used, actually removes pollution from the atmosphere. According to United States Environmental Protection Agency ('US EPA'), of the 6,000 landfills across the United States, there are only 240 LFG-to-energy projects currently in operation. However, US EPA estimates that as many as 700 additional landfills could cost-effectively turn their methane into an energy resource, producing enough electricity to power three million homes across the U.S., which is equivalent to removing 24 million cars from our nation's roads. Approximately 30 such landfills are situated within New York State ('NYS').

"Several NYS municipalities have approached the Authority for assistance in developing LFG Projects. In response to these requests, in the fall of 2000 the Authority commenced development of several LFG Projects, and to date has completed feasibility studies for Colonie, Delaware County, and Madison County. The Trustees approved post-feasibility work for Colonie and Madison County on October 31, 2000 and November 27, 2001, respectively. This work is currently in progress. Additionally, the Authority commenced pre-feasibility assessments of landfills owned by the Development Authority of the North Country ('DANC'), Sullivan County, Steuben County, Chautauqua County, and Fulton County. Each LFG project will be funded in part with petroleum overcharge restitution ('POCR') funds

"In accordance with the Authority's regulations implementing the SEQRA, the Colonie and Madison County projects have undergone a thorough environmental impact assessment. Likewise, all future LFG projects will subsequently undergo a thorough environmental impact assessment. The Trustees will be requested to authorize the construction of the NYS LFG Projects once the environmental assessments are completed and all the required procedural steps are documented.

"The estimated combined generation potential of the above LFG Projects is 20 MW. Additional LFG Projects may be identified in the future. All of these projects will be owned and operated by counties, municipalities and other public entities. Authority staff currently estimates that the total economically recoverable potential of the NYS LFG Projects is between 50 MW and 100 MW.

DISCUSSION

Environmental and Economic Benefits

"LFG is a renewable fuel resource derived from the decomposition of municipal solid waste. LFG is about 50% methane and 45% carbon dioxide. Methane is 21 times more potent than carbon dioxide as a greenhouse gas and contributor to global warming. It also contributes to smog and generates unpleasant odors. For these reasons, LFG is typically flared. Flaring the gas eliminates most of the harmful and odorous pollutants but creates new ones, such as sulfur and nitrogen oxides, and wastes the LFG energy. Capturing LFG energy and converting it to electricity will reduce air pollution and help to meet the widely acknowledged need for electric generating capacity in NYS while reducing New York's dependence on foreign oil. LFG energy will also assist local counties and municipalities in reducing cost of government by achieving an economically and environmentally beneficial utilization of this otherwise wasted indigenous resource, creating new revenue streams, and supporting local job creation and industrial development.

"Governor Pataki's Executive Order No. 111 ('EO 111'), entitled 'Green and Clean State Buildings and Vehicles' calls for the use of renewable power (10% by 2005 and 20% by 2010) for electricity in state buildings, using the following technologies: wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, waste methane, and fuel cells. LFG-generated electricity meets the EO 111 requirements regarding power usage from renewable resources. In addition, various legislation authorizing POCR funds support the Authority's activities in these areas.

"A major factor in meeting the renewable energy requirement is the cost of the power. A study sponsored by the New York State Energy Research and Development Authority ('NYSERDA') estimates that the 'premium' agencies might pay for renewable power could be \$0.01/kW-hr. - \$0.015/kW-hr. above the cost of their conventional power sources. LFG-generated electricity can play a significant role in assisting state agencies to minimize this 'premium.' LFG electricity, typically priced between \$0.045/kWh and \$0.055/kWh, is among the least expensive renewable power options available and is competitive with the prices of conventional power sources. Federal and state funds can further enhance the economics of LFG Projects. Additionally, the Authority's assistance in developing LFG Projects, obtaining available co-funding to reduce costs, and facilitating power sales to interested state agencies will help to assure timely and economic compliance with the EO 111 requirements. Trustee approval is therefore requested to enter into agreements with NYS municipalities, counties, and other public entities for the development of LFG Projects.

Implementation Contractors

"Two implementation contractors are needed for effective management of the overall LFG Program. The Authority selected its first LFG implementation contractor, DMJM/Harris, in 2001 through a competitive bid process. Based on the Trustee approvals of the Colonie project in October 2000, and Madison County project in November 2001, the design, engineering, and procurement contracts were initially issued to DMJM/Harris for $1 million (of the $6 million already authorized). LFG Technologies, Inc., the second implementation contractor, was also selected through a competitive bid process completed in May 2002, and is recommended for the contract award. It is requested that funding for DMJM/Harris and LFG Technologies, Inc. be authorized for a total of $22 million (funded from the $6 million already authorized and $20 million now requested) to accommodate the implementation of LFG Projects over a three year term, ending in July 2005. The amount of additional funding being requested is based on the staff's review of projects being developed and their potential to proceed through installation. No additional work will be assigned to these contractors beyond the total authorized amount of $22 million, and any additional contractor services required beyond the aggregate amount and implementation term approved by the Trustees will be competitively bid. The Trustees will be requested to authorize turnkey installations of LFG Projects once the requisite State Environmental Quality Review Act ('SEQRA') analyses and procedural steps are completed.

FISCAL INFORMATION

"Additional LFG Program funding of $20 million is requested for the development of public landfill projects statewide. The funding would be provided from the Capital Fund and/or the proceeds of the Authority's Commercial Paper Notes. In addition, it is expected that each of the LFG Projects will be funded in part with POCR funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grants, will be recovered within a repayment period not to exceed 20 years, consistent with the other Energy Services and Technology Programs.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Director - Research and Technology Development, recommend that the Trustees authorize the increase in funding for the Landfill Gas Program, approve an increase in contract amounts for DMJM/Harris, approve the contract award to LFG Technologies, Inc., and approve the contracting with New York State municipalities, counties, and other public entitles for the development of Landfill Gas Projects as described herein.

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

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

Responding to questions from Vice Chairman McCullough, Mr. Zelingher stated that, consistent with SEQRA provisions, the same procedure of seeking the Trustees' approval would be followed by staff for future projects. Mr. Blabey explained that each of the LFG projects will be financed in part with POCR funds.

Responding to questions from Chairman Ciminelli, Messrs. Tscherne and Zelingher further outlined the parameters of the Landfill Gas Power Generation Program, which is geared to stimulate construction of needed new capacity at public entities within the State of New York. Staff explained that we will not proceed with projects unless the prospective landfill gas project has an agreement with a third party for the sale of the

electricity output Additionally, we are changing our cost recovery agreements prospectively to require that once the landfill gas project customer gives us the authorization to proceed beyond the feasibility study phase, the customer will be obligated to repay all our project costs and expenses, even if the projects does not come to fruition.

President Zeltmann noted that the Authority would work with the OGS in promoting this program, and noted he would like to see that agency support the proposed Colonie Landfill project. At this time, Trustees Carey and Seymour initiated a discussion of various potential arrangements with the OGS that could further the objectives of the program.

President Zeltmann underscored that this program is fully consistent with the ambitious energy efficiency goals laid out in Governor Pataki's Executive Order 111, and that other innovative technologies, such as advanced microturbines, are a potential prospect for the future. Trustee Carey pointed to the successful use of fuel cells in NYC sewage plants as an example. Mr. Tscherne added that the Trustees' approval of this recommendation would <u>de facto</u> include seed money to determine feasibility of a variety of innovative measures. Trustee Carey expressed agreement and support of staff's recommendations.

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

RESOLVED, That a Landfill Gas Power Generation Program (the "LFG Program") is hereby authorized as described in the foregoing report of the President and Chief Executive Officer, which Program shall include the Town of Colonie and Madison County projects previously authorized by the Trustees; and be it further

RESOLVED, That the Trustees authorize the construction phase of LFG Projects in the Town of Colonie and Madison County; and be it further

RESOLVED, That the Trustees authorize the President and Chief Executive Officer, the Senior Vice President – Energy Services and Technology, or such other officer designated by the President and Chief Executive Officer, to execute agreements and other documents between the Authority and the Landfill Gas Program participants, including counties, municipalities and other public entities in New York State, and to execute agreements and other documents with implementation contractors, in such form as may be approved by the Executive Vice President, Secretary and General Counsel, to facilitate the development of the LFG Program, that the authorized funding level for the Program be $26 million including the $6 million previously authorized for the Town of Colonie and Madison County projects; and that each project undertaken by the Program be funded in part with Petroleum Overcharge Restitution ("POCR") funds; and be it further

Capital Fund / <u>Commercial Paper Program</u>	**Expenditure <u>Authorization</u>**
LFG Program	
Previously Authorized	**$ 6 million**
Additional Funding	**<u>$20 million</u>**
Total Amount Authorized	**<u>$26 million</u>**

RESOLVED, That pursuant to the Authority's Guidelines for Procurement Services Contracts, a contract be awarded to LFG Technologies, Inc., the lowest qualified bidder, for a three-year term ending July 2005, and the previously approved contract for DMJM/Harris be extended for the same three-year term; and be it further

RESOLVED, That pursuant to the Authority's Guidelines for Procurement Services Contracts, $22 million of the foregoing amount be allocated to the previously approved contract for DMJM/Harris and to LFG Technologies, Inc., collectively, in the amounts and for the purposes listed below:

Capital Fund / CP Program	**Increase in Compensation Ceiling**
Implementation of LFG Program	
DMJM/Harris	**$21 million**
LFG Technologies, Inc.	
Previously Authorized	**$ 1 million**
Total Amount Authorized	**$22 million**

RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2, and Series 3, may be issued to finance the LFG Program costs, provided that the aggregate amount of Commercial Paper Notes proceeds and Capital Fund monies utilized for such costs shall not exceed $26 million; and be it further

RESOLVED, That POCR funds allocated to the Authority by any State legislation be utilized to extent authorized by such legislation, in such amounts as may be deemed necessary or desirable by the Senior Vice President - Energy Services and Technology to finance in part each project undertaken under the LFG Program; and be it further

RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows:

> **The Authority intends to reimburse to the maximum extent permitted by law with the proceeds of tax-exempt Commercial Paper notes to be issued by the Authority, all expenditures which have been and may be made in connection with the Authority's LFG Program, with the maximum principal amount of obligations to be issued for such purpose expected to be $26 million; and be it further**

RESOLVED, That a copy of these resolutions shall be part of the records of the Authority that are available to the general public and shall be continuously available for public inspection in the office of the Secretary of the Authority during normal business hours on every business day of the Authority; and be it further

RESOLVED, That the Chairman, President and Chief Executive Officer, Executive Vice President, Secretary and General Counsel, Senior Vice President - Energy Services and Technology, Senior Vice President and Chief Financial Officer, Treasurer, Deputy Treasurer, Deputy Secretary, 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 resolutions.

5. <u>Allocation of 17,125 kW of Replacement Power</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve allocations of available Replacement Power, totaling 17,125 kW to 17 industrial companies.

<u>BACKGROUND</u>

"Under the Replacement Power Settlement Agreement, Niagara Mohawk, with the approval of the Authority, identifies and selects certain qualified industrial companies to receive delivery of Replacement Power. Qualified companies are current or future industrial customers of Niagara Mohawk who have or propose to have manufacturing facilities for the receipt of Replacement Power within 30 miles of the Authority's Niagara Switchyard. Replacement Power is the 445,000 kW of firm hydropower generated by the Authority at its Niagara Project that has been made available to Niagara Mohawk, pursuant to the Niagara Redevelopment Act.

<u>DISCUSSION</u>

"The Authority and Niagara Mohawk, with assistance from the Empire State Development Corporation and the Buffalo Niagara Enterprise, jointly promoted the available power through a pro-active marketing campaign targeted at manufacturers across the nation. This included advertisements in trade and business journals throughout the northeast, an exhibition at the National Association of Manufacturers trade show, and direct mailings sent to 10,000 manufacturers in the United States and Canada. This activity resulted in a heightened awareness at the national level of the availability of this inexpensive power and generated over 100 inquiries about the Replacement Power program. Of these, 26 companies subsequently filed applications.

"The Authority and Niagara Mohawk staff jointly reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Seventeen companies are being recommended to receive Replacement Power allocations.

"Staff recommends that the available Replacement Power be allocated among 17 companies, as set forth in Exhibit '5-A'. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment for the people of Niagara, Erie, and Orleans Counties. They are projected to result in the creation of 545 jobs at the facilities with an annual payroll, including benefits, of $26 million, and capital investment of $85 million for buildings, machinery and equipment.

"It is further recommended that the Trustees approve the allocation of available Replacement Power to the firms identified on Exhibit '5-A' subject to the written agreement of such firms that the amounts of Replacement Power energy delivered to the customers will be strictly in accordance with the terms of Exhibit '5-B' to Niagara Contract NS-1 between the Authority and Niagara Mohawk and not pursuant to any other agreement concerning 'first through the meter' or other enhanced energy entitlement methodology.

"There are 10 companies for which staff is not recommending allocations. The **10** companies did not meet eligibility requirements.

<u>RECOMMENDATION</u>

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 17,125 kW of Replacement Power to: Al-Ag-Co., American Pharmaceutical Partners, Bioconvergence, Brunner, Buffalo China, Buffalo Tungsten, Confer Plastics, Gibralter Metals, Goodyear Dunlop, IsleChem, Outokumpu American Brass, Praxair, Precious Plate, St.Gobain (Armor), St. Gobain (Premix), Sun Orchard Fruits, and Unifrax.

"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."

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

Responding to questions from Trustee Seymour, Mr. Yates explained the historical and legislative underpinnings of the source of this hydropower for the proposed allocations.

Vice Chairman McCullough stated that both Chairman Ciminelli and he were in agreement that reinvestment of capital should be a major criterion for replacement power allocations and that they were pleased with the qualifications of the proposed group of recipients.

Chairman Ciminelli then discussed the effects of recent plant closings in Western New York and underscored the continuing importance of economic development issues.

The proposed resolution as recommended by the President and Chief Executive Officer,was unanimously adopted with the provision that Chairman Ciminelli expressly recuse himself from voting on those portions of the recommended action concerning the Outokumpu American Brass and Goodyear Dunlop firms.

RESOLVED, That the allocation of 17,125 kW of Replacement Power to, Al-Ag-Co., American Pharmaceutical Partners, Bioconvergence, Brunner, Buffalo China, Buffalo Tungsten, Confer Plastics, Gibralter Metals, Goodyear Dunlop, IsleChem, Outokumpu American Brass, Praxair, Inc., Precious Plate, St.Gobain (Armor), St. Gobain (Premix), Sun Orchard Fruits, and Unifrax be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the allocations be approved subject to the written agreement of such firms that the amounts of Replacement Power energy delivered to the customers will be strictly in accordance with the terms of Exhibit "5-B" to Niagara Contract NS-1 between the Authority and Niagara Mohawk and not pursuant to any other agreement concerning "first through the meter" or other enhanced energy entitlement methodology; 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 execute any and all documents necessary or desirable to effectuate the above allocations, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

June 25, 2002

SUMMARY OF APPLICATIONS FOR AVAILABLE REPLACEMENT POWER

Recommended Companies

Al-Ag-Co. - Niagara Falls

Business: New firm established to produce new fuel additive products for the automotive industry.
Proposal: Planning to spend $1.4 million for the conversion of a manufacturing facility and the installation of new fuel additive manufacturing equipment.
Job Commitment: 17 new jobs.
Recommendation: 500 kW of Replacement Power.

American Pharmaceutical Partners - Grand Island

Business: A specialty drug manufacturer focusing on the oncology, anti-infective and critical care markets. One of the largest producers of injectables.
Proposal: $11.1 million investment in the purchase and installation of new Lyophilization equipment used for freeze drying of pharmaceutical products. Reconstruct significant portion of existing space to accommodate new equipment. Warehouse expansion is also planned to accommodate additional production, inventory, supplies and support functions.
Job Commitment: 90 new jobs to an existing commitment 391.
Recommendation: 1,500 kW allocation of Replacement Power.

Bioconvergence - Niagara Falls

Business: Manufacturer of recycled metal into non ferrous magnesium alloy dross
Proposal: $1.15 million investment in the conversion of leased to own facility. Install induction and resistance furnaces to refine magnesium dross.
Job Commitment: 12 new jobs
Recommendation: 1,250 kW allocation of Replacement Power.

Brunner International, Inc. - Medina

Business: Manufacturer and distributor of Airbrake Systems Components
Proposal: Acquisition of $4 million in machinery and equipment that includes presses, welders, and heat treat equipment and support equipment that leads to the production of new brackets products. Project includes the relocation of automated shoe cell and related equipment for setup and production.
Job Commitment: 70 new jobs to an existing 221
Recommendation: 2,500 kW of Replacement Power.

Buffalo China, Inc. - Buffalo

Business: Manufacturer of chinaware for the Foodservice industry.
Proposal: $1.8 million investment in the purchase and installation of forming equipment that includes a new Dry Press and a Pressure Casting Machine.
Job Commitment: 20 new jobs to an existing commitment of 589 jobs.
Recommendation: 250 kW allocation of Replacement Power.

Buffalo Tungsten - Depew

Business: A manufacturer of tungsten powder.
Proposal: $1.55 million investment in a 15 tube furnace and a hydrogen regeneration sled to increase production capacity.
Job Commitment: 16 new jobs to an existing commitment of 46.
Recommendation: 800 kW allocation of Replacement Power.

Confer Plastics - North Tonawanda

Business: Manufacturer of a variety of blow molded plastic products
Proposal: Planning to spend $490,000 for the purchase and installation of two blow molding machines.
Job Commitment: 28 new jobs to an existing commitment of 85.
Recommendation: 250 kW of Replacement Power.

Gibralter Metals - Buffalo

Business: Manufacturer of cold rolled strip steel which is used in various automotive industry applications.
Proposal: The purchase and fabrication of a new processing line and auxiliary equipment to produce oscillated strip steel coils at an approximate cost of $3.35 million.
Job Commitment: 22 new jobs to an existing commitment of 121.
Recommendation: 550 kW allocation of Replacement Power.

Goodyear Dunlop Tires, N.A., LTD. - Tonawanda

Business: A manufacturer of tires for the automotive industry.
Proposal: Purchase and installation of a new on-site nitrogen generation plant to support the increased production of Medium Truck Radials and to reduce operating costs.
Job Commitment: 4 new jobs to an existing commitment of 1,286.
Recommendation: 250 kW allocation of Replacement Power.

IsleChem - Grand Island

Business: Technical service provider to the chemical, pharmaceutical, polymer, metal recycling and coating industries.
Proposal: Purchase and installation of machinery and equipment at a cost of $860,000.
Job Commitment: 25 new jobs to an existing 15
Recommendation: 325 kW of Replacement Power.

Outokumpu American Brass - Buffalo

Business: A manufacturer of copper and brass sheet products.
Proposal: $13 million project to renovate existing facility and purchase and install new rolling stand.
Job Commitment: 55 new jobs to an existing commitment of 740.
Recommendation: 1,900 kW allocation of Replacement Power.

<u>Praxair, Inc. - Niagara Falls</u>

Business: An industrial gases company which includes: oxygen, nitrogen, argon, hydrogen, helium and carbon dioxide.
Proposal: Purchase and installation of new air separation plant and liquefier along with new cryogenic transport equipment at a cost of $14.5 million
Job Commitment: 24 new jobs to an existing 81.
Recommendation: 2,400 kW of Replacement Power.

<u>Precious Plate - Niagara Falls</u>

Business: Provider of electroplating services to high technology companies
Proposal: Construct 28,000 square foot addition to existing building and the purchase and installation of new electroplating machines.
Job Commitment: 58 new jobs to an existing 87.
Recommendation: 800 kW allocation of Replacement Power.

<u>St. Gobain (Armor) - Niagara Falls</u>

Business: Manufacturer of high performance ceramic materials.
Proposal: Confidential (Trustees will be briefed verbally)
Job Commitment: 35 new jobs.
Recommendation: 1,850 kW allocation of Replacement Power.

<u>St. Gobain (Premix) - Niagara Falls</u>

Business: A manufacturer of high performance ceramics products
Proposal: Confidential (Trustees will be briefed verbally)
Job Commitment: 7 new jobs to an existing 171.
Recommendation: 300 kW of Replacement Power.

<u>Sun Orchard Fruits - Burt</u>

Business: Packer, storer, shipper, and marketer of fresh apples
Proposal: Confidential (Trustees will be briefed verbally)
Job Commitment: 28 new jobs to an existing commitment of 60.
Recommendation: 700 kW allocation of Replacement Power.

<u>Unifrax - Tonawanda</u>

Business: A manufacturer of ceramic fiber insulation products.
Proposal: Planned investment in new process equipment to increase production capacity, manufacture new products, and lower production costs at a cost of $4.375 million.
Job Commitment: 34 new jobs to an existing commitment of 113.
Recommendation: 1,000 kW allocation of Replacement Power.

6. Procurement (Services) Contracts –
<u>Business Units and the Facilities - Awards</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '6-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.

<u>BACKGROUND</u>

"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.

<u>DISCUSSION</u>

"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. 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 $600,000 to $29,000,000. These contract awards do <u>not</u> 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.

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

"The contract with **Aviation Services Unlimited (Q-02-2947; PO# TBA)** would become effective on July 1, 2002, subject to the Trustees' approval. The purpose of this contract is to provide for helicopter patrol services to support high voltage transmission line inspections. Services include providing a pilot and appropriate aircraft to transport one or more Authority personnel performing such inspections on a typical annual schedule, consisting of two complete patrols of approximately 1,400 miles of the Authority's transmission lines (ranging from 115 kV to 765 kV) located throughout New York State. In addition, occasional emergency patrols may be required, for which a maximum two-hour response time is required. All operations and maintenance must conform to Federal Air Regulations Part 135, as well as to additional qualifications, specifications and requirements specified by the Authority. Based upon qualifications and pricing, Aviation Services Unlimited was evaluated to be the lowest qualified bidder meeting the bid requirements, of three bids received (of six bids solicited, including notice in the Contract Reporter). Staff recommends the award of a primary contract to Aviation Services Unlimited for the aforementioned services. Staff also recommends the award of a secondary contract to Gateway Helicopters, located in closer proximity to the Authority's southern tier transmission lines, pending receipt and acceptance by the Authority of all requisite certifications and documentation. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $600,000.

"The contract with **Dialight Corp. (Q-02-2922; PO # TBA)** would become effective on July 1, 2002, subject to the Trustees' approval. The purpose of this contract is to provide for the furnishing and delivery of LED (light emitting diode) signal lighting retrofit fixtures, to be installed for the New York City Transit ('NYCT') in the subway tunnels and maintenance yards, as part of the Authority's High Efficiency Lighting Program ('HELP'). Dialight was the sole responding bidder of 12 bids solicited, including those responding to a notice in the Contract Reporter. This specialized lighting equipment requires special design to meet the requirements of the NYCT; no other vendor/manufacturer indicated an interest in developing such products to meet the specifications. It is anticipated that the initial award will be for 1,000 sample units for testing and evaluation by NYCT, with the balance of the order to follow upon acceptance by NYCT (approximately 50,000 units total). The intended term of this contract is two years. Since the total value of the subject equipment purchase contract will exceed $3,000,000, the Trustees' approval is requested for the total amount expected to be expended for the term of the contract, $5,275,575. It should be noted that all costs associated with this contract will be recovered by the Authority.

"The contract with **Goodrich Corp. (Q-02-2977; PO# TBA)** would become effective on July 1, 2002, subject to the Trustees' approval. The purpose of this contract is to provide for the continuation of research for the development of anti-icing coating for transmission lines. Icing has been identified by the electrical power transmission industry as a primary cause of interruption of service and reduction of power grid reliability. In extreme cases, icing can bring down transmission lines, towers or poles. Under a previous contract between the Authority and Dartmouth College, leading experts in de-icing technology conducted preliminary research in the laboratory, which resulted in the development of three methods for preventing ice formation and debonding thin ice layers from electric power lines and established proof of concept in the laboratory environment. The Authority is interested in continuing with the practical development and demonstration of the most promising method, viz., the lossy dielectric coating power line de-icer method. This de-icing technique holds unprecedented potential for successful widespread protection of transmission networks. Per this method, a layer of polymer is coated directly onto the power line. Dielectric heating of the polymer coating transfers heat to the polymer/ice interface, causing the ice to disband. Goodrich has indicated interest in teaming up with the Authority to continue the research using the breakthrough proprietary ice protection methods developed by Dartmouth to determine the feasibility of this technology and its ultimate development through commercialization. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended by the Authority for the three-year term of the contract, $600,000. It should be noted that the Authority owns the intellectual property on this work. When the technology is commercialized, the Authority expects to receive royalties for the development of this product.

"The contract with **J. E. Sheehan Contracting Corp. (Q-02-2918; PO# TBA)** would become effective on July 1, 2002, subject to the Trustees' approval. (Work will not commence until the United States Army Corps of Engineers and Federal Energy Regulatory Commission ('FERC') permits have been received.) The purpose of this contract is to provide for dike maintenance and repair work at Richards Landing and Long Sault dikes at the St. Lawrence – F.D. Roosevelt Power Project. As a result of dam safety inspection observations, extensive topographic surveys confirmed settlement and/or deformation along the upstream slope of sections of the Richards Landing and Long Sault Dikes, which had been constructed on a clay foundation. The identified deficiencies are considered to be a significant dam safety issue and require immediate remediation. The proposed remediation involves placement of riprap along the upstream slope; the restored sections of the dikes will then meet the FERC stability requirements for earth embankments. Such work will be accomplished in three phases in the years 2002, 2003 and 2004. The most critical remediation will be completed during Phase I (in 2002), for the amount of $773,040. Sheehan was the low bidder of two bids received (of twelve firms invited to bid, including notice in the Contract Reporter). The proposals were reviewed by a multidisciplinary Evaluation Committee and were evaluated for pricing, completeness of response, experience and schedule requirements. Sheehan was determined to be technically acceptable. In addition, the contractor has built the Life Extension and Modernization Building at the St. Lawrence Project and the Crew Facility at the Massena Substation, and has performed very well. Staff therefore recommends the award of a three-year contract to J.E. Sheehan for the aforementioned services. Although the award will include all three phases, only Phase I of the work, to be performed this year, will be released to the contractor at this time. In the event of a cancellation of Phase II or III, a no-cost termination provision in the contract would release the Authority from any further financial obligation. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,695,530. It should be noted that Ontario Hydro Power Generation ('OH') will support this project. While the Authority will take the lead in this effort, OH has agreed to share equally in the costs of this project through Authority charge backs to OH. The Authority's ultimate share is estimated to be $847,765.

"Due to time constraints, the President authorized the initial award of the contract to **Mollenberg Betz Inc. (4600000818)**, subject to the Trustees' subsequent ratification and approval. The contract became effective on April 30, 2002 for an initial amount of $149,200. The purpose of this contract is to provide for all labor, materials and equipment to furnish, deliver and install stator cooler piping and associated work for the upgrade of the remaining five turbine generator units at the Robert Moses Niagara Power Project. Services include removal and replacement of stator cooler piping, modification of transformer fire protection deluge piping and detection system, and furnishing/installation of isophase/chimney cooling. Work will be performed on one unit per year for five years. Mollenberg Betz was the low bidder of three bids received (of nine bids solicited, including notice in the Contract Reporter). The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. The Trustees' approval is requested to ratify the initial award and to approve the full contract term. Approval is also requested for the total amount expected to be expended for the term of the contract, $770,000.

"The agreement with **New York State Energy Research and Development Authority ('NYSERDA'; 4500056190)**, which was authorized by the President, became effective on April 30, 2002. NYSERDA conducts, sponsors, and assists programs of research, development, and demonstration in energy technologies. The current agreement continues a longstanding policy of support for research in broad-based technologies by NYSERDA and provides for an Authority payment of $1.6 million to support NYSERDA's research programs for a period of one fiscal year. The Authority has provided such voluntary contributions under three prior five-year agreements since 1985. In addition, the contract provides that the Authority may make additional payments totaling up to $1.5 million to support joint NYPA/NYSERDA research projects. Thus, since under the contract, payments to NYSERDA may in the aggregate exceed $3,000,000, the Trustees' approval is required. Approval is therefore requested for the total amounts of potential contract payments for the one-year term of the contract, $3,100,000.

"The contract with **PricewaterhouseCoopers LLP ('PwC'; Q-02-2939; PO# TBA)** would become effective on July 1, 2002, subject to the Trustees' approval. The purpose of this contract is to provide for independent accounting services to perform an annual audit of the Authority's financial records and other services, as may be required, for a five-year period (2002-2006). The audit services shall include preparation of the following reports: 1) opinion on the Authority's financial statements; 2) review of the Authority's system of internal accounting controls; 3) review of the Authority's compliance with its Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law; and 4) review of the Authority's compliance with OMB Circular A-133 Requirements. The Authority may request PwC to perform other services, primarily relating to process and system controls, and reviews of debt offering statements, as may be required. The Authority's current contract for such services is with PwC and will expire on June 30, 2002. Competitive bids for a new contract have been solicited by staff; four proposals were received from major accounting firms (of ten firms who received bid packages, including those responding to a notice in the Contract Reporter). Authority staff carefully reviewed each of the proposals with emphasis placed on the following criteria: cost, utility experience, and accounting expertise. Staff concluded that PwC was the most qualified bidder for the following reasons: 1) their proposed price was the lowest cost; 2) they have demonstrated their extensive utility industry experience and have provided a high level of accounting expertise; 3) staff is very satisfied with their performance, which has been responsive and professional; and 4) PwC's in-depth knowledge of the Authority will result in no transition costs and no disruption to staff. Staff presented this recommendation to the Authority's Audit Committee and received the Committee's concurrence. The intended term of this contract is five years (through June 30, 2007), 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, $1,620,000.

"The contract with **Voith Siemens Hydro Power Generation, Inc. ('VSH'; Q-02-2893; 4600000840)** became effective on June 10, 2002, with the approval of the President. The purpose of this contract is to provide for the fabrication, delivery and field installation of generator stator windings for a potential total of 14 turbine generator units at the Robert Moses Niagara Power Project. The initial award is for the complete stator iron restacking, frame repair and installation of new stator windings in the failed Unit #11 stator, in the amount of $1,954,290. (This amount also includes a negotiated five-year warranty.) Since the rewind/repair of the remaining

13 generator stators (12 in service and one spare) is based on stator winding operating life, condition, plant schedule and need, it is not currently known or certain if and when the remaining stators will be issued for release and award. The current projected schedule provides for the release of one stator unit per year, with the next unit scheduled for 2004. The Authority is under no financial obligation to release for repair and/or award any of the remaining 13 units. Award of the stator rewind for the additional units is subject to the Trustees' approval, which is hereby requested. VSH was the low bidder of three bids received (of seven firms invited to bid, including those responding to a notice in the Contract Reporter). After a thorough review of the proposals by Authority staff, the VSH proposal was determined to be technically acceptable and also considerably lower in price than those submitted by the other two bidders. Staff therefore recommends the award of a multi-year contract to VSH. The estimated term of this contract is 14 years through completion of work on all units (currently projected to be December 31, 2016), 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, $29,000,000 (including estimated escalation). Due to the magnitude and duration of this project, prices are firm through December 2005 and will be subject to review and escalation every three years.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2002 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project's Capital Expenditure Authorization Request. Payment for contracts in support of Energy Services programs will be made from the Energy Conservation Effectuation and Construction Fund. Payments for contracts in support of Research & Technology Development efforts will be made from the Project Studies Fund.

RECOMMENDATION

"The Vice President and Chief Engineer, the Vice President – Project Management, the Vice President – Controller, the Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Regional Manager – Northern New York, the Regional Manager - Western New York, the Regional Manager – Central New York, the Director – Energy Services, the Director – Research & Technology Development, and the General Manager – Transmission Maintenance, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '6-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, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services and Technology and I concur in the recommendation."

Mr. Hoff presented the highlights of staff's recommendations to the Trustees and noted minor interim updates to the text of the Memorandum to the Trustees.

Chairman Ciminelli and Trustee Carey discussed the proposed contract with NYSERDA and noted for the record that they both serve on that Authority's board. President Zeltmann praised the terrific research that Authority and NYSERDA staff members have performed in the area of energy efficiency and technological development. Trustee Carey inquired whether these new technologies represent any revenue potential for the Authority; President Zeltmann responded that there is such a possibility but it is too early to be certain.

Responding to questions from Trustee Carey, Mr. Blabey opined that it is permissible for both Chairman Ciminelli and Trustee Carey to vote on that portion of the recommended action which concerns NYSERDA, since the latter's relationship with the Authority is statutorily-based and has been publicly disclosed.

With respect to that portion of the recommended resolution relating to the selection of the Authority's independent auditors, in this instance Pricewaterhouse Coopers ("PWC"), Vice Chairman McCullough and Trustee Carey stated, in their capacities as members of the Authority's Audit Committee, that the Audit Committee had met just prior to this meeting and voted to recommend to the full board of Trustees that PWC be retained as the Authority's independent auditor. Trustee Carey underscored that PWC had reiterated its commitment to maintain strict independence and high professional standards to the satisfaction of the Audit Committee members.

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 "6-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.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '7-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for the facilities. 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 '7-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 '7-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 **A. Servidone, Inc./B. Anthony Construction Corp., J.V. (4500044249)** provides for the construction of compensatory mitigation wetlands, as part of the Slide Area Remediation Project at the Blenheim-Gilboa Project. The construction of such wetlands is mandated by the United States Army Corps of Engineers permit authorizing the Authority to remediate a slide area on Brown Mountain by redirecting surface water on the mountain, and will compensate for the loss of wetlands resulting from the slide area remediation. The original award, which was competitively bid, became effective on July 12, 2001 for a one-year term. While work is progressing and the compensatory mitigation wetlands will be planted this spring, a one-year extension is now requested to allow Servidone to address any planting issues that may subsequently arise. The current contract amount is $961,365; 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 July 11, 2003, with no additional funding requested.

"The two contracts with **Allee King Rosen & Fleming, Inc. ('AKRF'; 4500039612) and TRC Environmental Corp. ('TRC'; 4500039641)** provide for licensing support services for the 500 MW Combined Cycle Plant. The original contracts, which were awarded on a sole source basis, became effective in March, 2001 for a one-year term. An interim extension through June 30, 2002 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures because the permit for the 500 MW Plant was delayed and additional submissions and hearings were required to be performed beyond the originally projected completion date. An additional six-month extension is now requested to accommodate the extended licensing schedule, currently projected to be December 31, 2002. Such extension is required due to Siting Board requirements for additional hearings, as well as Compliance Filings and other services, as may be required. The current contract amounts are $450,000 for AKRF and $490,000 for TRC; it is anticipated that an additional $100,000 may be required for the extended term of the TRC contract. The Trustees' approval is requested to extend the subject contracts through December 31, 2002 and to approve the additional funding requested.

"The contract with **Bennett Kielson Storch DeSantis & Company, LLP (4500041683/ 4500057480)** provides for audit services of the operating expenses of the Authority's Clarence D. Rappleyea Building in White Plains, New York, specifically the allocation of common area maintenance charges to the tenants of the building. The Authority owns the Rappleyea Building, which is a Class A, 420,000-square foot, 17-story structure with 30,000-square foot floors. The Authority occupies approximately 63% of the building; the balance is occupied by tenants. The original contract, which was competitively bid, became effective on May 3, 2001 for an initial term of up to one year, with an option to extend services to cover two additional audit years. (For administrative purposes, a new contract number was assigned internally.) Services have continued to be provided and an audit for 2001 has been completed. A one-year extension is now requested, in order to exercise the option to perform the audit for 2002. The current contract amount is $19,000; it is anticipated that an additional $9,500 will be required for the extended term. It should be noted that the rates will remain firm for the duration of the contract. The Trustees' approval is requested to ratify the continued existing extension of the subject contract, and to approve an additional extension through June 30, 2003, as well as the additional funding requested.

"The contract with **Chopra-Lee, Inc. (4500044210)** provides for environmental laboratory services, including sampling and analysis of waste water, oil, soil and drinking water, for the Niagara Project, in accordance with applicable United States Environmental Protection Agency and New York State regulations, methodologies and procedures. The original award, which was competitively bid, became effective on August 1, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise the option and to continue services through July 31, 2004, as needed. The current contract amount is $30,000; it is anticipated that an additional $60,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 31, 2004 and to approve the additional funding requested.

"The two contracts with **Dome-Tech Engineering (4600000618) and Horizon Engineering Associates, Inc. (4600000619)** provide for steam trap audit services in support of the Authority's High Efficiency Lighting Program ('HELP'), at various project sites in the New York City metropolitan area. Services include testing steam traps, bypass valves, safety relief valves, drains, vents and other associated equipment; tagging any failed, plugged, or leaking problems; data input, analysis and report preparation, including energy analysis computation and recommendations. The original awards, which were competitively bid, became effective on July 16, 2001 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise the option in order to continue services through July 15, 2003, as may be required. Projected 'target' values of $87,500 were approved for each contract; it is anticipated that no additional funding will be required for the extended term. Rates will remain firm for the duration of the contracts. The Trustees' approval is requested to extend the subject contracts through July 15, 2003, with no additional funding requested. It should be noted that all costs associated with these contracts will be recovered by the Authority.

"The contract with **Extraterrestrial Materials, Inc. dba ETM Solar Works (4500044355)** provides for mechanical, civil and electrical maintenance services for seven rooftop-mounted solar photovoltaic power systems in the New York City metropolitan area, on an 'as needed' basis. The original award, which was competitively bid, became effective on July 16, 2001 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise the option in order to continue services through July 15, 2003. The current contract amount is $15,000; it is anticipated that an additional $15,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through July 15, 2003 and to approve the additional funding requested.

"The contract with **FlightSafety International (4500041475)** provides for flight simulator training for Authority pilots on the Beechcraft King Air 350 and 200. The original award, which was awarded on a sole source basis, became effective on March 1, 2001 for a term of one year. In accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, a three-month extension was authorized to continue services through May 31, 2002, in order to allow sufficient time for bidding a new contract. The current contract amount is $54,150; services have been completed under this contract. The Trustees' ratification and approval is requested for the previously authorized extension through May 31, 2002.

"The two contracts with **Goldman Copeland Associates, P.C. (S95-70466; 4500001583; 4500056617) and Parsons Brinckerhoff Quade & Douglas, Inc. (S95-70471; 4500001585; 4500056621)** provide for program management and implementation services for the Energy Efficiency and Coal Conversion Pilot Program for New York City schools. (For administrative purposes, new contract numbers were assigned internally.) At their meeting of November 29, 1994, the Trustees approved the award of two-year contracts to the aforementioned firms, in the combined estimated not-to-exceed amount of $8,500,000, with an option to extend for two additional years. The original awards, which were competitively bid, became effective on March 14, 1995. At their meeting of February 25, 1997, the Trustees approved an extension of such contracts through November 30, 1999. While it was expected that work would be completed within the following year, services have continued to be provided due to the following delays: the New York City Schools Construction Authority suspended a subcontractor to both firms from working in NYC schools; and services were further delayed because funding from the NYC Board of Education for the climate controls portion of the services was also delayed. An additional extension is now requested to continue services through completion, currently projected to be December 31, 2002. The current contract amounts are $9,433,000 for Goldman Copeland and $7,364,000 for Parsons Brinckerhoff; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the continued existing extension of the subject contracts and to approve an additional extension of both contracts through December 31, 2002, with no additional funding requested.

"The contract with **IRIS Power Engineering, Inc. (4500033523)** provides for the development and implementation of an online hydro-generator diagnostic expert system ('HydroX') in support of the St. Lawrence – F.D. Roosevelt Power Project life extension and modernization ('LEM') effort. HydroX will process and diagnose the electrical and mechanical performance of the turbine-generator at a hydro power plant based on dynamic (e.g., vibration, air gap, partial discharge, sound video) and static (e.g., process variables from the control system) sensor measurements. The goal is to help the plant protect its assets, reduce the cost of operations, transition from preventative to condition-based maintenance, extend machine life, reduce forced outages and avoid catastrophic failures. The original contract, which was awarded on a sole source basis, became effective on October 30, 2000. At their meeting of December 19, 2000, the Trustees approved a two-year term through October 31, 2002 and a total contract amount of $960,416. The implementation of the HydroX system is dependent on the completion of the new Generation Control System ('GCS'), which is being installed as part of the LEM effort. Since the GCS effort has been delayed, the schedule for the HydroX has also been impacted. However, several tasks that are not dependent on the GCS have been identified and have been partially completed. They include the Data Acquisition subsystem and Knowledge Algorithm Development, as well as the permanent installation of the associated computer hardware. Due to the aforementioned delay in the GCS implementation, a four-year extension is now requested to continue services related to the HydroX system through October 31, 2006. The current contract amount is $960,416. It is currently anticipated that an additional $400,000 will be required for the extended term; this would include the cost of reestablishing the development environment, updating the software development team, replacing outdated hardware, fine tuning the expert component, completing field validation, and contingency. The Trustees' approval is requested to extend the subject contract through October 31, 2006 and to approve the additional funding requested. It should be noted that the Authority will own the HydroX technology and plans to license the product to IRIS for commercialization. Royalty provision negotiations for the Authority to receive 10% from the sale of each HydroX unit have been successful. In addition, the Authority would benefit from free upgrades and the use of HydroX technology at its other hydro facilities.

"The contract with **Mackenzie Hughes LLP (formerly Mackenzie Smith Lewis Michell & Hughes, LLP; 4500009653)** provides for legal services in connection with a trespass matter in the Village of Waddington, St. Lawrence County, New York and other potential matters relating to the Authority's rights within the St. Lawrence Project boundaries, as may be required. Due to limited Authority resources, it was necessary to retain outside counsel for the purpose of pursuing such negotiations and litigation. The original contract, which was awarded as the result of a competitive search, became effective on July 1, 1999 for an initial term of one year, with an option to extend for one additional year. At their meetings of June 27, 2000 and June 26, 2001, the Trustees approved the extension of the subject contract through June 30, 2002, and a total contract amount of $50,000. It is anticipated that the subject trespass case will be decided in New York State Supreme Court later this year. An additional one-year extension is now requested in order to continue services, as may be required, through the conclusion of this matter and/or in the event of an appeal. The current contract amount is $45,000; 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 June 30, 2003, with no additional funding requested.

"The contract with **Northern Ecological Associates, Inc. (4600000633)** provides for zebra mussel monitoring, based on sampling and analysis of water veliger densities, at the St. Lawrence – F. D. Roosevelt Project. The original award, which was competitively bid, became effective on August 1, 2001 for an initial term of one year, with an option to extend for up to two additional years. A five-month extension is now requested to exercise part of the option and to continue services through December 31, 2002 (since the firm will be relocating and services will therefore be rebid). The current contract 'target' value is $15,000; it is anticipated that an additional $10,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

"The contract with **Occupational Health Care (affiliated with the Niagara Falls Memorial Medical Center; 4500042867)** provides for annual physicals and other medical examinations for Authority employees at the Niagara Project. Services also include, but are not limited to: pre-employment physicals and return-to-work examinations, as well as specialized examinations for users of respiratory equipment, those exposed to asbestos or to high noise, crane operators, and employees who must meet Coast Guard Captain's license requirements; in addition, the licensed health care facility must be able to provide 24-hour emergency response to the facility. The original award, which was competitively bid, became effective on July 1, 2001 for an initial term of one-year, with an option to extend for up to two additional years. A two-year extension is now requested to exercise the option and to continue services through June 30, 2004. The current contract amount is $50,000; it is anticipated that an additional $100,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2004 and to approve the additional funding requested.

"The contract with **Siemens Building Technologies, Inc. (4500031029)** provides for furnishing/delivery/installation services for an Energy Management & Control System ('EMCS') at Bronx Community College ('BCC'), as part of the Authority's High Efficiency Lighting Program. The original award, which was competitively bid, became effective on January 2, 2001 for a term of one year. In accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, an interim extension through July 31, 2002 was authorized, in order to complete the final review process, programming and testing. Such extension was required due to delays in the various phases of the project, including initial scheduling problems with the vendor's key personnel; unanticipated identification and subsequent removal of asbestos floor tiles; delays by BCC's Information Technology Department in preparing the Local Area Network connections; and other internal BCC matters that delayed the facility's personnel in completing the programming requirements for the new EMCS and the facility punchlist for the completion of the project. The current contract amount is $783,286; it is anticipated that an additional $15,000 will be required for the remaining term. The Trustees' ratification and approval is requested for the previously authorized short-term extension of the subject contract through July 31, 2002 and to approve the additional funding requested. It should be noted that all costs associated with this contract will be recovered by the Authority.

"The contract with **Skelly and Loy, Inc. (4500042911)** provides for the preparation of a report on the Old Stryker Road Schoharie Creek streambank stabilization for the Town of Gilboa, as well as assistance in acquiring the requisite permits from the United States Army Corps of Engineers ('Corps') and the New York State Department of Environmental Conservation ('DEC'). The Slide Area Remediation project at the Blenheim-Gilboa Project resulted in the loss of eight acres of open water habitat within the Schoharie Creek. In granting the Authority the permit to remediate the Slide Area, the Corps required the Authority to perform a local Environmental Benefits Project to compensate for the loss of this open water habitat. To this end, the Authority agreed to assist the Town of Gilboa in stabilizing the Schoharie Creek streambank by Old Stryker Road. The Authority awarded the subject contract to prepare the aforementioned report. The original award, which was the result of a competitive search, became effective on June 4, 2001 for a term of one year. A one-year extension is now requested to continue services through June 3, 2003 in order to allow the Authority to continue to provide the expertise of Skelly & Loy, on behalf of the Town of Gilboa, during the permit application process, as may be needed. The current contract amount is $40,915; 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 June 3, 2003, with no additional funding requested.

"The contract with **UTC Fuel Cells (formerly ONSI Corp., 4500009768)** provides for maintenance services for Authority-owned and operated fuel cell power plants ('FCPPs') in the New York City boroughs and in Yonkers. This project represents a major step in reducing fuel cell electricity cost and expediting full commercialization of this promising technology, by reducing air pollution, efficiently utilizing onsite resources, and complying with the Clean Air Act requirements and Global Climate Challenge Initiatives. This program also benefits New York state industries, since at least 29% of the equipment is manufactured by New York companies. Routine maintenance is needed to keep the fuel cells operational. The original contract was awarded on a sole source basis, since UTC Fuel Cells (formerly ONSI) is the original equipment manufacturer of the FCPPs and there are no other known firms capable of performing such operations and maintenance ('O&M') work on fuel cells. The contract became effective on July 1, 1999 and provided for the maintenance of two FCPPs, located at the Yonkers Joint Sewage Treatment Plant and the New York City Police Department, Central Park Precinct. At their meeting of June 29, 1999, the Trustees approved the subject five-year service contract and funding in the amount of $350,000. Since 1999, the Authority has deployed two additional fuel cells, one located at North Central Bronx Hospital and the other at the New York City Aquarium, which also require such maintenance. Staff expect to have a total fleet size of 12 FCPPs in operation by August of 2003. In order to negotiate a more favorable service agreement (and to make the contract term coterminous with the calendar/budget year), a six-month extension is now requested to continue such services through December 31, 2004 for the four existing FCPPs and 8 projected additional units. The current contract amount is $317,818 (of the previously approved $350,000); it is anticipated that an additional $800,000 will be required to provide maintenance services for up to 12 FCPPs through the extended term. Authority staff estimate that it is currently more economical to continue outsourcing such services until the Authority owns and operates at least 15-20 FCPPs. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The contract with **Vet's Disposal (4600000568)** provides for trash removal and disposal services (including containers, weekly pickup services, etc.) for the Blenheim-Gilboa Project. The original award, which was competitively bid, became effective on April 1, 2001 for an initial term of one year, with an option to extend for up to two additional years. A two-year extension is now requested to exercise the option and to continue services through March 31, 2004. The current contract 'target' value is $45,000; it is anticipated that an additional $30,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 31, 2004 and to approve the additional funding requested.

"The six contracts with **ATC Associates Inc. (4600000629), Chopra-Lee Inc. (4600000630), EAI Environmental Management Services (4600000627), Stohl Environmental LLC (4600000632), Testwell Laboratories Inc. (4600000631), and TRC Environmental Corp. (4600000628)** provide for asbestos abatement consulting services and environmental management planning, design and project management for Energy Efficiency and Coal Conversion projects, on an 'as needed' basis. Services include, but are not limited to: performing an inventory of material containing asbestos or lead, sampling, assessing the risk of the required abatement activities, estimating the costs of the abatement, developing work plans and designs, overseeing regulatory submittals, etc. The original awards, which were competitively bid, became effective on August 1, 2001 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise the option in order to continue services through July 31, 2003, as may be needed. While projected 'target' amounts totaling $1,525,000 have been approved for such contracts (as delineated in Exhibit '7-A'), a total amount of $78,348 has been expended to date and approximately $85,000 is pending payment. Such target amounts are based on past usage and the estimated number of projects to be performed. Services under these contracts are provided on an 'as needed' basis only; no funding is committed until the services are required. Utilization of these contracts has been limited since activity has not been as high as originally estimated and some projects are still under review by the customers. No additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through July 31, 2003, with no additional funding requested. It should be noted that all of the funding will be recovered by the Authority from the participating customers, including interest and Authority overheads or will be funded by the Bond Act or the BOE, when supporting the CASP program.

"The four contracts with **Atometrics Engineering, P.C. (4600000639), EME Group (4600000640), DMJM+Harris (formerly Harris Energy Services; 4600000638), and Robson & Woese, Inc. (4600000641)** provide for engineering services in support of the Authority's Energy Services projects, on an 'as needed' basis. Services include, but are not limited to, engineering and design and/or consultation services. The original contracts, which were competitively bid, became effective on September 10, 2001 for an initial term of one year, with an option to extend for up to two additional years. A one-year extension is now requested to exercise one year of the option in order to continue services, as may be needed. While projected 'target' amounts totaling $850,000 have been approved for such contracts (as delineated in Exhibit '7-A'), no funding has been expended to date. Such target amounts are based on past usage and the estimated number of projects to be performed. Services under these contracts are provided on an 'as needed' basis only; no funding is committed until the services are required. Utilization of these contracts has been limited since activity has not been as high as originally estimated and some projects are still under review by the customers. No additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through September 9, 2003, with no additional funding requested. It should be noted that all costs associated with these contracts will be recovered by the Authority.

"The five contracts with **CSL Enterprises Inc. dba Reel Vision Productions (45000045762), EMSTAR Media, Inc. (4500045727), IQ Communications (4500045805), Lu Lazarovici Consulting (4500045812), and Sandi Mrksa (4500045795)** provide for various video-related services, including freelance videography services, video system maintenance engineer, digital video edit system consultant, and audio field production engineer, as listed in Exhibit 'A'. The original awards, which were competitively bid, became effective on August 28, 2001 for an initial term of one year. A one-year extension is now requested to continue services through August 27, 2003, on an 'as needed' basis. The current contract amounts total $100,000; it is anticipated that an additional combined total amount of $100,000 may be required for the extended term of all five contracts. The Trustees' approval is requested to extend the subject contracts through August 27, 2003 and to approve the additional funding requested.

"The four contracts with **Goldman Copeland Associates (S97-03525; 4600000333), DMJM+ Harris (formerly Harris Energy Systems; S97-03526; 4600000335), Parsons Brinckerhoff Quade & Douglas (S97-03516; 4600000336), and Wendel Construction (S97-03527; 4600000334)** provide for program management and implementation services for the Clean Air for Schools ('CASP') program, as part of the coal boiler conversion in selected New York State schools. The funds expended on this program will not exceed amounts made available by the State of New York to the Authority from the Clean Air/Clean Water Bond Act of 1996 (the 'Bond Act') appropriations and funding provided by the New York City Board of Education ('BOE'). The Bond Act funds are disbursed to the Authority by the State, as set forth in the New York Environmental Conservation Law. At their meeting of February 25, 1997, the Trustees approved the implementation of CASP, using the Bond Act funds. As the General Contractor for the CASP, the Authority contracts for the conversion of existing coal-fired boiler plants to clean, modern, gas and/or oil-fired plants in qualifying public schools through the use of implementation contractors ('IC'). Services include facility audits, detailed design and engineering services, preparation of project design documents, construction management, equipment procurement, and installation of proposed system and measures, hazardous waste disposal and asbestos abatement, etc. At their meeting of April 30, 1997, the Trustees approved the award of contracts to the four aforementioned ICs for an initial three-year term, with an option for a two-year extension. The original awards, which were competitively bid, became effective on May 1, 1997. At their meeting of March 28, 2000, the Trustees approved a two-year extension and the release and allocation of funding to each of these contracts, as set forth in the Bond Act or BOE requirements. The current contract amounts are: $27,474,258 for Goldman Copeland; $47,366,477 for DMJM + Harris; $43,507,072 for Parsons Brinckerhoff; and $7,442,000 for Wendel, respectively. To date, $125,000,000 has been made available to the Authority by the State of New York for implementation of this program. An additional two and one-half year extension is now requested to continue the services through December 31, 2004. Certain climate control and distribution rehabilitation work in connection with the boiler conversion is also necessary for the proper performance of the heating system of a school. Such work is funded in full by the BOE; to date, $19,494,438 has been made available to the Authority by the BOE. The Trustees' approval is requested to extend the subject contracts through December 31, 2004 and to approve the release and allocation of funding to each of these contracts, as set forth in the Bond Act or BOE requirements. Implementation fees will remain unchanged for the duration of the contracts. The revised compensation ceilings for the subject contracts will not exceed amounts made available by the State to the Authority from the Clean Air/Clan Water Bond Act appropriations (for coal boiler conversion) and from the BOE (for related climate control work), as applicable.

"The six contracts with **BDT Thermal (4600000519), Condenser & Heat Exchanger (4600000528), Frank D. Riggio Corp. (4600000546), Reuther Engineering & Machine (4600000573), Schindler Elevator (4600000560), and Suburban Restoration Co., Inc. (4600000566)** provide for various maintenance-related services in support of the Charles A. Poletti Power Project. Services include: repairing feedwater heaters, cleaning condenser tubes, valve repairs, mechanical repairs, elevator maintenance, and installation/repair of insulation, respectively (as listed in Exhibit '7-A'). The original awards, which were competitively bid, became effective during the first/second quarters of 2001 for an initial term of one year. An interim extension of such contracts to continue services through June 30, 2002 in order to support the Poletti outage was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, subject to ratification by the Trustees (as well as additional funding for the Riggio, Reuther, and Suburban contracts). An additional nine-month extension is now requested in order to continue the respective services through March 31, 2003 and to allow sufficient time for rebidding. The current contract 'target' amounts are listed in Exhibit '7-A'. It is anticipated that the following additional amounts will be required for the extended term: $20,000 for the Condenser & Heat Exchanger contract and $15,000 for the Schindler Elevator contract, respectively. It should be noted that the aforementioned additional funding previously approved by the President for the Riggio, Reuther and Suburban contracts will suffice through the extended term. The Trustees' ratification and approval is requested for the previously authorized short-term extension of the subject contracts through June 30, 2002, as well as for the previously authorized additional funding. The Trustees' approval is also requested to extend the subject contracts through March 31, 2003 and to approve the additional funding requested.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2002 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 HELP and other Energy Services programs will be made from the Energy Conservation Effectuation and Construction Fund. Payment for contracts in support of the Clean Air for Schools Program ('CASP') will be made from the Clean Air/Clean Water Bond Act funds (for coal boiler conversion) and funding provided by the New York City Board of Education (for climate control work). Funds required to support the Research & Technical Development efforts will be funded from the Project Studies Fund and the Operating Fund.

RECOMMENDATION

"The Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Regional Manager - Northern New York, the Regional Manager – Western New York, the Regional Manager - Central New York, the Regional Manager – Southeast New York, the Director – Environmental Programs, the Director – Research & Technology Development, the Director – Energy Services, the Director – Licensing, and the Director - Corporate Support Services, recommend the Trustees' approval of the extensions of and additional funding for the procurement contracts listed in Exhibit '7-A'.

"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 and Chief Financial Officer, the Senior Vice President – Public and Governmental Affairs, and I concur in the recommendation."

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, each of the contracts listed in Exhibit "7-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President and Chief Executive Officer.

8. <u>Authorization to Execute Letter of Credit Agreements</u>

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

Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Mr. Collins explained the financial logistics of the proposed authorization.

At this time, Trustee Carey suggested that the Trustees would need more time to think over this authorization. Responding to questions from Chairman Ciminelli, Mr. Collins explained that approval of the authorization was not time critical and that it could be approved at a later date at such time as the Authority is ready for virtual bidding.

The Trustees then agreed to "table" the proposed action for consideration at a future session.

On motion duly made and seconded this item was tabled.

9. St. Lawrence/F. D. Roosevelt Power Project - Life Extension and Modernization - Voith Siemens Hydro Power Generation - Increase in Contract Value and Expenditure Authorization

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a $10,000,000 increase (from $11,500,000 to $21,500,000) in contract value for a previously approved contract with Voith Siemens Hydro Power Generation ('VSH') for work associated with the delivery of the new Generation Control System ('GCS') as part of the St. Lawrence Life Extension and Modernization ('LEM') Program. The Trustees are also requested to increase the expenditure authorization from $2,100,000 to $9,900,000 for completion of the first and second units and early delivery of components for the third and fourth units of the GCS.

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 ('EAP'), 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.

"At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost $254,139,000 to renew the generation assets of the St. Lawrence/F. D. Roosevelt Power Project and also authorized capital expenditures of $2,211,000 to support the engineering effort and to continue refurbishment tasks in progress. This authorization, together with an earlier authorization through the EAP, brought the total authorization to $2,670,000. The Trustees were informed that the LEM program would begin in 1998 and would require about 15 years to complete.

"At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of $16.2 million for modernization of the first unit. At their meetings of March 27, 2001 and January 29, 2002, the Trustees authorized an additional $18.6 million and $32.5 million respectively, bringing the total current authorization for LEM to $70.7 million.

"The Authority Staff has reviewed the impact of work associated with the prototype on the project budget. There were cost increases associated with the GCS, the addition of new scope (power cable terminations) and higher labor costs. The Staff has also reviewed the gains in production shown to date on the second LEM unit and factored these into our overall analysis of the project budget. The total budget of $254 million is reasonable. We will be obtaining proposals for the 2nd set of 8 turbines in 2003 and will factor the results of those bids into the project budget in 2003.

"The prototype unit began continuous service on April 6, 2002 and continues to operate smoothly. On April 8, 2002, Authority forces began disassembly of the second unit to be modernized. That work is proceeding as scheduled with completion targeted for early 2003.

DISCUSSION

"In January 2002, we informed the Trustees that the authorization request for the next three units did not include funding for work associated with the GCS. It was also noted that the Authority had modified the scope of work for the second unit to allow the main LEM work to proceed without the full GCS until cost and scheduling issues were resolved. These issues were related to difficulties encountered by VSH in implementing the GCS.

"After a series of meetings with the management of VSH and Scipar, the subcontractor to VSH for certain tasks, an increase in compensation was negotiated, which will allow the work to proceed.

"In reviewing the proposed adjustment to the GCS contract, Authority staff has reviewed the initial award, the design development status to date, and construction progress. VSH submitted the lowest evaluated bid price for the GCS. The addition of the proposed increase to the original VSH contract price would place the new contract price at the high end of the proposals received, but below the highest bid. The detailed design and system development, which with some evolution will be replicated for the other units, is estimated to be about 75% complete. The critical component of the GCS, the turbine controller, which regulates operation of the wicket gates and manages the operation of the unit, has successfully controlled the prototype in a base load condition since early April. After reviewing the change in scope, the technical viability of the system, as well as the schedule disruption, and additional cost increases associated with engaging a new vendor, Authority staff has concluded that it would be cost effective and appropriate to stay the course with VSH and Scipar.

"A portion of the $10,000,000 contract increase (20%) will be 'placed at risk' and will be payable to VSH only upon completion of milestone activities.

<u>FISCAL INFORMATION</u>

"Payments will be made from the Capital Fund.

<u>RECOMMENDATION</u>

"The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer - Power Generation, the Regional Manager – Northern New York, and the Project Manager recommend that the Trustees authorize an increase in the contract value of a contract with Voith Siemens Hydro Power Generation for the delivery of a new Generation Control System by $10,000,000 (from $11,500,000 to $21,500,000) and to authorize an increase in the expenditure authorization from $2,100,000 to $9,900,000.

"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. Antenucci presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Carey, Mr. Antenucci said it is difficult to ascertain precisely how much of the proposed increase in costs was due to Voith Siemens' ("VSH") initial underestimation of its own costs associated with the Generation Control System. Responding to questions from Chairman Ciminelli and Trustee Seymour, Mr. Antenucci reported on details of the competitive bidding process and the research that the Authority staff had performed concerning the merits of the respective bidders. He also indicated that staff still believed the overall project budget was in balance. Mr. Hiney added that the purpose of the proposed authorization is to maintain the St. Lawrence Life Extension and Modernization ("LEM") Program on the originally established schedule.

Responding to questions from Chairman Ciminelli and Trustee Seymour, Mr. Antenucci explained how VSH would be compensated by the Authority and reported on Authority staff's positive perception of the company's overall financial stability.

Chairman Ciminelli stated that approval of this authorization could potentially raise equitable concerns among the other original bidding parties and that Authority staff should anticipate the possibility of such concerns. Responding to further questions from Chairman Ciminelli and Trustee Seymour, Messrs. Antenucci and Hiney discussed the logistics of the LEM program, and offered their views on the hypothetical impact of procuring a different supplier at this time, reiterating the importance of the proposed authorization to the program's work schedule. Responding to questions from Trustees Carey and Seymour, Mr. Antenucci reported on the amount of the Authority's contingency funds which have been used as well as the amount remaining in such funds.

Trustee Carey indicated that, in the future, the Trustees would like more time to revisit contract enhancements and scope changes of this magnitude.

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

RESOLVED, That approval is hereby granted for additional capital expenditures and an increase in the amount of a contract with Voith Siemens Hydro for the Generation Control System and associated work for the Life Extension and Modernization of the St. Lawrence/F. D. Roosevelt Power Project in the amount listed below:

Voith Siemens Hydro Power Generation
(Contract No. C45000016211)

Capital Expenditure Authorization		Contract Amount	
Previous Expenditure Authorization	**$2,109,109**	**Current Contract Amount**	**$11,504,806**
Requested Expenditure Authorization	**$7,800,000**	**Requested Increase**	**$10,000,000**
New Expenditure Authorization	**$9,909,109**	**New Contract Amount**	**$21,504,806**

10. Delegation of Authority to Enter into Energy-Related Transactions, Fuel-Related Transactions, and <u>Hedging Transactions Related to Energy and Fuel</u>

Mr. Warmath presented the highlights of staff's recommendations to the Trustees, explaining that the proposed action would provide for a clear delegation of corporate powers in a post-Enron world.

Vice Chairman McCullough expressed concern about approving a blanket delegation of this sort.

Responding to questions from Chairman Ciminelli about the legal need for the proposed delegation, Mr. Blabey explained that the item would give the President broad flexibility to approve and oversee certain day-to-day transactions. He further acknowledged that because of the broad nature of the delegations it would be appropriate for the President's actions to be reviewed closely, and suggested it might be possible to structure a "same day transaction notice" to the Trustees.

Vice Chairman McCullough noted that, though the Trustees should refrain from running the day-to-day business of the Authority, they are vested with fiduciary duties which cannot be delegated to senior management. The Vice Chairman expressed concerns whether the language of the proposed resolution is fully consistent with the non-delegability of the Board's fiduciary duty.

President Zeltmann gave assurances that staff will re-examine and clarify the scope of any proposed delegation and would re-submit it to the Trustees for their consideration.

Responding to questions from President Zeltmann, Mr. Warmath offered his view that, in the post-Enron environment, there is a risk that the powers of the President and Chief Executive Officer could be interpreted narrowly by an outside party and that the proposed delegation would provide clarification to avoid an overly restrictive interpretation.

Trustee Carey suggested that the proposed delegation be reviewed by the Authority's independent auditors.

Chairman Ciminelli stated that the issue should also be examined by the Authority's Audit Committee.

The Trustees then agreed to "table" the proposed action until a later session.

11. Poletti 500 MW Combined Cycle Project -
<u>Lease From Con Edison – Storage And Lay Down Area</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize the acquisition by lease or license of three parcels of property owned by Consolidated Edison Company of New York, Inc. (hereinafter 'Con Edison') located in Astoria, Queens County, New York. These three parcels (which are shown on Exhibit '11-A') to be acquired are located on the Con Edison Astoria Complex property. The first parcel (hereinafter 'Parcel No. 1') is a seven acre parcel that will be used during construction of the Poletti 500 MW Combined Cycle Project (hereinafter 'Project') for staging and laydown. The second parcel (hereinafter 'Parcel No. 2') is a one acre parcel which is to be used for short term storage of the HRSG modules. The third parcel (hereinafter 'Parcel No. 3') is for joint use of Con Edison's A-11 dock as well as ingress and egress from the dock to the Poletti site. The terms of this lease or license will be at a rental of $3.75 per rentable square foot. For the seven acre site, the lease would run for 18 months with a rental of $1,143,450.00 per annum. For the one acre site, the lease would be for a monthly rental of $13,612.50 per month. For the dock facility, the cost will be $2,000 per usage. The other relevant terms are set out on Exhibit 'B' attached hereto.

<u>BACKGROUND</u>

"At their meeting of October 26, 1999, the Trustees authorized awarding a contract to General Electric Company (hereinafter 'GE') in the amount of $191 million for engineering, procurement, and delivery of the Power Island components of the 500 MW Combined Cycle Plant to be constructed at the Charles Poletti ('Poletti') site.

"Further, on May 22, 2001, the Trustees approved the award of a construction management services contract for the 500 MW Combined Cycle Plant to DMJM & Harris Company (hereinafter 'Harris') for construction management services.

<u>DISCUSSION</u>

"Harris, along with Authority staff, has identified the need for laydown, storage, and dock space to assist in the construction of the 500 MW Plant because it cannot be accommodated on Authority property. Staff has identified approximately seven acres of property owned by Con Edison at its Astoria facility and adjacent to the Poletti site (Parcel No. 1) for staging and laydown. In addition, a one acre site has been identified (Parcel No. 2) for temporary storage of the HRSG modules until they can be set on their foundations. Finally, the Authority and Con Edison have agreed to the Authority's use of the Con Edison A-11 loading and unloading dock (Parcel No. 3) to accept delivery of major components. These parcels are shown on Exhibit '11-A' attached hereto.

"The annual rental for the staging and laydown area is to be approximately $1,143,450.00, while the monthly rental for the storage area will be $13,612.50, based on the estimated acreage of seven acres and one acre respectively. These rentals are based on a square foot value of $3.75. Based on the price per square foot and the proximity of the leased area to the Poletti site, the Authority should acquire the necessary interest in these parcels in a timeframe sufficient to support the delivery schedule of equipment and before other potentially interested competitors. Other available alternatives were reviewed by Authority staff and the aforementioned parcels show a significant construction cost savings in using the Con Edison site.

<u>FISCAL INFORMATION</u>

"Payment for any acquisition by lease or license will be made from the Authority's Capital Fund. The estimated acquisition costs based on preliminary acreage for these sites are set out on Exhibit '11-B'.

RECOMMENDATION

"The Vice President - Project Management, the Vice President - Contracts and Real Estate, and the Project Manager recommend the Trustees approve and adopt the following Resolution authorizing the Vice President - Contracts and Real Estate or his designee to take all steps necessary to acquire by lease or license the staging area, the storage area, and the dock area on terms substantially in accordance with the foregoing and with Exhibits '11-A' and '11-B', attached hereto.

"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 this recommendation."

Mr. Hoff introduced Mr. O'Connor, Director of Real Estate, who presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Chairman Ciminelli, Vice Chairman McCullough and Trustee Carey, Messrs. O'Connor and Hiney explained the logistics of the proposed transaction, and stated that, in view of the arrival of the equipment, the space must be ensured.

Trustees Carey and DiMarco noted that the proposed transaction appears necessary and that the Authority has demonstrated a need to acquire the site in question. Trustee Seymour concurred, but offered his view that Con Edison should be doing more to reduce the financial impact on the Authority in this area.

The following resolution, as recommended 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 by lease or license the real property necessary to support the laydown, storage, and dockage needs in support of the construction of the Poletti 500 MW Combined Cycle Project, and further

RESOLVED, That the President and Chief Executive Officer, the Vice President - Project Management, or the Vice President - Contracts and Real Estate be and hereby is authorized on behalf of the Authority to execute all such agreements, leases, or licenses 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; and be it further

RESOLVED, That the President and Chief Executive Officer, the Vice President - Contracts and Real Estate or the Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, 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.

12. New York State and Local Employees' <u>Retirement System – Retirement Incentive</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize the Authority's participation in the two-part retirement incentive for the benefit of certain eligible employees as set forth below.

<u>BACKGROUND</u>

"On May 20, 2002, the Governor approved Chapter 69 of the Laws of 2002, retirement incentive legislation. While reducing the State's workforce to stimulate budgetary savings and avoid layoffs prompted the Governor to prod the legislature on this legislative effort, the Authority, as a participating employer in the New York State and Local Employees' Retirement System ('Retirement System') can offer the targeted incentive feature of this retirement legislation to its employees. Authority employees' membership in the Retirement System make some of them eligible to opt for a new, tempora ry '55/25 – No Penalty' retirement program. (The Authority can disqualify a title from participating in the '55/25 – No Penalty' program if it determines that a particular employee holds a position that is deemed critical to the maintenance of public health or safety).

"There are two features to the 2002 Retirement Incentive legislation, Parts A and B:

> **Part A,** the Targeted Incentive Program, is similar to previous incentive programs. For members whose employer has elected to provide this aspect of the program, and whose position has been targeted, the Targeted Incentive Program provides one additional month (1/12 of a year) of service credit for each year of pension service credited at the time of retirement, up to a maximum of thirty-six months.

> **Part B,** the Age 55/25-Year Retirement Incentive Program, allows certain Tier 2, 3 and 4 members who are at least 55 and have 25 or more years of service credit to retire without benefit reductions. It does not provide eligible employees with additional service credit.

"In the Authority's case, Chapter 69 provides that with respect to **Part A**, the Targeted Incentive Program, a resolution establishing a retirement incentive program be adopted on or before August 31, 2002, and specifying the commencement date of the program and the length of the open period. The open period must be a period of not more than 90 and not less than 30 days beginning on the commencement date and ending no later than December 31, 2002.

"As for **Part B**, Chapter 69 provides that with respect to the Age 55/25-Years Retirement Incentive Program, a resolution establishing a commencement date for a mandatory 90-day open period shall be adopted and, if no resolution is adopted, the commencement date of the mandatory 90-day open period for the Age 55/25-Years Retirement Incentive shall be January 1, 2003.

<u>DISCUSSION</u>

"The Authority's Trustees should offer the **Part A** Targeted Incentive Program to certain eligible employees by adopting a resolution establishing a 45-day open period commencing on November 17, 2002 and concluding on December 31, 2002. In addition the Authority's Trustees should adopt a resolution fixing July 13 as the commencement date for the mandatory 90-day open period for the **Part B** Age 55/25-Years Retirement Incentive. Such Part B open period would conclude on October 10, 2002.

"Since the sale of the Authority's nuclear plants to Entergy and the resulting reduction in the Authority's workforce from approximately 3,400 workers to approximately 1,600 workers, some headquarters' departments may have more personnel than are necessary to meet the Authority's ongoing requirements. At the facilities, recent collective bargaining agreements have led to improvements in operations and efficiencies in work performance. As a consequence, there may be a modest surplus of personnel at the facilities. Because of the foregoing, the recent retirement incentive legislation provides the Authority with a cost effective method for encouraging eligible employees to leave the Authority.

"Regardless of appropriate staffing level issues, Senior Management is looking at this Incentive as an opportunity to make changes in the demographics of the organization and, therefore, be better prepared to continue to operate at an optimum level going forward. Making a targeted retirement incentive program available now will create position opportunities for a number of personnel. These opportunities will enable the Authority to place qualified candidates in these positions and allow them to acquire invaluable on-the-job experience. As it now stands, without any type of retirement incentive, within three years approximately 250 employees (16% of the employee population) would be eligible to retire with an unreduced pension; within five years that number increases to 370 employees (23% of the employee population); and within 10 years that number becomes approximately 804 employees (51% of the employee population). Under the leadership of the Human Resources Department, a comprehensive Human Capital Initiative (i.e., a succession planning and transition program) has been developed to facilitate a smooth change-over to the future. This program concentrates in identifying qualified candidates to replace retiring employees and features a formal mentoring program with the goal of transferring the essential knowledge of retiring employees to their replacements.

"While the Authority is under no obligation to offer **Part A** of the retirement incentive legislation, if the Authority elects to offer it, the Authority can limit its availability to eligible titles and to a specified number of employees in such titles. This method is referred to as 'targeting' the incentive. Under the 'targeting' method, the Authority's President and Chief Executive Officer, would determine the job titles and number of positions in such titles, identified by department or work location, for which the **Part A** incentive would be offered; provided any position vacated as a result of an individual retiring would not:

- directly reduce the service level mandated to protect or care for clients or to assure the public health or safety;
- endanger remaining employees;
- clearly cause a loss of revenue; or
- result in a substantial increase in overtime or contractual costs.

"As applicable to the Authority, the **Part A** incentive program (assuming the Authority adopts a targeting method) would be available to any employee in an eligible title who: (1) has been continuously in the active service of the Authority from February 1, 2002 to the date immediately prior to the commencement date of the open period; (2) is otherwise eligible for service retirement or is at least 50 years old with at least ten years of credited service as of the effective date of application for retirement; (3) provides written notice to the Authority on or before the twenty-first day preceding the end of the open period; and (4) files an application for a service retirement that is effective during the open period.

"For titles targeted for the **Part A** incentive program, should more employees in a title choose the incentive than the number of positions targeted, seniority would determine which employees would be made eligible for the incentive. It appears that 625 employees (378 salaried and 247 bargaining unit) meet the eligible employee criteria set forth in the law establishing the **Part A** retirement incentive. A targeted program would reduce substantially the number of eligible employees who will be able to opt for the incentive, thereby minimizing the impact of retiring employees on operations and work performance.

"Since 1985, there have been nine retirement incentive programs enacted into law. The Authority opted to offer the retirement incentive to its employees on three occasions, in 1985, 1991 and again in 2000. It is difficult to compare employee participation rates from one incentive to the next because there are so many variables, e.g., number of eligible employees, age of employees, years of service at the time the incentive is offered, and Tier status. The percentage of eligible employees that opted for the incentive in 2000 provides some perspective – 14% of eligible employees took advantage of the 2000 incentive.

"Adoption of a targeted **Part A** incentive program appears to be the most practical approach to manage retirement costs and retirements and to ensure no adverse impacts on operations. Further, the retirement of eligible employees may open many new career development opportunities for current employees that might not otherwise happen due to relatively low workforce turnover.

"Since the Authority has some control over the personnel who may opt to take the **Part A** incentive program because it can target and thereby limit the number of positions eligible to participate in the incentive, establishing the **Part A** open period after the close of the **Part B** Age 55/25-Years Service Retirement Incentive makes sense from an operations standpoint. In so doing the Authority will know exactly which employees elected to retire under the **Part B** incentive program. Consequently, the Authority will be in a better position to identify the number of positions that it can allow to participate in the **Part A** incentive program.

"The **Part B** incentive program describes an eligible employee as one who is a member of a retirement system and who is at least 55 years old with at least twenty-five years of creditable service in a retirement system.

"Any eligible employee who (1) has been continuously in the active service of the Authority from February 1, 2002 to the date immediately prior to the commencement date of the **Part B** open period; (2) files an application for service retirement that is effective during the **Part B** open period; and (3) is otherwise eligible for a service retirement as of the effective date of the application for retirement shall be entitled to the **Part B** retirement benefit. Currently there are 44 employees (27 salaried and 17 bargaining unit) eligible to participate in the **Part B** retirement program.

<u>FISCAL INFORMATION</u>

"Based on preliminary calculations, it is anticipated that if the Authority adopts **Part A** of the incentive and employees eligible to opt for **Part B** of the retirement incentive do so, the estimated cost of the program will be about $5 million. This number is based on the projected number of employees in eligible titles who may be made eligible under **Part A** for the incentive and the number of eligible employees under **Part B** of the incentive who it is anticipated will leave. Since some of the positions vacated as a result of retirements will not be filled and, if they are filled, the replacement employees' compensation will tend toward the lower end of the salary structure, it is possible that a significant portion of the costs associated with the incentive program may be offset. The actuarial present value of the additional benefits would be funded over a five-year period commencing in the State's fiscal year that begins in April 2003.

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

<u>RECOMMENDATION</u>

"The Executive Vice President - Business Services and Administration recommends that the Authority participate in the 2002 New York State and Local Employees' Retirement Incentive Program.

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

Mr. Vesce introduced Messrs. Bopp, Director of Compensation and Employee/Labor Relations, and Loughran, Assistant General Counsel– Human Resources & Labor Relations, who presented the highlights of staff's recommendations to the Trustees.

Following Mr. Bopp's presentation, Mr. Vesce complimented Human Resources staff for working diligently to improve the demographics of the Authority's workforce and for their preparation and succession planning efforts.

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

RESOLVED, That consistent with the provisions of the foregoing report the Trustees of the Authority of the Sate of New York do hereby elect to provide the benefits of Part A of Chapter 69 of the Laws of 2002 commencing on November 17, 2002, to all eligible employees in such titles and in such numbers as may be targeted and deemed reasonable in the discretion of the President and Chief Executive Officer, when such employees retire with an effective date of retirement set during the 45-day period beginning with and immediately following the commencement date and who are otherwise eligible as specified by Chapter 69; and be it further

RESOLVED, That consistent with the provisions of the foregoing report, the Trustees of the Authority of the State of New York do hereby designate July 13, 2002 as the commencement date for the mandatory 90-day open period associated with Part B of Chapter 69 of the Laws of 2002; and be it further

RESOLVED, That the Chairman and the President and Chief Executive Officer be, and hereby are, authorized to take all measures necessary or convenient to effectuate and implement the foregoing resolutions.

13. Power Now! Project - General Work Contract – Slattery Skanska, Inc. <u>Authorization of Final Payment</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize a final payment not-to-exceed $19,300,000 to Slattery Skanska, Inc. ('Slattery') as a result of a detailed audit of all costs for the construction work performed by Slattery for the Power Now! Project.

<u>BACKGROUND</u>

"At their meeting of December 18, 2001, the Trustees approved a comprehensive settlement of all claims for extra work, delays, acceleration and any and all matters of any kind, resulting in a maximum contract price of $225,000,000, subject to audit of Slattery and their subcontractors' costs by a mutually agreed upon independent outside auditing firm. The settlement also included a complete indemnification, including defense costs, against any claims or legal action initiated by Slattery's subcontractor(s) against the Authority. As a result of competitive bidding, Slattery and the Authority agreed upon the firm of Rubino and McGeehan LLP, ('Rubino') located in Bethesda, Maryland, to conduct the audit of Slattery costs. Rubino has significant experience in performing similar audits of major construction Projects. Slattery and the Authority agreed to share equally the costs of this audit, estimated to be approximately $210,000 in total.

"Rubino has spent over four months, including significant time at Slattery's home office and other locations where records are stored, reviewing details and costs for supervision, labor, materials, equipment and subcontractors' costs, including final settlement amounts. Authority staff, including Internal Audit, Procurement, Project Management, and Legal personnel, and the Authority's Construction Manager, DMJM Harris, were also active participants in this audit. As a result of this effort, the overall costs of this work performed by Slattery and their subcontractors, including agreed upon mark-ups for base contract and change order work, will not exceed $219,300,000. This is $5,700,000 below the maximum settlement price of $225,000,000. Previous payments made to Slattery, as authorized by the Trustees, total $200,000,000. Therefore, the final payment to be made to Slattery will not exceed $19,300,000. Slattery and the Authority have agreed that a two-party check will be issued, as necessary, to guarantee applicable payments to subcontractors. The payment reflects Slattery's audit cost of $110,000 representing its share of the costs of the audit conducted by Rubino.

<u>RECOMMENDATION</u>

"The Vice President - Procurement & Real Estate, the Vice President – Project Management, and the Director – Internal Audits recommend that final payment in the amount not-to-exceed $19,300,000 be made to Slattery Skanska, Inc. as determined by the audit conducted by Rubino and McGeehan LLP, all to be made in accordance with the final settlement terms between Skanska and the Authority.

"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. Hoff introduced Patrick McGeehin, of the certified public accounting firm of Rubino & McGeehin, who presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Chairman Ciminelli, Mr. Hoff explained how this final number was reached and how the firm of Rubino & McGeehin conducted the audit process. Mr. Hoff also confirmed that the final payment

would go to Slattery alone and would not be redistributed to the latter's subcontractors. However, he also mentioned that the Authority will receive releases from all parties.

Vice Chairman McCullough and Trustees Carey and Seymour expressed support for the proposed resolution, noting that it is a satisfactory conclusion to the overall process.

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

RESOLVED, That final payment in the amount not-to-exceed $19,300,000 be made to Slattery Skanska, Inc. in full and complete settlement of all claims arising from this work performed by Slattery for the Power Now! Project, in accordance with the foregoing report of the President and Chief Executive Officer.

14. <u>Motion to Conduct Executive Session</u>

"Mr. Chairman, I move that the Authority conduct an executive session to discuss matters affecting the public safety as well as matters relating to potential settlement of contract claims and of a regulatory proceeding."

On motion duly made and seconded, an Executive Session was held at approximately 12:30 p.m. in connection with matters affecting the public safety as well as matters relating to potential settlement of contract claims and of a regulatory proceeding.

15. Motion to Resume Meeting in Open Session

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

On motion duly made and seconded, the meeting resumed in open session at approximately 1:05 p.m.

16. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, July 30, 2002** at the **Albany Office at 10:00 a.m.,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

17. Closing

Upon motion made and seconded, the meeting was closed at 1:10 P.M.

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

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