

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

October 26, 2004

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the White Plains Office at 11:03 a.m.

Present: Louis P. Ciminelli, Chairman
Frank S. McCullough, Jr., Vice Chairman
Joseph J. Seymour, Trustee
Michael J. Townsend, Trustee

Timothy S. Carey, Trustee – Excused

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 – Corporate Services and Administration
Joseph Del Sindaco	Senior Vice President and Chief Financial Officer
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Brian Vattimo	Senior Vice President – Public and Governmental Affairs
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
Charles I. Lipsky	Vice President and Chief Engineer
Donald A. Russak	Vice President – Finance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
Paul W. Belnick	Director – Energy Services and Technology
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Angelo S. Esposito	Director – Energy Services
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
John L. Murphy	Director – Public Relations
Daniel Wiese	Director – Corporate Security/Inspector General
Shalom Zelingher	Director – Research and Technology Development
James F. Pasquale	Manager – Business Power Allocations and Compliance
Peter Scalici	Deputy Inspector General – Investigations
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant

Kevin J. Falvey

Consultant

John Cashin
Dorothy Lechmanski

Executive Administrator, Battery Park City Authority
Budget Director, New York State Division of Budget

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

1. **Approval of the Minutes of the Meeting held on September 27, 2004**

The minutes of the meeting of September 27, 2004 were unanimously adopted.

2. Financial Reports for the Nine Months Ended September 30, 2004

Mr. Bellis provided the Financial Reports for the nine months ended September 30, 2004. Mr. Bellis presented an overview of the financial reports to the Trustees. In response to a question from Chairman Ciminelli, Mr. Bellis said that the approximately \$60 million in write-offs being reviewed were in addition to write-offs approved previously. Responding to another question from Chairman Ciminelli, Mr. Hiney said that the high water levels at the Niagara Project are not likely to be sustained, especially since September had been one of the driest months in recorded history, Lake Erie was at its long-term average (whereas it had been above average previously) and Lakes Michigan and Huron are 14 inches below normal.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Mr. Blabey, who presented Trustee Seymour with a framed copy of the resolution from the June 2004 meeting designating the Authority's natural gas-fired, dual-unit generating facility at 23rd Street and 3rd Avenue in Brooklyn as the Joseph J. Seymour Power Project.

4. Informational Item – Annual Review of Job Commitments

The President and Chief Executive Officer submitted the following report:

SUMMARY

“This is an informational item for the Trustees regarding the current power allocations to 43 companies that were below their job commitment levels as set forth in Exhibit ‘4-A’ attached hereto.

BACKGROUND

“Each year, Authority staff initiates a review of all business power allocations and the customers’ performance against agreed-upon job commitments. In 2003, the Authority had 301 contracts with 186 business customers, excluding Power for Jobs (‘PFJ’) agreements. This year’s review covers a total of 167 customers with 262 contracts that required the customers to report job levels for 2003. The contracts reviewed by staff represent overall power allocations of 913.707 MW and total employment commitments of 126,285 jobs. In the aggregate, these customers reported actual employment of 144,185.80 jobs. This represents 114.17% of the total job commitment for business customers reporting in 2003. Nevertheless, 43 customers with 48 contracts have actual job levels below the minimum threshold. This past year, one customer did not report, three customers relinquished allocations, and two customers were terminated. Five customers with 12 contracts requested productivity reviews to lower their employment commitments.

“The contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, (80% for ‘vintage’ customers, i.e., those having contract allocations prior to 1988), the Authority may reduce that customer’s power allocation proportionately. A company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology.

DISCUSSION

“This annual review of business power allocation job commitments covers the period from January through December 2003. According to the Federal Reserve Bank of New York, the state’s economic downturn continued to August 2003. Given the complex mix of cyclical and structural employment adjustments occurring during this period, it is not yet possible to assess the number of temporary job losses among the businesses that did not meet employment commitments. This is an informational item regarding the 43 customers not meeting their employment commitments. Brief descriptions of those companies whose actual job levels are below their commitments are reported in Section I. Staff also notes that five companies with 12 contracts have requested that they be allowed to maintain their power allocations at a lower job commitment level to reflect productivity improvements as discussed in Section II.

“A summary of all contracts discussed in this item is provided as Exhibit ‘4-A.’

Section I.

Allocations To Continue With No Change

Brenner Paper Products Company, Inc., Glendale, Queens County

Allocation: 600 kW of Municipal Distribution Agency Power

Jobs Commitment: 140 jobs

Background: Brenner Paper Products Company, Inc. (‘Brenner’), manufactures dry office supply paper products. Currently, Brenner is maintaining its employment level even in the face of tough economic times. For the past year, Brenner averaged 119.50 jobs, i.e., 85.36% of its contractual commitment. While the company does not foresee growth in its immediate future, it is proud that it has not laid any workers off despite poor business conditions.

Bristol-Myers Squibb – Buffalo Technical Operations, Buffalo, Erie County

Allocation: 750 kW of Expansion Power

Jobs Commitment: 450 jobs

Background: Bristol-Myers Squibb ('BMS') manufactures dry skin, anti-inflammatory and anti-fungal dermatological products, in addition to various cold medicines. Currently, the company's product line-up is in transition. For the past year, BMS averaged 294.42 jobs, i.e., 65.43% of its contractual commitment. Though BMS is below its commitment, the facility this past year added a new product line for a nasal spray and received new extensions of contracts to make high-volume sale cold medicines. The company is now pursuing third-party business that it hopes will increase volume and employment. BMS is transferring several prescription formulations from another facility outside New York State to Buffalo in 2005, which should increase employment as well.

Buffalo Color Corporation, Buffalo, Erie County

Allocation: 2,673 kW and 243 kW of Replacement Power

Jobs Commitment: 107 jobs and 107 jobs

Background: Buffalo Color Corporation ('Buffalo Color'), formed in 1977, is the only domestic synthetic indigo dye manufacturer. For the past year, Buffalo Color averaged 51.79 jobs, i.e., 48.40% of each of its contractual commitments. The company, which is suffering from dumping by foreign competitors, has taken its case to court and is awaiting a decision. Meanwhile, Buffalo Color has ceased production of the dye and is in Chapter 11 bankruptcy proceedings. The company cannot survive without its hydro allocations, however, due to the grave situation it is in, so it has requested that its allocations be reduced to a total of 700 kW.

Buffalo Newspress Inc., Buffalo, Erie County

Allocation: 250 kW of Expansion Power

Jobs Commitment: 200 jobs

Background: Buffalo Newspress Inc. ('Buffalo Newspress'), founded in 1979, prints advertising inserts, brochures and weekly newspapers. For the past year, Buffalo Newspress averaged 136.46 jobs, i.e., 68.23% of its contractual commitment. Buffalo Newspress lost its biggest account in 2003. The company is trying hard to replace the lost business, but it has been difficult to do. Buffalo Newspress foresees employment remaining level or possibly modestly growing in the near future.

Client Logic Corporation, Buffalo, Erie County

Allocation: 250 kW of Expansion Power

Jobs Commitment: 507 jobs

Background: Client Logic Corporation ('Client'), formerly Upgrade Corporation of America, was founded in 1990. The company's call center in Buffalo provides technology processing services to the high-tech industry, including inbound and outbound telemarketing, product warehousing and fulfillment, customer service, remittance transacting and technical support. For the past year, Client averaged 314.75 jobs, i.e., 62.08% of its employment commitment. After a companywide review, the Buffalo facility was kept in operation. Currently, the company is seeing some growth, with employment up slightly, but it does not expect additional employment growth.

Coyne Textile Services, Buffalo, Erie County

Allocation: 350 kW of Expansion Power

Jobs Commitment: 93 jobs

Background: Coyne Textile Services ('CTS') is a family-owned business incorporated in 1929 that provides textile rental products and laundering services. The textile rentals range from work uniforms and protective clothing to shop towels and floor mats. CTS specializes in environmentally safe cleaning of heavily soiled garments that require special processing due to the nature of the stain – petroleum, printing dyes etc. Of the printing companies in the eastern United States, 75% use CTS as their preferred provider of textile cleaning services. For the past year, CTS averaged 55.75 jobs, i.e., 59.95% of its contractual commitment. With bankruptcies and business closures at an all-time high in the Buffalo area, CTS has lost business due to customer downsizing. However, the company has aggressive plans to recoup business, including hiring a whole new management team for sales and marketing.

Dielectric Laboratories, Inc., Cazenovia, Madison County

Allocation: 600 kW of Economic Development Power

Jobs Commitment: 299 base jobs

Background: Dielectric Laboratories, Inc. ('Dielectric'), founded in 1978, manufactures capacitors, filters and other components for the optical networking and wireless communications industries. For the past year, Dielectric averaged 163.50 jobs, i.e., 33.10% of its contractual commitment. This industry suffered an economic downturn prior to the current recession and is slowly recovering. Dielectric believes that, even if the industry recovers, the company will not be able to meet the employment commitment, as the competitive environment does not allow for such growth. The company has had to automate processes in order to stay competitive, which has resulted in job reductions. Productivity improvements and automation led to a reduction of 154 positions. The company has grown in 2004 and has increased employment to 205 workers.

Eagle Electric Manufacturing Co., Long Island City, Queens County

Allocation: 500 kW of Municipal Distribution Agency Power

Jobs Commitment: 1,300 jobs

Background: Eagle Electric Manufacturing Co. ('Eagle'), in business for more than 50 years, manufactures commercial and residential electric and electronic equipment, including plastic components, wall outlets, plate covers, plugs, switches, lamp cords and adapters. For the past year, Eagle averaged 653.50 jobs, i.e., 50.27% of its contractual commitment. The company is gradually closing this facility due to foreign competition that has forced manufacturing abroad. The current 400 jobs will be eliminated entirely by the end of 2005.

Ellanef Manufacturing Corp., Bohemia, Suffolk County

Allocation: 1,300 kW of Municipal Distribution Agency Power

Jobs Commitment: 195 jobs

Background: Ellanef Manufacturing Corp. ('Ellanef'), founded in 1940, is the largest privately held manufacturer of aerospace machined parts and assemblies in the nation. Ellanef manufactures parts for the commercial aerospace and defense industries, with Boeing, NASA and IBM as major customers. For the past year, Ellanef averaged 124.33 jobs, i.e., 63.76% of its contractual commitment. The company has been struggling as the aerospace industry as a whole has for the past several years. Although Boeing, Ellanef's biggest customer, has suspended and/or canceled orders, the company is doing its best to stay in business without downsizing. Currently, Ellanef has 124 full-time employees at this location. The company does not foresee significant growth in the near future.

Ellanef Manufacturing Corp., Corona, Queen County

Allocation: 1,100 kW of Economic Development Power

Jobs Commitment: 251 jobs

Background: Ellanef Manufacturing Corp. ('Ellanef'), founded in 1940, is the largest privately held manufacturer of aerospace machined parts and assemblies in the nation. Ellanef manufactures parts for the commercial aerospace and defense industries, with Boeing, NASA and IBM as major customers. For the past year, Ellanef averaged 220.83 jobs, i.e., 87.98% of its contractual commitment. The company has been struggling as the aerospace industry as a whole has for the past several years. Although Boeing, Ellanef's biggest customer, has suspended and/or canceled orders, the company is doing its best to stay in business without downsizing. Currently, Ellanef has 208 full-time employees at this location. The company does not foresee significant growth in the near future.

Endicott Interconnect Technologies, Inc., Endicott, Broome County

Allocation: 20,000 kW of Economic Development Power

Jobs Commitment: 5,500 jobs

Background: In 2002, Endicott Interconnect Technologies, Inc. ('Endicott') purchased this microelectronics manufacturing facility, which had been in operation since 1906, from IBM. Endicott manufactures electronics panels and boards and develops data processing equipment, such as PC panels and banking systems. For the past year, Endicott averaged 4,351.92 jobs, i.e., 79.13% of its contractual commitment. Due to the sluggish electronics industry, the company has not grown as much as it expected, but it has broadened its product line and customer base. A homeland security initiative to develop and produce, in conjunction with another firm, a high-speed explosive detection system is expected to bring 700 new jobs to the facility this year.

Excelsior Transparent Bag Manufacturing, Inc., Yonkers, Westchester County

Allocation: 700 kW of Municipal Distribution Agency Power

Jobs Commitment: 180 jobs

Background: Excelsior Transparent Bag Manufacturing, Inc. ('Excelsior'), a privately held company founded in 1946, prints and converts plastic film mainly for the food industry. For the past year, Excelsior averaged 85.25 jobs, i.e., 47.36% of its contractual commitment. In order to stay competitive, Excelsior has invested millions of dollars in a complete equipment overhaul. The new equipment requires fewer workers, but the company is now poised to be much more productive and competitive. Excelsior expects job growth in the near future.

Ferro Electronic Materials, Niagara Falls, Niagara County

Allocation: 3,115 kW and 1,000 kW of Replacement Power and 3,000 kW of Expansion Power

Jobs Commitment: 276 jobs, 257 jobs and 220 jobs

Background: Ferro Electronic Materials ('Ferro') is a supplier of dielectric powder to the passive electronic component industry and zirconia-based ceramic powders to industry. For the past year, Ferro averaged 159.00 jobs, i.e., 57.61%, 61.87% and 72.27% of its employment commitments, respectively. Ferro is coming out of the worldwide electronics industry slump. A dramatic upsurge in business since the end of 2003 has allowed the company to bring new equipment on-line that had remained idle. Two new product lines were successfully implemented in 2003 and Ferro made heavy investments in R&D for new products. Furthermore, the company is looking at diversifying its product line to minimize the problems associated with market swing. More than 20 new employees were hired in 2004, with more growth expected.

Fiber Conversion, Inc., Broadalbin, Fulton County

Allocation: 1,000 kW of Economic Development Power

Jobs Commitment: 47 jobs

Background: Fiber Conversion, Inc. ('Fiber'), founded in 1909, recycles textile scraps, separates out the cotton from those scraps, which is then used to manufacture paper products. For the past year, Fiber averaged 36.00 jobs, i.e., 76.60% of its employment commitment. While the company's business decreased in 2003, it has taken aggressive steps to counter that, increasing business by diversifying its services to include a foam reprocessing technique that has brought in new customers. While the company is not sure whether it is ready to increase employment, the employment level is expected to remain stable.

Graphic Controls Corp., Buffalo, Erie County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 408 jobs

Background: Graphic Controls Corp. ('Graphic Controls'), formed in 1957, is a leader in the design, manufacture and distribution of industrial and medical recording charts. For the past year, Graphic Controls averaged 306.25 jobs, i.e., 75.06% of its contractual commitment. Many of Graphic Control's customers have gone out of business. However, the company has invested in new equipment and a new product line that it is marketing aggressively. Graphic Controls is cautiously optimistic about job growth this year.

H. M. Quackenbush, Inc., Herkimer, Herkimer County

Allocation: 400 kW of Economic Development Power

Jobs Commitment: 110 jobs

Background: H. M. Quackenbush, Inc. ('HMQ'), in business since 1871, manufactures housewares and also provides metal plating and finishing services for other companies. For the past year, HMQ averaged 63.00 jobs, i.e., 57.27% of its commitment. HMQ is coming out of a very difficult 2003 with much hope. A new contract required 8-10 new workers by early September and several new contracts set to begin later in the year should require even more workers. The company sees growth as a slow process, but it expects to have approximately 100 employees by the end of 2005.

Habasit Globe, Inc., Buffalo, Erie County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 123 jobs

Background: Habasit Globe, Inc. ('Habasit'), in business since 1916, manufactures conveyor belts primarily for the food industry. The company uses a non-rubber, non-woven specially treated fabric that is lighter, stronger and easier to clean than rubber. For the past year, Habasit averaged 79.00 jobs, i.e., 64.23% of its contractual

commitment. Habasit is optimistic about its employment outlook in 2004, as the company modestly increased employment in 2003 and recently made a major investment in modernizing the facility with new equipment.

Honeywell International, Buffalo, Erie County

Allocation: 300 kW of Replacement Power

Jobs Commitment: 168 jobs

Background: Honeywell International ('Honeywell'), formerly Allied-Signal Inc., has been a research and development lab since the early 1900s. Honeywell develops and produces atmospherically safe fluorocarbons. For the past year, Honeywell averaged 117.17 jobs, i.e., 69.74% of its contractual commitment. Since the site is a research facility, it depends on continued funding from Honeywell businesses. The facility has grown in 2004, continuing the growth trend that began in 2003, to a current employment level of 126 people and the company expects to add a few more positions by the end of the year. Honeywell is committed to the facility, as evidenced by its large investment that began in 2003 in a new steam plant. While the company is growing, it does not foresee meeting its commitment in the next year or two.

HSBC Holdings PLC, Brooklyn, Kings County

Allocation: 700 kW of Economic Development Power

Jobs Commitment: 350 jobs at One Hanson Place, Brooklyn
(part of an overall commitment of 1,462 jobs citywide)

Background: Republic National Bank of New York, founded in 1966 with its headquarters on Fifth Avenue in Manhattan and its back office at One Hanson Place in Brooklyn, was purchased by HSBC Holdings PLC ('HSBC') in 1999. For the past year, HSBC averaged 257.13 jobs at One Hanson Place, 73.47% of its commitment for that site. HSBC does not foresee adding any new jobs at the Hanson Place site.

Ingram Micro Corporation, Williamsville, Erie County

Allocation: 900 kW of Expansion Power

Jobs Commitment: 1,525 jobs

Background: Ingram Micro Corporation ('Ingram') is a leading wholesale distributor of microcomputer products worldwide, including hardware, software and networking equipment. For the past year, Ingram averaged 1,213.92 jobs, i.e., 79.60% of its job commitment. Ingram is in transition, as it just moved to a new facility across from its former site. At present, the company is not receiving power while it resolves outstanding issues with Niagara Mohawk Power Corporation.

Chase Manhattan Bank, N.A. (JP MorganChase), Brooklyn, Kings County

Allocation: 24,200 kW of Economic Development Power

Jobs Commitment: 5,000 jobs

Background: Chase Manhattan Bank's roots go back to 1799. Chase Manhattan Corp. was formed in a 1955 merger and JP MorganChase was formed in a 2000 merger. For the past year, Chase Manhattan Bank, N.A. averaged 3840.17 jobs, i.e., 76.80% of its employment commitment. The MetroTech site, a key operations center for the bank, as well as the rest of the bank, saw job reductions in 2003 due to economic conditions. While the MetroTech site's employment commitment dropped to 2,500 in 2004, it will have many more employees than that for the foreseeable future.

Leica Microsystems Inc., Depew, Erie County

Allocation: 450 kW Expansion Power

Jobs Commitment: 315 jobs

Background: Leica Microsystems Inc. ('Leica'), in business under various names since 1838, produces microscopes and precision ophthalmic instruments. For the past year, Leica averaged 193.67 jobs, i.e., 61.48% of its commitment. The company moved much of its manufacturing overseas this past year and divested two of its operating divisions, Ophthalmic and Analytical Instruments, to a new company, Reichert Inc. The divestment to Reichert Inc. included a commitment of 110 employees. Currently, the employment level is 190 employees, including Reichert employees.

Lockheed Martin, Niagara Falls, Niagara County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 45 jobs

Background: Lockheed Martin ('Lockheed') manufactures gravity gradiometer technology for the Navy and commercial use. For the past year, Lockheed averaged 26.29 jobs, i.e., 58.43% of its contractual commitment. The company's products, which are new and very high-tech, have not been accepted by the intended market as rapidly as had been expected. While Lockheed's workforce needs fluctuate, the company's business has not allowed for hiring personnel to perform the work in-house, so the work is outsourced. The company expects to hire a few people this year, bringing the number of employees to around 30.

Mele Manufacturing Co., Utica, Oneida County

Allocation: 650 kW of Economic Development Power

Jobs Commitment: 224 jobs

Background: Mele Manufacturing Co. ('Mele'), founded in 1912, manufactures jewelry cases, custom packaging and desk accessories, legal binders and custom injection molding. For the past year, Mele averaged 144.23 jobs, i.e., 64.39% of its contractual commitment. Mele has not been able to successfully recruit and retain qualified production and warehouse workers, relying instead on temporary and Oneida Association of Retarded Citizens workers in order to stay in business.

Metropolitan Life Insurance Company, Troy, Rensselaer County

Allocation: 2,800 kW of Economic Development Power

Jobs Commitment: 350 jobs

Background: In 1992, Metropolitan Life Insurance Company ('Met Life'), the insurance and financial services giant which has been in business for more than 110 years, built a computer center in the Rensselaer Technology Park to provide disaster recovery/back-up capabilities to the company's other computer centers, as well as to perform development work. For the past year, Met Life averaged 304.50 jobs at the site, i.e., 87.00% of its commitment. Jobs were down in 2003 due to outsourcing of some functions. Currently, the company has 310 workers at this site. By the end of 2004, Met Life will have moved more than 20 workers from Boston to the Troy site, which will then meet the commitment.

Monitor Aerospace Corporation, Amityville, Suffolk County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 322 jobs

Background: Monitor Aerospace Corporation ('Monitor') manufactures machined parts and structural sub-assembly components for the aerospace industry. Monitor's core business is precision milling of structural aircraft components out of aluminum, titanium and steel. For the past year, Monitor averaged 226.17 jobs, i.e., 70.24% of its commitment. The company, which is growing as the aerospace industry begins to recover, now has 250 workers and foresee some more job growth.

Monofrax Inc., Falconer, Chautauqua County

Allocation: 2,082 kW of Expansion Power

Jobs Commitment: 380 jobs

Background: Monofrax Inc. ('Monofrax') uses an electric furnace ceramic foundry to manufacture fused cast refractories primarily used to line melting furnaces for the production of glass products. For the past year, Monofrax averaged 239.00 jobs, i.e., 62.89% of its contractual commitment. Monofrax grew in 2003 by a few employees and in 2004 has grown by many more to a current level of 260 employees. The company is cautiously optimistic that it will have some more job growth.

Motorola Inc., Elma, Erie County

Allocation: 4,600 kW of Expansion Power

Jobs Commitment: 600 jobs

Background: Motorola Inc. ('Motorola'), one of the world's leading manufacturers of electronic equipment, systems and components, built its automotive and industrial electronics plant in 1989. The plant primarily manufactures high-tech sensors and power controls. For the past year, Motorola averaged 520.33 jobs, i.e., 86.72% of its contractual commitment. At its March 2004 meeting, the Authority's Trustees lowered the company's allocation to 3,600 kW and its job commitment to 400 jobs in conjunction with extending its contract by five years.

Native Textiles, Inc., Glens Falls, Warren County

Allocation: 1,200 kW of Economic Development Power

Jobs Commitment: 100 jobs

Background: Native Textiles, Inc. ('Native'), in business for more than 100 years, produces textiles, especially lace and tricot. For the past year, Native averaged 83.42 jobs, i.e., 83.42% of its contractual commitment. The slow economy affected Native's employment level in 2003. However, 2004 has seen sales growth and, as a result, about eight people are expected to be hired this year, which would bring Native into compliance.

North American Höganäs, Inc., Niagara Falls, Niagara County

Allocation: 1,000 kW of Replacement Power

Jobs Commitment: 120 jobs

Background: North American Höganäs, Inc. ('NAHI'), formerly Pyron Corporation, which was founded in 1940, manufactures sponge iron powder and atomized steel powder for powder metallurgical processes. For the past year, NAHI averaged 45.17 jobs, i.e., 37.64% of its employment commitment. Last year, NAHI restructured the organization, which accounted for the employment drop. However, sales were not good even after the restructuring. Although the sales outlook is improving in 2004, the company does not foresee any employment growth.

Oak-Mitsui, Inc., Hoosick Falls, Rensselaer County

Allocation: 4,000 kW of Economic Development Power, temporarily reduced to 800 kW in October 2001 and further temporarily reduced to 175 kW in October 2002

Jobs Commitment: 140 jobs

Background: Oak-Mitsui, Inc. ('Oak-Mitsui'), founded in 1976 as a joint venture, produces electro-deposited copper foil for use in printed wire board applications. For the past year, Oak-Mitsui averaged 44.83 jobs, i.e., 32.02% of its employment commitment. Economic conditions created a sudden drop in demand for Oak-Mitsui's product. In turn, the company had to temporarily reduce its workforce. Oak-Mitsui is in transition now and is unable to predict its employment level in the next year. However, the company recently completed research and development for a new product, which they hope will create 10 new jobs in engineering and production in the next year.

Oswego Wire, Inc., Oswego, Oswego County

Allocation: 1,000 kW of Economic Development Power

Jobs Commitment: 102 jobs

Background: Oswego Wire, Inc. ('Oswego Wire') manufactures drawn copper, copper-clad steel, copper alloy, nickel-plated copper and stainless steel wire. For the past year, Oswego Wire averaged 90.50 jobs, i.e., 88.73% of its employment commitment. The company is less than one job short of its commitment.

Prudential Securities, Inc., New York, New York County

Allocation: 5,550 kW of Economic Development Power

Jobs Commitment: 5,000 jobs

Background: Prudential Securities, Inc. ('Prudential'), founded in 1879, is a fully diversified global securities firm. For the past year, Prudential averaged 3,526.67 jobs, i.e., 70.53% of its employment commitment. Prudential's contract was terminated by the New York City Public Utility Service in April of this year.

Racemark International, Inc., Malta, Saratoga County

Allocation: 1,000 kW of Economic Development Power

Jobs Commitment: 197 jobs

Background: Racemark International, Inc. ('Racemark'), a family-owned business founded more 35 years ago, manufactures premium auto mats for top automakers, such as Mercedes and BMW. Operations include extrusion, pressing, cutting, sewing, embroidering, packaging and shipping. For the past year, Racemark averaged 165.08 jobs, i.e., 83.80% of its commitment. The company's lower-than-expected sales in 2003 account for the below-commitment job level. Racemark plans to add 10 new employees in 2004, which would bring the company to within one job of meeting its commitment.

Revere Copper Products, Rome, Oneida County

Allocation: 6,000 kW of Economic Development Power

Jobs Commitment: 490 jobs

Background: Revere Copper Products ('Revere') manufactures rolled copper, rolled alloys and milled bars and rods. For the past year, Revere averaged 410.75 jobs, i.e., 83.83% of its commitment. Revere suffered this past year from the overall recession in the copper and brass industry. The company did not reduce any product lines, but competition is tight. This year has seen a rebound and both sales and employment have increased, with employment currently at 423 jobs.

Rich Products Corporation, Buffalo, Erie County

Allocation: 1,000 kW of Replacement Power

Jobs Commitment: 402 jobs

Background: Rich Products Corporation ('Rich') manufactures non-dairy creamers, toppings and aseptic drink mixes. For the past year, Rich averaged 213.58 jobs, i.e., 53.13% of its contractual commitment. Rich is in the process of moving most of its business out of state and expects to have about 35 employees at this site by the end of next year producing a beverage and a dessert.

Sage Enterprises, Inc., Hauppauge, Suffolk County

Allocation: 500 kW of Municipal Distribution Agency Power

Jobs Commitment: 52 jobs

Background: Sage Enterprises, Inc. ('Sage'), originally part of Kraft Foods and sold to private investors in 1989, provided in-flight refrigerated food products to airports in the Northeast. For the past year, Sage averaged 18.92 jobs, i.e., 36.38% of its contractual commitment. Sage went out of business this year.

Servotronics, Inc., Elma, Erie County

Allocation: 500 kW of Expansion Power

Jobs Commitment: 145 jobs

Background: Servotronics, Inc. ('Servotronics'), founded in 1959, designs, manufactures and markets servo-control components and cutlery for government and industry. For the past year, Servotronics averaged 124.00 jobs, i.e., 85.51% of its commitment. The company's business has rebounded this year and employment is currently at 128.50 full-time equivalents, only two jobs short of the commitment.

Sherwood, A Division of Harsco Corp., Lockport, Niagara County, and Wheatfield, Niagara County

Allocation: 240 kW of Expansion Power and 260 kW of Expansion Power

Jobs Commitment: 364 jobs and 207 jobs

Background: Sherwood, A Division of Harsco Corp. ('Sherwood'), founded in 1923, manufactures gas control valves and regulators for compressed gas, refrigerants and scuba diving gear. For the past year, Sherwood – Lockport averaged 197.75 jobs, i.e., 54.78% of its employment commitment, and Sherwood – Wheatfield averaged 145.17 jobs, i.e., 70.13% of its employment commitment. While 2003 was not a good year for Sherwood, business is rebounding. At the Wheatfield plant, a new medical valve was introduced, resulting in 13 more employees being hired, with another 25 expected to be hired by the end of the year. At the Lockport plant, manufacturing of a new industrial valve has just started this year, resulting in seven new people being hired.

Special Metals Corporation, Dunkirk, Chautauqua County

Allocation: 1,000 kW of Expansion Power

Jobs Commitment: 81 jobs

Background: Special Metals Corporation ('Special Metals'), founded in 1952, is a world leader in super-alloy technology. The company pioneered the vacuum induction melting method to produce super-alloys for military and civilian use in jet engine turbines. Nearly every jet engine in the free world has some alloy in it produced by Special Metals. For the past year, Special Metals averaged 48.75 jobs, i.e., 60.19% of its commitment. The company was in bankruptcy until November 2003, which accounts for the drop in employment that year. This year, business has improved and Special Metals expects some job growth.

Syracuse China Company, Syracuse, Onondaga County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 500 jobs

Background: Syracuse China Company ('Syracuse China'), founded in 1871, manufactures high-end china for restaurants, hotels, universities and health care facilities. For the past year, Syracuse China averaged 434.08 jobs, i.e., 86.82% of its commitment. Although Syracuse China has been planning growth, the slow economy has hampered those plans. The company did increase employment in 2003 as compared to 2002 and is continuing to grow. Furthermore, the company has made major capital investments to the facility in order to remain competitive.

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

Syroco, Inc., Baldwinsville, Onondaga County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 500 jobs

Background: Syroco, Inc. ('Syroco') manufactures plastic lawn furniture, accessories and home décor. The company has divisions in California and Arkansas. For the past year, Syroco averaged 198.00 jobs, i.e., 39.60% of its contractual commitment. Fiskars, its parent company, currently has Syroco on the market and is not investing in the company. Syroco expects to be sold to a new parent company this year, which will allow it to diversify its product line and recover jobs.

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

The Gunlocke Company, Wayland, Steuben County

Allocation: 5,000 kW of Economic Development Power

Jobs Commitment: 765 jobs

Background: The Gunlocke Company ('Gunlocke'), founded in 1902 and changing ownership several times since, manufactures high-end wooden office furniture. Gunlocke recently added a new steel office furniture product line. For the past year, Gunlocke averaged 562.58 jobs, i.e., 73.54% of its commitment. While the company experienced a serious sales decline last year, it is optimistic that it will grow. This year, Gunlocke has seen order rates increase. The company added a new production cell and management has recently made heavy investments in the business to promote its growth.

Ultra Flex Packaging Corporation, Brooklyn, Kings County

Allocation: 1,100 kW of Municipal Distribution Agency Power

Jobs Commitment: 294 base jobs and 100 created jobs by 2005, with 334 jobs committed for 2003

Background: Ultra Flex Packaging Corporation ('Ultra Flex'), in business for more than 25 years, converts plastic film and bags into printed stock to be used as commercial product packages. For the past year, Ultra Flex averaged 251.08 jobs, i.e., 75.17% of its commitment. Ultra Flex believes that its below-commitment headcount is a result of the September 11 attacks and the war in Iraq. However, the company has continued to invest in new equipment that will enable it to produce its own extruded and laminated film, which should result in the new jobs.

Section II.

Allocations To Continue With Job Commitment Changes For Productivity Improvements

American Axle and Manufacturing Inc., Cheektowaga and Tonawanda, Erie County

Allocation: 250 kW of Expansion Power in Cheektowaga and 3,250 kW of Expansion Power Tonawanda, as well as 2600 kW and 1300 kW of Replacement Power in Tonawanda

Jobs: 120 jobs in Cheektowaga and 686 jobs in Tonawanda

Background: American Axle and Manufacturing Inc. ('American Axle') manufactures automobile driveline and chassis systems and components, including axles and drive-shafts for light trucks and SUVs. The Cheektowaga facility machines various gears, side gears and pinion gears. The Tonawanda facility forges ring gears and axle-shafts. Both facilities requested productivity improvement reductions to their employment commitments of six employees. The Cheektowaga facility installed two new automatic vision inspection units, replacing the need for six workers. The Tonawanda facility installed a new ring roller process with an automated press, replacing the need for six workers. For the past year, American Axle – Cheektowaga averaged 150.58 jobs, i.e., 125.49% of its commitment, and American Axle – Tonawanda averaged 777.75 jobs, i.e., 113.37% of its commitment.

Delphi Automotive Systems, Lockport, Niagara County

Allocation: 14,300 kW of Expansion Power

Jobs Commitment: 5,610 jobs

Background: Delphi Automotive Systems ('Delphi'), formerly a division of General Motors, manufactures radiators, condensers and heaters for General Motors automobiles. The company requested a productivity improvement reduction of its job commitment by 130 jobs. The reductions were accomplished through rebalancing job duties (45 jobs), new methods of manufacturing parts (49 jobs) and restructuring of a workstation (36 jobs). For the past year, Delphi averaged 4,696.38 jobs, i.e., 83.71% of its contractual commitment.

FMC Corporation, Tonawanda, Erie County

Allocation: 750 kW of Replacement Power

Jobs Commitment: 134 jobs

Background: FMC Corporation – active oxidants division ('FMC'), at this site since 1960, manufactures peroxygen chemicals for the food industry, as well as a new line of lawn chemicals. The company requested a productivity improvement reduction of its job commitment by 38 jobs. However, the request included 10 jobs that should have been requested for the 2002 report. Thus, only 28 jobs can be recognized as productivity improvement reductions made in 2003. Reductions were applied across all areas of the company through implementation of a new SAP system that fully monitors and integrates the company's databases, lean manufacturing processes and installation of new equipment. For the past year, FMC averaged 107.83 jobs, i.e., 80.47% of its contractual commitment.

General Motors Corporation – Powertrain, Buffalo, Erie County

Allocation: 1,100 kW and 800 kW of Expansion Power and 2,000 kW and 725 kW of Replacement Power

Jobs Commitment: 3,791 jobs (1,100 kW, 800 kW and 725 kW), and 3,791 base jobs and 44 created jobs (2,000 kW)

Background: General Motors Corporation – Powertrain ('GM Powertrain') manufactures engines for several of GM's automobile models, including the Chevy Colorado and Canyon pick-up. The company requested a productivity improvement reduction of its jobs commitment by 321 jobs. The bulk of GM's reduction comes from replacing an old engine line with the world's most advanced engine manufacturing facility and process for the new engine, as well as from rebalancing job duties along the assembly lines (27 positions), automation (7 positions) and new manufacturing processes (287 positions). For the past year, GM – Powertrain averaged 3,433.08 jobs, i.e., 89.52% of its contractual commitment.

Goodyear Dunlop Tire Company N.A. Ltd., Tonawanda, Erie County

Allocation: 850 kW and 250 kW of Replacement Power

Jobs Commitment: 1,475 jobs and 1,454 jobs

Background: Goodyear Dunlop Tire Company N.A. Ltd. ('Goodyear Dunlop') manufactures tires for automobiles and all-terrain vehicles at its Tonawanda facilities. The company requested a productivity improvement reduction of its jobs commitment by 26 jobs. Goodyear Dunlop accomplished the productivity improvements through rebalancing job duties (9 positions), automation (1 position) and new manufacturing processes and equipment (16 positions). For the past year, Goodyear Dunlop averaged 1,533.67 jobs, i.e., 103.98% and 105.48% of its commitments, respectively.

Mr. Pasquale presented an overview of the annual job commitments review. In response to a question from Vice Chairman McCullough, a discussion ensued about the need to develop a more refined policy for handling companies that are not meeting their job commitment levels. Chairman Ciminelli stressed the need to recognize capital investment as a compliance measure along with job commitments and said that a consultant has been hired to help develop comprehensive evaluation criteria that would allow the Authority to incorporate capital investment in its

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contracts with customers. It was agreed that staff would present an item at next month's Trustees' Meeting that would review and make recommendations on this issue.

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2003 Jobs	Average Annual % Achieved
Brenner Paper Products Company Inc.	Glendale	Sep 90	MDA	600	140	119.50	85.36
Bristol-Myers Squibb Buffalo Technical Operations	Buffalo	Aug 89	EP	750	450	294.42	63.43
Buffalo Color Corporation	Buffalo	May 93	RP	2,673	107	51.79	48.40
Buffalo Color Corporation	Buffalo	May 93	RP	243	107	51.79	48.40
Buffalo Newspress Inc.	Buffalo	Jan 94	EP	250	200	136.46	68.23
Client Logic	Buffalo	Mar 95	EP	250	507	314.75	62.08
Coyne Textile Services	Buffalo	Mar 95	EP	350	93	55.75	59.95
Delphi Automotive Systems	Lockport	Dec 88	EP	14,300	5,825	4,696.38	83.71
Dielectric Laboratories, Inc.	Cazenovia	Nov 00	EDP	600	299	163.50	33.10
Eagle Electric Manufacturing Co./ Copper Wiring Devices	Long Island City	Nov 92	MDA	500	1,300	653.50	50.27
Ellanef Manufacturing Corporation	Bohemia	May 95	MDA	1,300	195	124.33	63.76
Ellanef Manufacturing Corporation	Corona	Dec 93	EDP	1,100	251	220.83	87.98
Endicott Interconnect Technologies, Inc.	Endicott	Aug 93	EDP	20,000	5,500	4,351.92	79.13
Excelsior Transparent Bag Mfg. Inc.	Yonkers	Dec 93	MDA	700	180	48.75	60.19
Ferro Electronic Materials	Niagara Falls	Apr 94	RP	3,115	276	159.00	57.61
Ferro Electronic Materials	Niagara Falls	Jan 89	RP	1,000	257	159.00	61.87
Ferro Electronic Materials	Niagara Falls	Dec 88	EP	3,000	220	159.00	72.27
Fiber Conversion, Inc.	Brodalbin	Jul 94	EDP	1,000	47	36.00	76.60
FMC Corporation	Tonawanda	July 86	RP	750	134	107.83	80.47
Graphic Controls Corp.	Buffalo	Nov 98	RP	250	408	306.25	75.06
H.M. Quackenbush, Inc.	Herkimer	Jan 95	EDP	400	110	63.00	57.27
Habasit Globe, Inc.	Buffalo	Jul 86	RP	250	123	79.00	64.23
Honeywell International	Buffalo	Apr 89	RP	300	168	117.17	69.74
HSBC	Brooklyn	Apr 93	EDP	700	350	257.13	73.47
Ingram Micro Corporation	Williamsville	Sep 97	EP	900	1,525	1,213.92	79.60
J.P. MorganChase	Brooklyn	Feb 89	EDP	24,200	5,000	3,840.17	76.80
Leica Microsystems, Inc.	Depew	May 93	EP	450	315	193.67	61.48
Lockheed Martin	Niagara Falls	Feb 93	RP	250	45	26.29	58.43
Mele Manufacturing Co., Inc.	Utica	Jul 94	EDP	650	224	144.23	64.39
Metropolitan Life Insurance Company	Troy	May 91	EDP	2,800	350	304.50	87.00
Monitor Aerospace Corporation	Amityville	Jun 92	EDP	2,000	322	226.17	70.24
Monofrax Inc.	Falconer	Sep 97	EP	2,082	380	239.00	62.89
Motorola Inc.	Elma	Aug 89	EP	4,600	600	520.33	86.72
Native Textiles	Glens Falls	Jul 94	EDP	1,200	100	83.42	83.42
North American Hogānās Corporation	Niagara Falls	Apr 94	RP	1,000	120	45.17	37.64
Oak-Mitsui, Inc.	Hoosick Falls	Nov 92	EDP	4,000/175	140	44.87	32.02
Oswego Wire, Inc.	Oswego	May 93	EDP	1,000	102	90.50	88.73
Prudential Securities, Inc.	New York	Nov 92	EDP	5,550	5,000	3,526.67	70.53
Racemark International, Inc.	Malta	Sep 95	EDP	1,000	197	165.08	83.80
Revere Copper Products	Rome	May 93	EDP	6,000	490	410.75	83.83
Rich Products Corporation	Buffalo	Jul 86	RP	1,000	402	213.58	53.13
Sage Enterprises, Inc.	Hauppauge	Jan 94	MDA	500	52	18.92	36.38
Servotronics, Inc.	Elma	May 90	EP	500	145	124.00	85.51
Sherwood, A Div. of Harsco Corp.	Wheatfield	May 99	EP	260	207	145.17	70.13
Sherwood, A Div. of Harsco Corp.	Lockport	May 94	EP	240	364	197.75	54.78
Special Metals Corporation	Dunkirk	May 91	EP	1,000	81	48.75	60.19
Syracuse China Company	Syracuse	Jul 94	EDP	2,000	500	434.08	86.82
Syroco, Inc.	Baldwinsville	Jul 94	EDP	2,000	500	198.00	39.60
The Gunlocke Company	Wayland	Dec 93	EDP	5,000	765	562.58	73.54
Ultra Flex Packaging Corporation	Brooklyn	Oct 01	MDA	1,100	394 (334)	251.08	75.17

EP = Expansion Power RP = Replacement Power EDP = Economic Development Power
MDA = Municipal Distribution Agency Power

**II. ALLOCATIONS TO CONTINUE WITH JOB COMMITMENT CHANGES FOR
PRODUCTIVITY IMPROVEMENTS**

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2003 Jobs	Average Annual % Achieved	Revised Jobs
American Axle & Mfg Inc. – Cheektowaga	Cheektowaga	May 99	EP	250	120	150.58	125.49	114
American Axle & Mfg Inc. – Tonawanda	Tonawanda	May 94	EP	3,250	686	777.75	113.37	680
American Axle & Mfg Inc. – Tonawanda	Tonawanda	Apr 94	RP	2,600	686	777.75	113.37	680
American Axle & Mfg Inc. – Tonawanda	Tonawanda	Apr 91	RP	1,300	686	777.75	113.37	680
Delphi Automotive Systems LLC	Lockport	Dec 88	EP	14,300	5,610	4,696.38	83.71	5,480
Goodyear Dunlop Tires N.A. Ltd.	Tonawanda	Jun. 00	RP	850	1,475	1,533.67	103.98	1,449
Goodyear Dunlop Tires N.A. Ltd.	Tonawanda	Apr 91	RP	250	1,454	1,533.67	105.48	1,449
FMC Corporation	Tonawanda	Jul 86	RP	750	134	107.83	80.47	106
G. M. Powertrain – Tonawanda Plant	Buffalo	Sep 97	EP	1,100	3,791	3,433.08	90.56	3,470
G. M. Powertrain – Tonawanda Plant	Buffalo	Jun. 96	EP	800	3,791	3,433.08	90.56	3,470
G. M. Powertrain – Tonawanda Plant	Buffalo	Aug 97	RP	725	3,791	3,433.08	90.56	3,470
G. M. Powertrain – Tonawanda Plant	Buffalo	Jun 00	RP	2,000	3,835	3,433.08	89.52	3,514

EP = Expansion Power

RP = Replacement Power

MDA = Municipal Distribution Agency Power

**5. Direct Firm Power Service – Service Tariff Amendments –
Notice of Proposed Action**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a notice of proposed action to amend an Authority service tariff that currently affects two upstate industrial customers (BOC Gases and Reynolds Metals), permitting the recovery from those customers of charges incurred by the Authority arising out of actions by the New York Independent System Operator (‘NYISO’). This item requests the Trustees to authorize the Secretary to file notice for publication in the New York State Register of the proposed tariff amendment. Staff will evaluate any comments received on the notice of proposed action and return to the Trustees at a later date seeking final action on the tariff amendment..

BACKGROUND

“Two upstate industrial customers, BOC Gases and Reynolds Metals, are served under Service Tariff No. 1 (‘ST-1’) and 1970s-era contracts that do not provide for the recovery of certain costs assessed by the NYISO. A third and remaining customer also served under ST-1, Air Products and Chemicals, is already subject to contractual arrangements that permit the Authority to recover the NYISO costs associated with its allocation.

“Electricity for these end-use businesses is sold under direct sale contracts. The Authority serves as the Load Serving Entity (‘LSE’) for these customers in accordance with the requirements of the NYISO. The LSE is responsible for purchasing ancillary services from the NYISO that are necessary to facilitate the delivery of these Authority allocations to the customers. The Authority also bears responsibility for additional NYISO requirements associated with these allocations, such as the New York Power Authority Transmission Adjustment Charge (‘NTAC’), marginal losses, installed capacity charges (if any) and congestion, among others.

“Prior to the advent of the NYISO, there was no separate charge by the transmitting utilities for ancillary or other services associated with providing power to the Authority’s customers. These services are now ‘unbundled’ and provided exclusively by the NYISO. The NYISO, as the Trustees are aware, was created when the member systems of the New York Power Pool (‘NYPP’), including the Authority, transformed themselves to replace the NYPP with the NYISO in compliance with Federal Energy Regulatory Commission directives. The NYISO commenced operations in November 1999.

“The Authority tariff applicable to these customers predates the formation of the NYISO, and did not contemplate the need for the Authority to recover the NYISO costs associated with providing these customers with their allocations. The Authority has absorbed these costs since the NYISO began operating in November 1999. Without any changes being made to this tariff, the Authority would continue to absorb these NYISO costs.

“Through other contractual and tariff provisions, the Authority has begun collecting these NYISO costs from other similar customers. For example, at their March 30, 2004 meeting, the Trustees approved tariff amendments permitting the recovery of NYISO costs associated with providing electricity to the Replacement and Expansion Power customers in Western New York and Economic Development Power customers that receive delivery service from two upstate utilities. Also, contractual arrangements with many other business customers permit the Authority to pass through the NYISO costs that it incurs on the customers’ behalf.

DISCUSSION

“Staff proposes to amend ST-1 to give the Authority the same ability to pass through NYISO costs that it currently has under other tariffs and contracts applicable to other business customers.

“The proposed tariff amendment would ensure that the Authority recovers the substantial NYISO costs it incurs to serve Reynolds Metals and BOC Gases, as well as to ensure consistency with the Authority’s treatment of other business customers with respect to such costs.

“If the proposed amendment is ultimately approved, staff estimates that on a combined yearly basis it will no longer absorb \$1.9 million in NYISO charges. Following publication of this notice of proposed action in the New York State Register and evaluation of any comments received during a 45-day public comment period, staff will come back to the Trustees for approval of publication of a notice of final action for the proposed tariff amendment. The Authority would begin collecting these costs following publication of the notice of final action in the New York State Register.

“Attached is the proposed amendment to ST-1.

FISCAL INFORMATION

“Implementation of the proposed tariff amendment would allow the Authority to recover an additional \$1.9 million per year of NYISO costs associated with its LSE responsibilities for these customers based on 2005 NYISO cost estimates..

RECOMMENDATION

“The Vice President – Major Account Marketing and Economic Development and the Director – Supply Planning, Pricing and Power Contracts recommend that the Trustees authorize the Secretary to file notice for publication in the New York State Register of proposed Authority action to adopt a tariff amendment allowing the recovery of costs incurred by the Authority in connection with its role as Load Serving Entity for customers served under the Authority tariff discussed in this item.

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

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

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file with the Secretary of State for publication in the New York State Register notice of the Authority’s proposed action to adopt a tariff amendment allowing the recovery of New York Independent System Operator-related costs incurred by the Authority in connection with its role as Load Serving Entity for the customers under the Authority’s Service Tariff No. 1, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee(s) be, and hereby is, authorized to take such other and further actions as may be necessary to effectuate the foregoing; and be it further

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

Service Tariff No. 1 (Direct Firm Power Service) (effective January 1, 1993)

Add a new Special Provision to Service Tariff No. 1 to read as follows:

F. New York Independent System Operator-Related Charges.

Notwithstanding any provision herein to the contrary, the rates for service under this Service Tariff shall be subject to increase by the Authority at any time to require the Customer to compensate the Authority for the following Charges for services provided by or which are a result of the New York Independent System Operator, Inc. ("NYISO") or any successor organization pursuant to its Open Access Transmission Tariff ("OATT") or other tariffs (as the provisions of those tariffs may be amended and in effect from time to time) associated with the Authority's responsibilities as Load Serving Entity for the Customer:

1. Ancillary Services 1 through 6 and any new ancillary services as may be defined and included in the OATT from time to time;
2. Marginal losses;
3. The New York Power Authority Transmission Adjustment Charge ("NTAC");
4. Congestion costs, less any associated grandfathered Transmission Congestion Contracts ("TCCs") as provided in Attachment K of the OATT; and
5. Any and all other charges, assessments or other amounts associated with providing electricity to the Customers that are incurred by the Authority and associated with the Authority's responsibilities as Load Serving Entity for the Customers under the provisions of NYISO's OATT or other tariffs.

6. Proposed Schedule of Trustees’ Meetings in 2005

The Executive Vice President, Secretary and General Counsel submitted the following report:

SUMMARY

“The following schedule of meetings for the year 2005 is recommended:

<u>Date</u>	<u>Location</u>	<u>Time</u>
January 25, 2005	WPO	11:00 a.m.
February 22, 2005	WPO	11:00 a.m.
March 29, 2005	WPO	11:00 a.m.
April 26, 2005 – Annual	WPO	11:00 a.m.
May 24, 2005	FLYNN	11:00 a.m.
June 28, 2005	NIAGARA	11:00 a.m.
July 26, 2005	ALB	11:00 a.m.
<u>No Meeting in August</u>		
September 27, 2005	WPO	11:00 a.m.
October 17, 2005	WPO	11:00 a.m.
November 22, 2005	NYO	11:00 a.m.
December 13, 2005	ALB	11:00 a.m.

RECOMMENDATION

“The Executive Vice President, Secretary and General Counsel and I support the proposed schedule for the Authority’s Trustees’ Meetings for the year 2005, as set forth in the foregoing report.”

The following resolution, as submitted by the Executive Vice President, Secretary and General Counsel, was unanimously adopted.

RESOLVED, That the schedule of Trustees’ Meetings for the year 2005, as set forth in the foregoing resolution of the Executive Vice President, Secretary and General Counsel, be, and hereby is, approved.

7. Motion to Conduct an Executive Session

“Mr. Chairman, I move that the Authority conduct an Executive Session for the purpose of discussing matters related to potential litigation and negotiations related to the settlement of a claim.” On motion duly made and seconded an Executive Session was held.

8. 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.

9. Tri-Lakes Region of the Adirondacks – Transmission Reinforcement Project

The Executive Vice President, Secretary and General Counsel submitted the following report:

SUMMARY

“The Trustees are requested to approve the execution of a settlement agreement (‘Settlement’) among the Authority, Niagara Mohawk Power Corporation (‘Niagara Mohawk’) (a National Grid company) and the Villages of Tupper Lake and Lake Placid (‘Villages’). The Settlement provides for the construction of substation equipment and a new overhead line to alleviate serious transmission capacity deficiencies in the Lake Placid, Tupper Lake and Saranac Lake area of the Adirondacks. The \$29.1 million estimated cost of the Project will be paid for by Niagara Mohawk with a \$9.7 million contribution by the Villages. The Authority will finance the Project, license the new line and own the new facilities until January 1, 2012, at which time the facilities will be sold to Niagara Mohawk. In addition, the Authority will assist in certain short-term actions to address the problem and will share cost increases associated with the new line with Niagara Mohawk.

BACKGROUND

“The Authority provides for the full electric requirements of the Villages and, consistent with the requirements of the Niagara Redevelopment Act and the Niagara Project Federal Energy Regulatory Commission (‘FERC’) license, arranges for the transmission and delivery of Authority power to the Villages. For many years, there has been insufficient generation and transmission capacity to provide reliable electric service to the Villages and surrounding Niagara Mohawk service area (the ‘Tri-Lakes Region’) in the cold winter months. The region, which is entirely within the Adirondack Park (‘Park’), is served through a radial system of 46 kV and 115 kV lines fed from Malone. A radial system, as opposed to a loop system, has no redundancy should there be a failure of the primary source of supply. Restrictions relating to the Park have made it difficult to maintain and improve the electric infrastructure necessary to provide reliable service.

“The situation is particularly acute in the Village of Tupper Lake (‘Tupper Lake’), where the system is unable to provide more than 24 MW. Tupper Lake’s winter peak exceeds that amount. This has effectively capped its economic growth and threatens the viability of existing public and private customers. The 46 kV transmission system supplying Tupper Lake has reached the limit of its ability to support its winter peak loads under normal operating conditions. This was demonstrated during an extended period of sub-zero temperatures experienced in the Saranac Lake area in February 2003. To cure this problem on a temporary basis, the Authority assisted with the financing of 2 MW of temporary portable diesel generation at Tupper Lake during the winter of 2003-04, and expects to do likewise this coming winter. The same general degradation of service is affecting Lake Placid. The Village is experiencing voltage problems and cannot plan for its future unless the transmission grid is reinforced.

DISCUSSION

“The parties disputed who should be responsible for the cost of upgrading the transmission system to cure the deficiencies. However, following a mediation effort by the New York Public Service Commission (‘PSC’), and subsequent negotiations involving Niagara Mohawk, the Authority, the Villages, the staff of the PSC and the Governor’s Office, the parties agreed to compromise and crafted a Settlement. The Settlement addresses short- and long-term solutions to the transmission problem and forges a compromise on the key cost allocation issues.

Short-Term Solutions

1. The Villages agree that over the next two winter periods, they will, with the assistance of the Authority, keep their system loads and supply in balance in order to minimize the risks of a voltage collapse or of load shedding.

2. The Authority and the Villages will be responsible for meeting the excess demand over the next two years with additional generation, demand reductions or some combination of the two. The Authority will use available unencumbered moneys from the Petroleum Overcharge Restitution ('POCR') Fund to partially cover such costs.
3. The Authority will perform energy audits of the Villages and their customers, as well as others in the area, to identify all short- and long-term projects that will be beneficial to reducing the load within the region. Niagara Mohawk agrees that it will identify other loads in the region that can be audited immediately by the New York State Energy Research and Development Authority ('NYSERDA') for potential load reduction.
4. The Authority will examine potential fuel cell sites in the Villages. The Authority also agrees to assist each Village in implementing energy efficiency and distributed generation projects, which may include 'green building' components for a new convention center in Lake Placid and renewable biomass for on-site generation in Tupper Lake.
5. If feasible, the Authority will install 4-6 MW of distributed generation within the Villages and surrounding region.

Long-Term Solution

1. The following upgrades will be constructed (the 'Project'): (a) one 46 kV Static Var Compensator ('SVC') at Tupper Lake with a projected in-service date of 2006 and one 115 kV SVC at Lake Colby with a projected in-service date of 2006 (the 'SVCs'); and (b) a new overhead 46 kV line from Newton Falls to Piercefield with a projected in-service date of 2008 (the 'New Line'). The New Line will be routed to avoid Forest Preserve and other areas inappropriate for such facilities within the Park.
2. The current cost estimate for the Project is \$29.1 million. The Net Project Cost will equal the Total Project Cost as defined herein less \$9.7 million (in 2004 dollars), which is the portion of the Project cost borne by Tupper Lake (\$3.2 million) and Lake Placid (\$6.5 million). The Authority will finance both Niagara Mohawk's and the Villages' share of the total cost, but will be reimbursed for these costs. The Authority and Niagara Mohawk will share in any cost increases above the estimated cost of the transmission line part of the Project (estimated at \$15.8 million).
3. Niagara Mohawk will be responsible for the design, engineering, procurement, construction, installation, testing and overall project management of the Project, subject to oversight by the Authority.
4. The Authority will be the applicant for any governmental permits or approvals required for the siting or construction of the New Line and Niagara Mohawk will be the applicant for any permits or approvals required for the SVCs. The Authority will be reimbursed for these costs, subject to the cost increase noted in paragraph 2 above.
5. The Authority will own and finance the Project prior to January 1, 2012, at which time the Project will be transferred to Niagara Mohawk upon payment of the Net Project Cost. The Authority will acquire any real or personal property required for the Project and hold title until the Project is transferred to Niagara Mohawk in 2012.

"The Project will bring numerous benefits to the Tri-Lakes area. The 115 kV SVC will supply voltage support for Lake Placid. The new line will move Tupper Lake off the existing lines used to feed Lake Placid and Lake Colby and onto its own circuit. This will free up approximately 25 MW of additional service to Lakes Placid and Colby. These upgrades should meet the needs of these two areas beyond 20 years, based on a 2004 peak load forecast, and will allow economic growth in the region, avoid local brownouts and blackouts, ensure sufficient power supply for all the major winter events held in Lake Placid and save Lake Placid the costs of mobilizing emergency services and electric utility resources to prepare for and respond to transmission constraints.

“The Settlement is a reasonable compromise that will significantly improve the transmission infrastructure in the Tri-Lakes area. The existing electricity supply deficiencies in that area are a threat to the public health and safety. The obligations assumed by the Authority under the Settlement are appropriate to correct these problems in light of the Authority’s unique responsibilities under the Niagara Redevelopment Act to secure delivery of Niagara Project power to the Villages. Moreover, the Authority’s responsibilities under the Settlement as outlined above are consistent with its mandate to cooperate with public and private entities to maintain a continuous and adequate supply of dependable electric power and energy.

ENVIRONMENTAL REVIEW

“With regard to the short-term solutions, the Authority has provided and will continue to provide environmental permitting assistance to the Villages in support of their procurement, installation and operation of the various modes of distributed generation.

“It is presently anticipated by the parties to the proposed Settlement that the Adirondack Park Agency will act as the lead agency for reviewing the New Line under the State Environmental Quality Review Act (‘SEQRA’). Except for the Authority’s funding of preliminary studies for the New Line, which is a Type II action under the Authority’s SEQRA regulations, additional Authority funding for the New Line is contingent on the successful completion of all SEQRA-required studies and reviews.

“With regard to the two electric substation upgrades that will be initially funded and constructed by Niagara Mohawk as part of the proposed Settlement, the Authority will only reimburse Niagara Mohawk for such work after Niagara Mohawk has obtained all necessary approvals and permits.

FISCAL INFORMATION

“The Authority will be reimbursed by Niagara Mohawk and the Villages for all Project costs, except for one-half of any costs associated with the New Line over the current estimate of \$15.8 million. Some parts of the short-term solution, such as the 3 MW of generation in Tupper Lake will, if possible, be funded with POCR funds.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel recommends that the Executive Vice President, Secretary and General Counsel be authorized to execute the foregoing Settlement on behalf of the Authority.

“It is further recommended that the Executive Vice President, Secretary and General Counsel or his designee be authorized to execute all further documents and to do such other things as may be necessary to effectuate the foregoing.

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

The following resolution, as submitted by the Executive Vice President, Secretary and General Counsel, was unanimously adopted.

RESOLVED, That for the reasons set forth in the foregoing report of the Executive Vice President, Secretary and General Counsel, the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to execute a Tri-Lakes Regional Transmission Reinforcement Project Settlement on behalf of the Authority, having such terms and conditions as are set forth in the foregoing report of the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel or his designee be authorized to execute all further documents and to do such other things as may be necessary to effectuate the foregoing; and be it further

October 26, 2004

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

10. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, November 23, 2004, at 11:00 a.m., at the New York Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

11. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:07 p.m.

A handwritten signature in black ink that reads "David E. Blabey". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

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