

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

September 27, 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 11:50 a.m.

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

Joseph J. Seymour, 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
Angelo S. Esposito	Senior Vice President – Energy Services and Technology
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
Gerald C. Goldstein	Assistant General Counsel – Regulatory and Contracts
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller
Robert J. Deasy	Vice President – Energy Resources Management
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Compliance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John L. Osinski	Executive Director – Regional Affairs
Paul W. Belnick	Director – Energy Services and Technology
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Paul F. Finnegan	Director – Upstate Public and Governmental Affairs
Jules G. Franko	Director – Fossil/Gas Turbines and SEPC Procurement?
William V. Slade	Director – Environmental Programs
Daniel Wiese	Director – Corporate Security/Inspector General
Shalom Zelingher	Director – Research and Technology Development
James F. Pasquale	Manager – Business Power Allocations and Compliance
John Grzan	Senior Project Manager – Project Management
Oksana U. Karaczewsky	Senior Procurement Specialist
Peter Scalici	Deputy Inspector General – Investigations
Andrea Phillips	Legislative Liaison

Mary Jean Frank
Lorna M. Johnson
Bonnie Fahey
Lynnette J. Taylor

Associate Secretary
Assistant Secretary
Executive Administrative Assistant
Senior Legal Secretary

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 July 27, 2004**

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

2. Financial Reports for the Eight Months Ended August 31, 2004

Mr. Bellis presented an overview of the Financial Reports for the eight months ended August 31, 2004 to the Trustees. In response to a question from Chairman Ciminelli, Mr. Bellis said that the O&M budget underrun stemmed from work still to be performed at the Niagara project.

3. Report from the President and Chief Executive Officer

President Zeltmann said that he wanted to concentrate on the things the Authority has been doing right with regard to environmental issues and introduced Mr. Hiney, who in turn asked Mr. Slade to present the highlights of the Authority's recent environmental achievements.

Mr. Slade reported on three recent environmental milestones:

(1) Earlier this month, the Authority was one of 13 entities to be recognized by the U.S. Environmental Protection Agency's ("EPA") Pesticide Environmental Stewardship Program as an Environmental Stewardship Champion for outstanding efforts in pollution prevention and pesticide risk reduction. The Authority earned this recognition for reducing the amount of herbicides needed for its right-of-way vegetation management program. The program uses geographic information systems ("GIS") to pinpoint areas where contractors need to control vegetation. These target areas are shown on digital photographs and derive from in-field vegetation inventory techniques using "ruggedized" hand-held computers. The use of GIS increases the specificity of herbicide applications and actually reduces maintenance costs by giving bidders a great deal of precise information on which to base their costs.

(2) On Earth Day 2000, the Authority entered into a Memorandum of Understanding with EPA that committed the Authority to a voluntary sulfur hexafluoride ("SF6") management program. SF6, an insulating gas used in some of the Authority's electrical equipment, is an extremely potent greenhouse gas. In correspondence earlier this month, EPA congratulated the Authority for not only setting a long-term goal significantly more stringent than the SF6 Partnership average but also for meeting that goal every year since 2000. EPA's program manager wrote that "... the New York Power Authority has consistently maintained an emission rate significantly lower than the Partnership average, which is a noteworthy achievement.

(3) Earlier this month, The New York Post reported that air quality in New York City had improved this summer when compared to recent summers. While the Authority cannot take credit for all of this improvement, the Small Clean Power Plants ("SCPP") have undoubtedly contributed to this turn for the better, since these units often displace older units that emit as much as 80 times more pollutants. There is some great work being done by the SCPP operators to keep these units on line and in compliance with very strict permits. In response to a question from Chairman Ciminelli, Mr. Slade said that the improvement in

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New York City's air quality was also partly due to lower overall power generation as a result of the cool weather this summer.

4. Allocations of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of 2,500 kW of industrial power to the New York City Public Utility Service (‘NYCPUS’) for resale to Howland Hook Container Terminal, Inc. (‘Howland Hook’) and a 500 kW allocation of industrial power to the Suffolk County Electrical Agency (‘SCEA’) for resale to Castella Imports, Inc. (‘Castella’).

BACKGROUND

“The Authority has reserved a total of 96,460 kW of industrial power for sale to downstate municipal distribution agencies (‘MDAs’), including NYCPUS and SCEA, under Service Tariff 35. Of this amount, 63,300 kW is reserved for NYCPUS and 5,000 kW for SCEA. This power is resold to industrial consumers designated by the MDAs and approved by the Authority. Both NYCPUS and SCEA have proposed the above-mentioned allocations from this block of power. The SCEA block will be fully allocated after the proposed allocations are approved, while 1,250 kW remains available for NYCPUS.

DISCUSSION

“Howland Hook, located in Staten Island, loads and discharges container vessels engaged in international commerce. The facility was originally built by American Export Lines and opened in May 1972. The facility was sold to New York City (‘NYC’) in the late 1970s and was then put on long-term lease to the Port Authority of New York and New Jersey (‘the Port Authority’) in the 1980s. The facility was closed between 1986 and 1996 when US Lines went bankrupt. The facility was reopened by Howland Hook and currently has sales of approximately \$80 million, while employing 475 people. Working with the Port Authority and NYC, Howland Hook has an opportunity for expansion which can bring more economic value and jobs to Staten Island and NYC.

“Howland Hook is expanding its site and adding additional cranes to serve the growing volume of vessels in the harbor. The company is working with the Port Authority and adding 500 feet of berth to its existing pier. This 20% increase will allow the company to work larger vessels. The company is also purchasing four new cranes at a cost of \$26.5 million. These cranes will provide additional capacity to work larger vessels.

“The low-cost power will be used to operate nine shore-based container cranes that are used to load and discharge cargo containers to and from vessels. The power is also required for refrigerated containers, in addition to office and maintenance operations. This allocation will allow Howland Hook to expand its operations and retain its current level of employment of 470 full-time positions. In addition, Howland Hook will add 140 positions over the next three years. The proposed allocation of 2,500 kW will be in effect until June 30, 2010 and will result in an estimated annual savings of approximately \$900,000 over Consolidated Edison Company of New York, Inc.’s (‘Con Edison’) standard rates.

“Castella began its business on Long Island in 1992. Since then, the company has grown into one of the largest importers of specialty foods in the United States. The company imports olives, olive oils, cheeses, condiments, spices and extracts. Included in its operation is a cold storage facility. Castella has outgrown its current location in Farmingdale and will be leasing a facility in Hauppauge with the intent of purchasing the building in 2005. The Hauppauge building is 92,600 square feet and Castella will invest \$500,000 to relocate and modify the building for its use. The company will also invest \$1.5 million in new machinery for the building. This project will allow Castella to continue to maintain the cold storage business and its current level of employment of 73 full-time positions. The proposed allocation of 500 kW will be for a term of two years and will result in annual savings of approximately \$140,000 over the Long Island Power Authority’s (‘LIPA’) standard rates.

“The proposed allocations have been reviewed in accordance with Part 460 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR Part 460

(1998)). The standard contracts between Howland Hook and NYCPUS and Castella and SCEA provide for reducing the allocations in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority as provided by Part 460.4 (21 NYCRR 460.4 (1988)) of the Authority's Rules and Regulations and pursuant to the contract between the Authority and SCEA and the Authority and NYCPUS.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve an allocation of industrial power to New York City Public Utility Service for resale to Howland Hook Container Terminal, Inc. and an allocation of industrial power to Suffolk County Electrical Agency for resale to Castella Imports, Inc.

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

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

RESOLVED, That the Authority hereby approves a 2,500 kW allocation of industrial power to New York City Public Utility Service for resale to Howland Hook Container Terminal, Inc. and a 500 kW allocation of industrial power to the Suffolk County Electrical Agency for resale to Castella Imports, Inc., as described in the foregoing report of the President and Chief Executive Officer and substantially in accordance with the terms described in such report; 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.

5. Request to Approve Extensions to the Term of Service for Two Existing Expansion Power Customers

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extensions to the term of service for a 750 kW allocation of Expansion Power (‘EP’) to Westwood Squibb (‘Westwood’) and a 300 kW allocation of EP to Viking Lockport, LLC (‘Viking’), both of whom are existing customers.

BACKGROUND

“Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly, or by sale for resale, 250 MW of firm hydroelectric power as EP to businesses within the state and located within 30 miles of the Niagara Power Project (‘Project’), provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 (19,732 kW) continues to be allocated in such county.

“Each application for an EP allocation must be evaluated under criteria that include, but need not be limited to, those set forth in Public Authorities Law Section 1005 (13) (a), which sets forth eligibility criteria, and (b), which sets forth the criteria for revitalization.

“Among the factors to be considered when evaluating a request for revitalization purposes are whether the business is likely to partially close or relocate, resulting in loss of jobs, whether the business is an important employer in the community and whether the business has pursued other available sources of assistance to reduce energy costs .

DISCUSSION

Westwood Squibb

“Westwood was approved for a 1,000 kW EP allocation at the Trustees’ meeting of August 29, 1989 in return for 610 jobs. At their meeting of September 26, 2000, the Trustees reduced the company’s allocation to 750 kW and its job commitment to 450 positions.

“Westwood manufactures dry skin, anti-inflammatory and dermatological products. The parent company recently moved its research and development and sales departments from this facility. As a result, the site now employs 265 people. However, its 2004-05 capital budget is \$3.6 million, with plans for various improvement and expansion projects. The company is optimistic about its strategy to aggressively seek out and secure incremental business. Its plans include the transfer of several prescription formulations from another site to Buffalo in 2005. Westwood is charting a new course by negotiating co-promotional agreements with other companies, and actively marketing the major consumer brands made in Buffalo. With low-cost EP, the company can stabilize its electricity costs and help secure the facility’s future. The plant’s utility costs are continuously monitored by corporate-level decision makers. Westwood’s EP allocation played a major role in the company’s decision to continue operations in Buffalo. As a result, staff is requesting that the Trustees approve the extension, with a reduced commitment of 265 jobs.

“Staff recommends that the Trustees approve an extension of the term of service for the 750 kW allocation for five years, until August 31, 2009, with service past the end of the current Project license on August 31, 2007, subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission (‘FERC’) on terms allowing such extension.

Viking Lockport, LLC

“Viking (formerly Avon Injected Rubber and Plastics (‘Avon’)) was approved for a 750 kW EP allocation for its Lockport facility at the Trustees’ meeting of August 29, 1989 in return for 163 jobs. Avon was engaged in plastic injection molding. In October 2001, Avon sold the business in a full asset sale to Viking Industries, LLC, which continued the plastic molding business as Par Lockport from October 2001 until June 1, 2003. On June 1, 2003, the company discontinued the plastic molding business and began a new light assembly business called Viking Lockport, LLC. At that time, the company requested that the EP allocation be reduced from 700 kW to 300 kW. Viking will commit to maintaining its current job commitment of 163 positions.

“Staff recommends that the Trustees approve an extension of the term of service for the 300 kW allocation for five years, until August 31, 2009, with service past the end of the current Project license on August 31, 2007 subject to the Authority receiving a new license for the Project from FERC on terms allowing such extension.

“These extensions will help Westwood and Viking keep their costs down and compete more effectively. In addition, the extensions will help maintain employment levels in western New York.

“The request was reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority’s Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR Part 460 (1988)).

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve extensions to the term of service for 750 kW of Expansion Power to Westwood Squibb to August 31, 2009, and 300 kW of Expansion Power to Viking Lockport, LLC to August 31, 2009, provided that service past the end of the current Niagara Power Project license on August 31, 2007, is subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission on terms allowing such extension.

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

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

RESOLVED, That the Trustees find that staff’s review supports an extension of 750 kW of Expansion Power to Westwood Squibb and that such extension 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 Trustees find that staff’s review supports an extension of 300 kW of Expansion Power to Viking Lockport, LLC, Inc. and that such extension 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 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.

6. Blenheim-Gilboa Pumped Storage Power Project Rates – Agreement with Long Island Power Authority

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Secretary to file notice for publication in the New York State Register of a revision of the firm demand charge for the Blenheim-Gilboa Pumped Storage Power Project (‘B-G’) from \$2.30/kW-month to \$3.92/kW-month, consistent with the Authority’s procedures under the State Administrative Procedures Act (‘SAPA’), 21 NYCRR § 455. LIPA, as the only customer, has waived the public forum that would normally be conducted under the Authority’s procedures .

BACKGROUND

“The existing demand rate for sale of firm capacity from B-G of \$2.30/kW-month has been in effect since February 1990. A total of 568 MW of firm B-G capacity was sold to four upstate utility customers (Central Hudson Gas and Electric Corporation, New York State Electric and Gas Corporation, Niagara Mohawk Power Corporation and Rochester Gas and Electric Corporation) under contracts that expired June 30, 2002. An additional 200 MW of firm B-G capacity was sold to three downstate utility customers (Consolidated Edison Company of New York, Inc. (‘Con Edison’), Long Island Power Authority (‘LIPA’) and Orange and Rockland Utilities, Inc. (‘O&R’)) under contracts with an expiration date of April 30, 2015. In addition, the governmental customers in the Southeastern New York area have been allocated 250 MW of firm B-G capacity.

“At their meeting of March 27, 2001, the Trustees approved modifications of the existing B-G contracts with the then six investor-owned utilities and LIPA. Authority staff negotiated temporary agreements (the ‘Temporary Agreements’) with each of the utilities and LIPA (the ‘Contractors’). The Temporary Agreements provide, among other things, that the Contractors relinquish certain rights under their B-G contracts to the Authority for which the Contractors each receive a pro rata share (based on contract demands) of the revenues and expenses generated by the Authority’s sales of energy and other products (e.g., operating reserves) from the Contractors’ shares of B-G capacity to the New York Independent System Operator (‘NYISO’). Except as modified by these Temporary Agreements, the B-G contracts remained in effect. The Temporary Agreements for the four upstate utilities expired with their underlying B-G contracts. The Temporary Agreements for Con Edison, LIPA and O&R were extended, by letter agreement, though June 30, 2004.

DISCUSSION

“Staff has held discussions with Con Edison and LIPA (O&R is now a subsidiary of Con Edison) on the Authority’s need to increase the B-G rates to meet increased revenue requirements. As a result of restructuring, both of these companies have largely divested their generation resources. Under their B-G contracts, if the Authority were to raise the rates, the utilities would have the option of giving a one-year notice of termination during which time they would have been obligated to pay the higher rate. After additional discussions, Authority staff and Con Edison determined that it was in our mutual interest to terminate the B-G contracts effective June 30, 2004. In the meantime, the Temporary Agreement with LIPA was further extended to June 30, 2005 while discussions continued with LIPA. As a result of these discussions, Authority staff agreed to propose a \$3.92/kW-month B-G firm demand rate for adoption by the Trustees.

“There are a number of changes in cost components relating to B-G since the rate was last changed in 1990. For the 1990 firm B-G capacity rate, the capital-related costs consisted of bond service, bond reserve and investment income. By comparison, the 2005 costs include capital-related costs, return on book value and depreciation. In addition, there is an allocation of overhead bonds (related to non-revenue Authority projects). This change reflected the retirement of the 1970 bonds issued to finance the construction of B-G, among other projects, and the implementation of original cost-based recovery.

“Post-retirement benefits other than pensions (‘PBOPs’) is a new cost item that consist of health care benefits and insurance for retirees, their dependents and beneficiaries. The inclusion of PBOPs reflects the switch from a cash or ‘pay as you go’ basis to an accrual accounting basis. Historically, the Authority has recorded benefits owed to existing retirees on a cash basis, which means that the cost of health benefits expended during the year was recovered in rates. Under the accrual approach, the rates reflect the cost of the health benefits that are accrued that year, i.e., those benefits earned by present employees and payable to them in the future. While use of the cash basis is currently acceptable for government entities, the Government Accounting Standards Board recently announced that it will require its members to switch to accrual accounting by 2006. The Authority adopted the accrual approach on November 30, 2002 for calendar year 2002 and later. In doing so, the Authority incurred an obligation of \$271 million, which will be amortized over 20 years.

“In addition to PBOPs, the main cost drivers of the increase are related to O&M expenses and shared services. The increase is due to both increases in the overall costs of shared services and changes in how shared services are allocated. The sale of the nuclear facilities in 1999 altered the cost relationship among the Authority’s projects. In 2001, the Authority was required to change the allocation of the indirect costs from a capacity methodology to one using labor ratios. These two changes in allocation methodology greatly increased the portion of shared services costs allocated to B-G.

“Public comments will be received and evaluated under the notice and comment provisions of the State Administrative Procedures Act. However, as LIPA is the only customer affected by this action and all issues have been resolved through direct negotiations, LIPA has waived the public forum that would normally be conducted under the Authority’s procedures.

FISCAL INFORMATION

“Implementation of the proposed B-G rates would allow the Authority to recover its increased costs associated with firm power sales from B-G. The total increased revenues from LIPA will amount to \$1.0 million.

RECOMMENDATION

“The Director – Supply Planning, Pricing and Power Contracts recommends that the Trustees authorize the Secretary to file notice for publication in the New York State Register of proposed Authority action to adjust the Blenheim-Gilboa Pumped Storage Power Project firm demand rates.

“The Executive Vice President – Power Generation, 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.”

Mr. Brandeis presented the highlights of staff’s recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Brandeis confirmed that the action requested of the Trustees was to approve the publication of the State Administrative Procedures Act Notice of Proposed Rulemaking for this rate change and that the public would have an opportunity to comment on the proposed changes.

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

WHEREAS, as set forth in the foregoing report of the President and Chief Executive Officer, the Authority has negotiated proposed demand rate increases for service from the Authority’s Blenheim-Gilboa Pumped Storage Power Project with the Long Island Power Authority (“LIPA”);

NOW THEREFORE BE IT RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice with the Secretary of State for publication in the New York State Register of the

Authority's proposed action to adjust the Blenheim-Gilboa Pumped Storage Power Project rates, 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 be, and hereby is, authorized to execute such agreements and documents as may be necessary to effectuate the foregoing, subject to approval of such documents by the Executive Vice President, Secretary and General Counsel; 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.

7. Rivers and Estuaries Center – Supporting Grant for Energy Efficiency Measures

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of up to \$10 million to the New York State Office of Parks, Recreation and Historic Preservation (‘NYSOPRHP’) for planning, design and installation of energy efficiency measures and clean energy technologies (collectively, the ‘Energy Measures’) at the Rivers and Estuaries Center (‘Center’) to be located at Denning’s Point Park in Beacon, New York. These funds will be used to help create ‘Green Building’ certified facilities that will house the activities of the Center. Funds will be transferred to NYSOPRHP on an as-needed basis .

BACKGROUND

“In January 2000, Governor George Pataki announced State plans for a new research and education institute on the rivers and estuaries worldwide. A commission including regional and national leaders in science and education, plus representation from state agencies, was established to develop a detailed strategic plan for the Center. The plan, published in July 2001, presented the Center and outlined programs and organizational systems necessary to support its mission. The Center’s program objectives include:

- Research in the natural and social sciences to foster a comprehensive understanding of river and estuarine environments.
- Education of broad audiences including students of all ages and the general public.
- Comprehensive real-time monitoring of river conditions, flora and fauna that define the changing character of river environments.
- Modeling of complete river and estuary systems using advanced computer simulations.
- Development of local, national and international partnerships.
- Creating and communicating a scientific basis for effective policies to guide conservation and management of rivers and estuaries worldwide.

“Following release of the strategic plan, site nominations were solicited from Hudson Valley municipalities and interested private individuals and organizations. Working with an initial list of more than 20 proposed sites, an intensive review process led to the Governor’s announcement on April 23, 2003, that Beacon, New York would host the Center’s headquarters .

“At Beacon, initial development will be concentrated along the Hudson River to the south on Denning’s Point. This property, now owned by the NYSOPRHP, contains several abandoned buildings. These buildings will be renovated and brought into service for use by the Center. Additional facilities are located to the north, near the Hudson-Beacon Landing property within the heart of the city’s waterfront. Trails and roads will link this northern site to Denning’s Point on the south.

“Funding for operation of the Center will come from a variety of sources, including individual and corporate donations, research and not-for-profit organizations and governmental assistance. To date, financing committed to the project includes funds from the federal government, New York State, the Port Authority of New York and New Jersey, Dutchess County and the Dyson Foundation. Funding from the Authority is intended to help the Center’s facilities meet ‘Green Building’ standards by financing the planning, design and installation of various Energy Measures at the Center. In the Governor’s April 23, 2003, press release announcing the selection of the Beacon site, Authority Chairman Louis P. Ciminelli said, ‘Just as the Rivers and Estuaries Center will showcase New York’s natural resources, the buildings housing the Center will showcase the Empire State’s leadership in energy efficiency and clean energy technologies.’

“The renovation of the buildings will be done to achieve a high rating under the Leadership in Energy and Environmental Design (‘LEED’) Green Building Rating program for sustainable buildings. Special emphasis on innovative approaches to building systems such as wastewater treatment, daylighting and natural ventilation will contribute to this goal.

“The Center has been incorporated as a not-for-profit corporation. An agreement between the NYSOPRHP and the Center will specify that the land and buildings on the land will be owned by the NYSOPRHP, with the Center leasing the building space.

DISCUSSION

“The NYSOPRHP and the Center have developed plans for building renovation. These plans are at various stages of completion. Renovation of the first building is planned to begin later this year, with completion of work expected in 2005.

“The NYSOPRHP will renovate the structures to the specifications of the Center using NYSOPRHP purchasing and bidding procedures. Authority funds will be transferred to NYSOPRHP on an as-needed basis to pay invoices related to planning, design and installation of the Energy Measures at the Center.

“The buildings will be designed with green technologies to the greatest degree possible. For example, the design of the first building incorporates such technologies as thermal roof and windows, skylights, geothermal cooling, ceiling fans, HVAC controls, composting toilets and shade trees. In addition, photovoltaic cells are being considered for the production of green power. Similarly, the preliminary designs of the other buildings include energy efficiency and clean energy technologies designed to meet LEED standards.

FISCAL INFORMATION

“Funding will be provided from the Operating Fund in the form of a grant in the amount of up to \$9,900,000. In addition, a grant of POGR monies in the amount of \$100,000 will be used to finance the Energy Measures. Neither the Operating Funds grant nor the POGR grant will be repaid to the Authority. As a condition to the payment of any Authority Operating Fund monies, the Vice President – Finance or the Treasurer will certify that funds to be used for the payment are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented.

RECOMMENDATION

“The Vice President – Government Affairs and Policy Development recommends that the Trustees approve the implementation of the project, as discussed above.

“The Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Public and Governmental Affairs, 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 Trustees authorize funding from the Operating Fund in an amount not to exceed \$9,900,000 to the New York State Office of Parks, Recreation and Historic Preservation for the planning, design, and installation of Energy Measures at the Rivers and Estuaries Center (the “Center”) to be located in Beacon, New York, as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That payment to the New York State Office of Parks, Recreation and Historic Preservation of any Operating Fund monies for planning, design and installation of the Energy Measures

shall be conditioned upon a certification by the Vice President – Finance or the Treasurer that such monies are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented: and be it further

RESOLVED, That the Energy Measures to be installed at the Center shall be deemed to be an energy services project within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the “Section (7) PO CR Legislation”) to be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) PO CR Legislation, and a PO CR grant of \$100,000 is hereby authorized to finance such Energy Measures; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Public and Governmental Affairs, the Senior Vice President – Energy Services and Technology, the Chief Financial Officer, the Treasurer, the Deputy Treasurer, the 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 resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. Operations and Maintenance Payments for New York State Parks

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize payments totaling up to \$8 million from the Operating Fund for expenditures of the New York State Office of Parks, Recreation and Historic Preservation (‘OPRHP’) in New York State fiscal year (‘SFY’) 2004-05. The funds are to be used for operation and maintenance of Robert Moses State Park (‘Robert Moses’), Coles Creek State Park (‘Coles Creek’), Art Park and Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) (‘Niagara Reservation’). Robert Moses and Coles Creek are directly associated with the St. Lawrence/FDR Power Project and have been incorporated into the Federal Energy Regulatory Commission (‘FERC’) project license issued in October 2003. Art Park and Niagara Reservation, although not part of the FERC-licensed project, are associated with the Niagara Power Project.

“The Trustees are further requested to authorize the President and Chief Executive Officer, or his designee, to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to the form thereof by the Executive Vice President, Secretary and General Counsel.

BACKGROUND

“During negotiations leading up to the introduction of SFY 2003-04 Executive Budget, the Authority agreed to a special Revenue-Other State Operations appropriation of up to \$8 million, reflecting the Authority’s assumption of responsibility for operations expenses at four New York State parks, including Art Park, Robert Moses, Coles Creek and Niagara Reservation. It was contemplated at that time that this level of funding would be a recurring expense to be maintained through fiscal year 2007-08.

“The approved New York State Budget for SFY 2003-04 adopted the Governor’s recommendations. At their meeting of June 24, 2003, the Trustees were advised that while authorization was requested only for SFY 2003-04, it is expected that such payments will continue through the end of the current federal license for the Niagara Power Project (2007). The Trustees authorized payments of up to \$8 million to the OPRHP Patron Services Account for SFY 2003-04, and payments were subsequently made in conformance with such authorization.

“The 2004-05 Executive Budget includes a special Revenue-Patrons Fund Account appropriation of \$60.9 million, which, again, contemplates an \$8 million contribution from the Authority for operations expenses at Art Park, Robert Moses, Coles Creek and Niagara Reservation.

DISCUSSION

“Payments made by the Authority would be used for OPRHP operating costs to include, but not be limited to, personal services, fringe benefits and non-personal services costs directly related to the operation of Art Park, Robert Moses, Coles Creek and Niagara Reservation.

“Payments would be made to the OPRHP Patron Services Account in three installments. An initial payment of \$4 million for the first and second quarters of SFY 2004-05 would be made immediately upon the Trustees’ approval and a finding by the Senior Vice President and Chief Financial Officer, the Vice President – Finance, or the Treasurer that such amount is not needed for any of the purposes set forth in Section 503(1) (a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented. Subsequent payments of \$2 million each would be made at the beginning of the third and fourth quarters of the SFY conditioned upon the Section 503(1) certification discussed above. All such payments would be subject to reconciliation based on OPRHP’s actual O&M expenditures for such parks.

“Payments would be made pursuant to an annual spending plan approved by the New York State Division of the Budget and a quarterly reconciliation report documenting all costs to be provided by OPHRP to the Authority within 45 days of the end of the third and fourth quarters (November 15 and February 15).

FISCAL INFORMATION

“Payments pursuant to this authorization will be made from the Authority’s Operating Fund.

RECOMMENDATION

“The Senior Vice President – Public and Governmental Affairs and the Vice President – Governmental Affairs and Policy Development recommend that the Trustees approve operating fund expenditures of up to \$8 million for payment to the New York State Office of Parks, Recreation and Historic Preservation Patron Services Account for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails) in New York State fiscal year 2004-05.

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

Mr. Osinski presented the highlights of staff’s recommendations to the Trustees. In response to questions from Vice Chairman McCullough, Mr. Osinski said that staff expected to be returning to the Trustees for approval of a similar item each year, that the approval is for funding for just one fiscal year, and that the Authority would get back any of its funding that wasn’t spent.

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

RESOLVED, That Operating Fund expenditures of up to \$8 million be made to the Special Revenue-Other Account (New York State Office of Parks, Recreation and Historic Preservation Patron Services Account) for the operation and maintenance of Art Park, Robert Moses State Park, Coles Creek State Park and the Niagara Reservation (including Reservoir, Whirlpool, DeVeaux Woods and Devil’s Hole State Parks and the Niagara Gorge Trails), as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That such amounts shall be paid from the Operating Fund upon a certification by the Senior Vice President and Chief Financial Officer, the Vice President –Finance, or the Treasurer that such amounts are not needed for any of the purposes set forth in Section 503(1) (a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

RESOLVED, That the President and Chief Executive Officer, or his designee, be and hereby is, authorized to sign any documents or enter into any agreements necessary to effectuate such payment, subject to approval as to the form thereof by the Executive Vice President, Secretary and General Counsel; 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.

**9. Procurement (Services) Contract – Program Implementation
Services Contracts – Select Energy Services, Inc. and Northern Power
Systems – Awards**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve contracts with Select Energy Services, Inc. (‘Select’) and Northern Power Systems (‘Northern’) for an aggregate amount of \$6 million for contractor services in connection with the implementation of the Distributed Generation (‘DG’) Program. The contract terms would be for three years with an option to renew for two additional years. The competitive selection of these firms was conducted subsequent to the March 30, 2004 Trustees’ authorization of an additional \$10 million for the DG Program, bringing the funding total to \$26 million.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the 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 contracts in excess of \$3,000,000, as well as personal services contracts in excess of \$1,000,000 if low bidder, or \$500,000 if sole source or non-low bidder, requires the Trustees’ approval.

“The Authority’s mission ‘is to provide clean, economical and reliable energy consistent with our commitment to safety, while promoting energy efficiency and innovation for the benefit of our customers and all New Yorkers.’ In that regard, the Authority has provided DG services to reduce energy consumption and generate clean, renewable energy for public customers.

“At their meeting of March 30, 2004, the Trustees authorized \$10 million for the permitting, design, engineering, procurement and construction expenses associated with the DG Program serving Southeastern New York (‘SENY’) customers, other Authority customers, municipalities, counties and other public entities in New York State (‘NYS’). This action brought the total DG authorization to \$26 million.

“The DG Program has enabled participating public customers to generate clean, efficient, and reliable power at their facilities with various financing options to meet their needs. To date, the DG Program has resulted in approximately \$16 million in investments. This figure includes DG project funding previously authorized by the Trustees. In addition, through this initiative, the Authority is reducing regulated air emissions by more than 240 tons annually, and carbon dioxide (‘CO₂’) emissions by more than 14,400 tons annually.

“The Authority is a national leader in the application of DG solutions to meet customer needs. To date, the Authority has installed 12 fuel cells totaling 2.4 MW, numerous solar photovoltaic (‘PV’) projects totaling 576 kW and 90 kW of microturbines powered by natural gas and renewable anaerobic digester gas (‘ADG’). Public customers, state agencies, authorities, campuses and other NYS organizations call on the Authority for guidance and assistance in implementing a variety of clean DG projects. These include the New York City Transit Authority, Metro North Railroad, the New York City Department of Environmental Protection, the NYS Office of Parks, Recreation and Historic Preservation, the New York City Department of Design and Construction, the State University of New York and the City University of New York, to name a few. In response to these requests, the Authority has completed various DG project feasibility studies that have identified significant DG project environmental benefits.

“The DG Program relies on a variety of technologies, such as PV, fuel cells, microturbines, small combustion turbines, reciprocating engines and energy storage. The DG Program also relies on a variety of fuels, such as solar, natural gas and renewable opportunity fuels from wastewater treatment facilities and landfills.

Wherever feasible, DG technology is installed in a combined heat-and-power ('CHP') configuration to use waste heat and maximize efficiency. In some applications, DG technologies are configured to provide back-up power to the customer's facility in the event of a grid failure. The primary goals of the DG Program are to reduce emissions while increasing energy efficiency, renewable fuel use and energy reliability.

"The DG Program also helps the Authority's customers at State facilities meet the requirements of Governor Pataki's Executive Order 111 ('EO 111'). EO 111, entitled 'Green and Clean State Buildings and Vehicles,' mandates the use of renewable power (10% by 2005 and 20% by 2010) for electricity in State buildings using the following technologies: wind, solar thermal, PV, sustainably managed biomass, tidal, geothermal, waste methane and fuel cells. The Program also helps New York City and its agencies meet the DG and CHP goals of the recently completed New York City Energy Plan.

DISCUSSION

"The services provided by the Implementation Contractors ('IC') will complement the Authority's staff resources in the implementation of the DG Program. The scope of work consists of the following:

- Detailed engineering and design of specific DG systems.
- Preparation and solicitation of competitive bids for equipment procurement and installation services.
- DG systems installation management.
- Project closeouts.

"In June 2004, the Authority advertised in the New York State Contract Reporter a Request for Proposals ('RFP') soliciting firms interested in providing implementation services for the DG Program. As a result of that advertisement and invitations to bid, 24 firms were sent RFP packages. A bidders' conference was held on June 29, 2004, to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Thirty firms attended the mandatory pre-bid conference.

"On July 9, 2004, nine firms submitted bids. A post-bid addendum was issued to all nine firms to clarify the intent of a second fee schedule in the bid that is to be used in the event that the Authority procures (a) fuel cell(s) for any particular project. All nine firms provided a response to the post-bid addendum on July 23, 2004. Staff evaluated the bids based on cost and technical criteria. These criteria included relevant experience of the firm; design and construction management experience in New York City and in other areas of the State; organization of the project team; qualifications of the support staff; familiarity with New York City and State codes, standards and permitting processes; financial capabilities and proposal content and format.

"The evaluation results were tabulated in a bid evaluation matrix in which Select, Northern, The Pike Company and Syska and Hennessy scored highest among the bidders and were ranked 1, 2, 3 and 4, respectively. Select and Northern were also ranked the lowest-price bidders, respectively.

"Multiple contracts to Select and Northern are recommended based on the anticipated level of program activity and to ensure the availability of qualified resources in the event that any contractor's performance does not meet the Authority's expectations.

Select Energy, Inc.

"Select, a subsidiary of Northeast Utilities, is headquartered in Natick, Massachusetts, and has several offices in New York State. It is a full-service firm with a staff of 100, providing in-house engineering, design and project management. Select also provides ongoing operations and maintenance services for DG projects. Select has been involved in the development, design, construction and maintenance of DG systems since the mid-1990s, and has been involved with the Authority's Energy Services program for the past 13 years. Select has performed technically acceptable feasibility studies for the Authority's DG Program in the last few years.

Northern Power Systems

“Northern is based in Vermont and has a regional office in Hoboken, New Jersey. The company was recently acquired by Distributed Energy Systems Corporation. It specializes in DG projects ranging from 500 kW to several MW. Northern has full-service in-house capabilities, including design, structure management and start-up. Northern is a relatively small full-service contractor, but has experience with detailed integration of CHP projects.

FISCAL INFORMATION

“At their meeting of March 30, 2004, the Trustees authorized funding of \$10 million to implement the DG Program. This authorization brought the total DG authorization to \$26 million. The funding is to be provided from the Operating Fund and/or the proceeds of the Authority’s Commercial Paper Notes. In addition, unless otherwise determined by the Senior Vice President – Energy Services and Technology, each DG Project will be funded, in part, with Petroleum Overcharge Restitution (‘POCR’) funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR funds, will be fully recovered from program participants.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Director – Research and Technology Development recommend that the contracts for Distributed Generation Program services be awarded to Select Energy Services, Inc. and Northern Power Systems.

“The Executive Vice President – Power Generation, 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, the Vice President – Procurement and Real Estate and I concur in the recommendation.”

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

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 implementation services agreements and other documents between the Authority and Select Energy Services, Inc. and Northern Power Systems, such agreements having such terms and conditions as the executing officer may approve, consistent with the foregoing report of the President and Chief Executive Officer and subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to facilitate the development of the Distributed Generation Program (the “Program”); and be it further

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and Expenditure Authorization Procedures, \$6 million of the Program-authorized funding be allocated to the approved contracts for Select Energy Services, Inc. and Northern Power Systems in the amounts and for the purposes listed below:

<u>Operating Fund/ Commercial Paper Program</u>	<u>Ceiling</u>	<u>End Date</u>
Select Energy Services, Inc. Northern Power Systems	<u>\$6 million</u> (aggregate)	12/31/2007

AND BE IT FURTHER RESOLVED, That the Authority’s Commercial Paper Notes, Series 1, Series 2 and Series 3, may be issued to finance Program costs and Operating Fund monies may be used to finance Program costs; and be it further

RESOLVED, That the Senior Vice President – Energy Services and Technology is authorized to determine which projects in the Program will be deemed to be energy services projects within the meaning of Section (7) of Part P of Chapter 84 of the Laws of 2002 (the “Section (7) PO CR Legislation”) to be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) PO CR Legislation; and be it further

RESOLVED, That Petroleum Overcharge Restitution funds allocated to the Authority by the Section (7) PO CR Legislation may be used to the 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 projects within the Program; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Energy Services and Technology, the Senior Vice President and Chief Financial Officer, the Treasurer, the Deputy Treasurer, the Deputy Secretary and Deputy General Counsel and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

10. Procurement (Services) Contract – Niagara Power Project Supervisory Control and Data Acquisition (SCADA) Computer System Replacement Expenditure Authorization

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve capital expenditures of \$4,600,000 to replace hardware and software for the Supervisory Control and Data Acquisition (‘SCADA’) Computer System at the Niagara Power Project (‘Niagara’). The new SCADA system will be procured via competitive bid and the Trustees will be requested to approve the award of the contract after the bids have been evaluated.

BACKGROUND

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

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

“The Niagara operators use the SCADA system to monitor and control Niagara, the Lewiston Pump Generating Plant (‘LPGP’) and the local switchyard made up of 115kV, 230kV and 345kV transmission lines. Through the use of remote terminal units, the Niagara operators are able to perform supervisory control of the breakers in the switchyard. Data is collected for transmission to the Energy Control Center (‘ECC’) and the New York Independent System Operator (‘NYISO’), and generation control signals are received from the NYISO through the ECC.

DISCUSSION

“The existing SCADA system is a redundant system that provides the operator in the control room with information concerning the status of the operating units at the Niagara and LPGP plants, as well as data about the transmission system originating at the Niagara Switchyard. It performs alarm detection and notification, water management and accounting of the Niagara water allocation, reporting and automatic generation control. Two operator consoles are in the control room and one is in the computer room. The proposed replacement SCADA system will perform these same tasks, as well as some additional future functions.

“The Niagara SCADA system was installed in 1989 and has gone through several hardware upgrades that replaced obsolete equipment with more readily available hardware. The hardware upgrades were part of a planned strategy to stay current with the latest hardware available. The last computer upgrade was done in 1999, and by the time the new SCADA system is planned to be placed in service in 2007, the computers will have been in service for eight years, the typical life expectancy for computers of this type. The software has not been upgraded since the original installation, except as needed to maintain the operating system’s compatibility with the hardware upgrades.

“For the most part, the system has been operating reliably, serving as a useful tool for the operators. However, in some instances the system has not performed as needed during critical times.

“The original system was based on highly specialized Digital Equipment Corporation (‘DEC’) computer hardware and DEC’s proprietary VMS operating system software. Since DEC was sold to Compaq and then to Hewlett-Packard, DEC hardware and the VMS operating system are no longer current products. SCADA systems of the type needed at Niagara are now being developed with more standard operating systems such as Windows, UNIX or LINUX on standard hardware platforms. Therefore, there is no longer a viable upgrade path for hardware

without major modifications to the SCADA system. The proposed system will be easier to maintain and expand, as needed, in the future.

“Several immediate needs at Niagara would also be accomplished with this funding. These include installing (1) a communications node to the ECC, (2) a system to replace the existing trend pen recorders and (3) new software to communicate with new revenue meters. These changes are needed due to equipment obsolescence.

“The communications node to support communications with the ECC will use the modern Inter Control Center Communications Protocol (‘ICCP’). This protocol, which has become the standard technique used to communicate between utilities and the NYISO, is supported by nearly all current SCADA system suppliers. The communications node will replace obsolete 1970s communications technology with one that will be supported for many years in the future. This new communications node will continue to be used with the replacement SCADA system.

“The trend recorders in the Niagara Control Room are also obsolete and need to be replaced. These recorders trend data for all Niagara and LPGP units, as well as the transmission lines, water elevations and other critical plant information. The recorders will be replaced with a small data acquisition system connected to new video projection and a data archive system.

“The SCADA system will be replaced with a standard utility-type SCADA system customized to conform to the Authority’s requirements for unit control interface, communications interfaces, water management, automatic generation control, data reporting and other Authority-unique applications. These applications will be specified by the Authority and implemented and tested by the SCADA supplier.

FISCAL INFORMATION

“Payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President and Chief Engineer – Power Generation and the Regional Manager – Western New York recommend that, in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Expenditure Authorization Procedures, the Trustees authorize a capital expenditure of \$4,600,000 for the replacement of the Niagara Power Project Supervisory Control and Data Acquisition Computer System.

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

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

RESOLVED, That in accordance with the Guidelines for Procurement Contracts adopted by the Authority and Expenditure Authorization Procedures, capital expenditures are hereby approved to be committed for the Niagara Power Project Supervisory Control and Data Acquisition (“SCADA”) Computer System Replacement in the amounts and for the purposes listed below:

<u>Description</u>	<u>Current Request</u>
Engineering and Design	\$ 440,000
Procurement	\$3,720,000
Construction	\$ 220,000
Authority Direct/Indirect	<u>\$ 220,000</u>
	<u>\$4,600,000</u>

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 approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

11. Procurement (Services) and Other Contracts – Business Units and the Facilities – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit ‘11-A’ for the Authority’s Business Units/Departments and Facilities. The Trustees are also requested to authorize the President and Chief Executive Officer to enter into a five-year agreement with the New York State Energy Research and Development Authority (‘NYSERDA’). This agreement represents the Authority’s annual financial contribution to NYSERDA’s research program, as well as such further co-funding of specific research projects as may be agreed. Detailed explanations of the nature of such services, the bases for the new awards and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

DISCUSSION

“The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. Except as noted, all of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, which range in estimated value from \$20,000 to \$15,500,000. Except as noted, these contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

“At their meeting of June 29, 2004, the Trustees authorized expenditures to establish a revolving fund, not to exceed the amount of \$1,000,000 in the aggregate, for code enforcement, procurement, real estate, and certain other consulting services and technical assistance to be rendered by the Authority in connection with the Long Island Power Authority’s (‘LIPA’) summer 2005 Capacity Program. The Trustees also authorized the President and Chief Executive Officer and/or the Executive Vice President, Secretary and General Counsel to establish and enter into such contracts for services and assistance as necessary in relation to such work and having such terms and conditions as such officer deems necessary or advisable in support of LIPA; to allocate the requested funding in his discretion, as services are performed or technical assistance rendered for or at LIPA’s request; and to authorize increases in the compensation ceilings of any contracts by the amounts necessary to cover such work as requested by LIPA. Pursuant to the aforementioned authorizations, funding will be allocated to contracts with any firm(s) that may be engaged by the Authority for such services, as needed. Accordingly, the compensation ceilings of such contracts may also be increased, as may be required. It should be noted that LIPA will be billed directly for such services and assistance, with the Authority receiving reimbursement of such billings on a monthly basis, so that there will be no net impact on the Authority’s costs. Upon reimbursement, the revolving fund will be available for additional expenditures and the contract authorizations will be increased as necessary to be consistent with such

additional expenditures. Due to time constraints, the contract with **Bond, Schoeneck & King, PLLC ('BS&K'; 4500095667)** became effective on July 30, 2004. Interim approval to commence services was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, subject to subsequent Trustees' ratification and approval. The subject contract was issued to address urgent needs and assignments related to appropriation matters in connection with services provided to LIPA for the summer 2005 Capacity Program. The overall purpose of this 'where and when' contract is to provide for specialized legal services rendered to address various issues when they arise, performing discrete and specific work assignments when and if needed by the Authority. Such services would include legal services on energy matters generally, as well as specialized assignments, such as those related to the aforementioned appropriation matters or other discrete emergent matters. The subject contract was awarded as the result of a competitive search. The qualifications and expertise of 15 respondents to a generic notice for legal services in the New York State Contract Reporter were reviewed and evaluated by committee. The Committee was tasked with recommending the most qualified firm for a 'where and when' contract, capable of providing both general legal services to an electric utility, as well as expertise (including trial experience in the New York State Court of Claims) in the area of government appropriation work. Of the three firms that appeared to satisfy both criteria, BS&K was the most qualified in the area of government appropriation work; a leading member of the firm is a recognized practitioner in NYS condemnation law and has tried over 500 cases on behalf of the State. In addition, the firm's rates are reasonable. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval. The Trustees' approval is therefore requested to ratify the prior authorization to commence services and to approve the full five-year term of the contract (including option years). Approval is also requested for the initial contract amount expected to be expended in support of LIPA during the first year of the contract, \$100,000. It should be noted that all such costs will be reimbursed to the Authority by LIPA.

"The contract with **Brockway Sanitation Service ('Brockway'; 4600001299)** would become effective on October 1, 2004, subject to the Trustees' approval. This contract is for sewage removal and disposal services for the St. Lawrence/FDR Power Project. Services include annual pumping of several septic tanks and other holding tanks on an 'as needed' basis, transportation and sewage disposal at a registered wastewater treatment facility. Brockway was the sole responding bidder of three firms to which a bid package was sent, including any that may have responded to a notice in the New York State Contract Reporter. Based on its satisfactory qualifications and reasonable pricing, staff recommends the award of the subject contract to Brockway, which has provided satisfactory service under the current contract. 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 total term of the contract, \$100,000.

"The contract with **DMJM + HARRIS Inc. (Q-02-3377; PO # TBA)** would become effective on October 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for construction management and engineering/design services for the Authority's Small Clean Power Plants ('SCPP'). Services will be performed on an 'as required' task basis, whenever the Authority is required to perform modifications and/or upgrades to the units or related facilities. Construction management services include, but are not limited to: design constructability reviews; Request for Proposals ('RFP') preparation support; bid evaluation support; detailed project scheduling; management of all construction contractors at the sites and enforcement of safety programs. All engineering disciplines may be used to support engineering and design tasks, as needed. The RFP was sent to 13 firms, including any that may have responded to a notice in the New York State Contract Reporter. Seven proposals were received and evaluated. Based on its superior qualifications and experience in performing work of this nature, excellent and consistent prior service on the Authority's SCPP, ability to meet schedule requirements and overall competitive pricing, staff recommends the award of the subject contract to DMJM + HARRIS, the most technically qualified, competitively priced bidder. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$1,000,000 (including the option year).

"The contract with **GZA GeoEnvironmental of New York, Inc. ('GZA'; Q-02-3415; PO # TBA)** would become effective on October 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for on-call civil and geotechnical engineering and design services in support of the operation and maintenance of the Authority's hydroelectric, pumped storage and fossil-fueled power generation facilities, as well as its transmission facilities and ancillary facilities throughout New York State. Services may include, but are not limited to: subsurface investigations and inspections; dam breach and stability analyses; dam safety instrumentation and

monitoring; geophysical investigations; environmental sampling; testing; analyses and evaluations; hydraulic analyses and field inspections. Such services will be used when engineering requirements are beyond the resources of existing Authority engineering staff or during emergencies when Authority staff is not immediately available. The Request for Proposals was sent to 33 firms, including any that may have responded to a notice in the New York State Contract Reporter. Eleven proposals were received and evaluated. Based on its superior qualifications and experience in performing work of this nature given the wide spectrum of technical specialties required for the assignments, as well as the experience and expertise of the firm and its principal personnel, quality of the proposal, availability and commitment of resources, efficient, cost-effective past project experience with the Authority and competitive rates, staff recommends the award of the subject contract to GZA, the most technically qualified, competitively priced bidder. GZA's strong background and expertise in geotechnical and dam safety-related engineering will provide a significant advantage to the Authority's Engineering Division. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$800,000 (including the option year).

"The contract with **Metal Locking Service ('MLS'; 4600001294)** would become effective on October 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for supervision, labor and parts to repair machine shop equipment for the Niagara Power Project. Such equipment includes, but is not limited to, lathes, bandsaws, drill presses and other machine shop equipment. Bid packages were sent to five firms, including any that may have responded to a notice in the New York State Contract Reporter. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to MLS, the sole responding bidder. The intended term of this contract is four years (which may be released to the vendor in annual increments), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$200,000.

"The contract with **Modern Disposal Service, Inc. ('MDS'; RFQ #6000048976, PO# TBA)** would become effective on October 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for disposal service of non-hazardous waste (i.e., construction and demolition materials) and used tires for the Niagara Power Project. Services include, but are not limited to, disposal of Authority-delivered materials at the vendor's landfill, container services, disposal of used tires and other acceptable solid wastes. Bid packages were sent to six firms, including any that may have responded to a notice in the New York State Contract Reporter. Two bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to MDS, the low bidder. The intended term of this contract is four years (which may be released to the vendor in annual increments), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$100,000.

"The contract with **Morrisonville Septic Service ('Morrisonville'; 4600001300)** would become effective on October 1, 2004, subject to the Trustees' approval. The purpose of this contract is for sewage removal and disposal services for the Plattsburgh substation. Services include pumping of a septic tank on an 'as needed' basis, transportation and sewage disposal at a registered wastewater treatment facility. Morrisonville was the sole responding bidder of four firms to which bid packages were sent, including any that may have responded to a notice in the New York State Contract Reporter. Based on its satisfactory qualifications and reasonable pricing, staff recommends the award of the subject contract to Morrisonville, which has provided satisfactory service under the current contract. 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 total term of the contract, \$20,000.

"The Trustees are requested to authorize the President and Chief Executive Officer to enter into a five-year agreement with the **New York State Energy Research and Development Authority ('NYSERDA'; PO# TBA)**. This agreement represents the Authority's financial contribution to NYSERDA's research program, and such further co-funding of specific research projects as may be agreed. It would become effective retroactively for the period commencing April 1, 2004, subject to the Trustees' approval, to coincide with NYSERDA's fiscal year. NYSERDA conducts, sponsors and assists programs that research, develop and demonstrate energy technologies. The current proposed agreement continues a longstanding policy of support for research in broad-based technologies by NYSERDA and provides for an annual Authority payment of \$1.6 million to support NYSERDA's research

programs, totaling \$8 million over a period of five years. The Authority has provided such voluntary contributions under three prior five-year agreements since 1985. In addition, the agreement provides that the Authority may make additional payments of up to \$1.5 million annually to support joint Authority/NYSERDA research projects, to a potential maximum of \$7.5 million over a five-year period. Approval is therefore requested to authorize the President and Chief Executive Officer to enter into the proposed five-year agreement with NYSEDA and to approve the total amount authorized to be expended for the five-year term, \$15,500,000. It should be noted that over the last several years, the Authority and NYSEDA have worked together on a variety of distributed generation projects across the State, including several landfill gas-to-energy projects, and a number of fuel cell and microturbine projects operating on both natural gas and anaerobic digester gas. Such projects have resulted in significant customer savings, as well as emissions reductions. The two authorities have also collaborated on several solar photovoltaic projects in New York City. More than \$8.5 million has been provided for these projects through various NYSEDA grant programs over the last three years. The Authority and NYSEDA have recently joined together to allocate \$2.25 million to develop a New York State Hydrogen Roadmap and to support other hydrogen technology research and development initiatives. The Hydrogen Roadmap will identify strategies for New York State to maximize job growth, outside funding and technology development opportunities for the growing hydrogen industry.

“The contract with **Occupational Health Care (affiliated with the Niagara Falls Memorial Medical Center) (‘OHC’; 460001312)** would become effective on October 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for on-site annual physicals and other medical examinations for Authority employees at the Niagara Power Project. Services also include, but are not limited to: pre-employment physicals; fitness-for-duty 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 license requirements. In addition, the licensed health care facility must be able to provide 24-hour emergency response to the facility and be capable of providing an injury management program. Bid packages were sent to four firms, including any that may have responded to a notice in the New York State Contract Reporter. Two bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to OHC, the low bidder. The intended term of this contract is four years (which may be released to the vendor in annual increments), subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$300,000.

“The contract with **Scrufari Construction Company, Inc. (‘Scrufari’; 460001286)** would become effective on October 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for supervision, labor, equipment and materials for underground pipe and conduit repair services for the Niagara Power Project on an ‘as needed’ basis. Bid packages were sent to 14 firms, including any that may have responded to a notice in the New York State Contract Reporter. Four bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Scrufari, the low bidder. The intended term of this contract is four years (which may be released to the vendor in annual increments), subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$200,000.

“The Authority has implemented on-line dissolved gas analysis on several transformers at the Clark Energy Center and the Sprain Brook substation, using proprietary Serveron TrueGas multigas analyzers. Such analyzers provide data on real-time dissolved gas concentrations and can alert Authority staff to potential problems. The contract with **Serveron Corp. (PO # TBA)** would become effective on October 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for a service and extended warranty agreement to cover all maintenance (including scheduled service and repairs), parts and travel expenses for eight gas analyzers. This contract would be awarded on a sole-source basis, since Serveron is the developer and original equipment manufacturer of the TrueGas multigas analyzer and is the only company that can provide such service. To date, seven gas analyzers have been installed – five at the Clark Energy Center and two at the Sprain Brook substation; the eighth is planned for installation in the St. Lawrence region. The analyzers have been in service for approximately one year and are no longer covered under warranty. They require normal maintenance, which includes the replacement of the gas chromatograph within three years, calibration and tracer gases. The intended term of this contract is five years, comprising an initial two-year service agreement, with an option to extend for three additional years to accommodate the next service cycle, subject to the Trustees’ approval, which is hereby

requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$125,000 (including the option years).

“The contract with **Tri-State Contracting of Westchester, Inc. (‘Tri-State’; Q-02-3474; PO # TBA)** would become effective on October 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for on-call masonry services for the Authority’s Clarence D. Rappleyea Building (White Plains Office). Bid packages were sent to 13 firms, including any that may have responded to a notice in the New York State Contract Reporter. Three bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Tri-State, the low bidder. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$1,625,000 (including the option years).

“The contract with **Tri-State Contracting of Westchester, Inc. (‘Tri-State’; Q-02-3473; PO # TBA)** would become effective on October 1, 2004, subject to the Trustees’ approval. The purpose of this contract is to provide for landscaping and snow removal services for the Authority’s Clarence D. Rappleyea Building (White Plains Office), as well as snow removal for an off-site storage warehouse in Pleasantville, NY. Bid packages were sent to 13 firms, including any that may have responded to a notice in the New York State Contract Reporter. Three bids were received and evaluated. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Tri-State, the low bidder. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the total term of the contract, \$1,100,000 (including the option years).

FISCAL INFORMATION

“Funds required to support contract services for various Business Units/Departments and the Facilities have been included in the 2004 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer, the Vice President – Project Management, the Vice President – Controller, the Director – Research and Technology Development, the Director – Corporate Support Services, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeast New York recommend the Trustees’ approval of the award of multiyear procurement contracts to the companies listed in Exhibit ‘11-A’ and as discussed above, and to authorize the President and Chief Executive Officer to enter into a five-year agreement with NYSERDA for the purposes and in the amounts set forth above.

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

Mr. Hoff presented the highlights of staff’s recommendations to the Trustees. In response to a question from Chairman Ciminelli, Mr. Lipsky explained that the “underground conduits” mentioned in the write-up about the Scufari Construction Company contract were drains, not the main conduits for the Niagara power project.

Responding to a question from Vice Chairman McCullough, Mr. Hoff said that Tri-State Contracting of Westchester, Inc. is located in Dobbs Ferry. In response to a question from Trustee Townsend, Mr. Hoff said that for one of the contracts, staff would only come back to the Trustees for approval if the value of the contract exceeds the change order amounts that can be approved by the President.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement contracts set forth in Exhibit "11-A," attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, the President and Chief Executive Officer is authorized to enter into a five -year agreement with the New York State Energy Research and Development Authority, as recommended in the foregoing report of the President and Chief Executive Officer, with such agreement having such terms and conditions as the President and Chief Executive Officer deems necessary or advisable; 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.

**Procurement (Services) Contracts – Extensions
(For Description of Contracts See "Discussion")**

<u>Plant Site/ Bus. Unit</u> <u>Of Contract</u>	<u>Company</u> <u>Contract #</u>	<u>Start of</u> <u>Contract</u>	<u>Description</u> <u>of Contract</u>	<u>Award Basis</u> ¹ <u>Closing Date</u>	<u>Compensation</u> <u>Contract Type</u> ²	<u>Amount</u> <u>Expended</u> <u>Limit</u>	<u>Authorized</u> <u>Expenditures</u> <u>For Life</u> <u>To Date</u>
Contracts in support of Headquarters Business Units and the Facilities:							
POWER GEN - PWR GEN SPRT SERVICES	AMERICAN FEDERAL CRANE CERTIFICATION BUREAU 4500077116	09/11/03	Provide for inspection and certification services for cranes at various NYPA facilities	09/10/06	B/P	\$36,840 \$32,379 *Note: includes an increase of \$70,000	\$106,840*
POWER GEN - POL/FLN/SCPPs + EXEC OFFICE - IG/CORP. SECUR.	ANTAR-COM, INC. 4500080063	11/03/03	Provide for maintenance services for security equip- ment installed at the POL, Flynn & SCPP plants	06/30/05	S/S	\$100,000 \$70,780 *Note: includes an increase of \$85,000	\$185,000*
CORP SERV & ADMIN - CorpSuppServ + ES&T - Energy Services	2 contracts: 1. APOW TOWING 4500080361 2. PROLINE SERVICES 4500080359	11/14/03	Provide for towing services in NYS for NYPA's electric vehicles	11/13/05	B/S	\$11,000 \$40,000 \$17,705 *Note: includes a total combined increase of \$50,000	\$101,000*
CORP SERV & ADMIN - Pub&GovAffairs	2 contracts: 1. DIANE VIERA 4500080183 2. HARRISON I. GETZ, Jr. 4500080184	11/01/03	Provide for computer design and production services (on premises) at WPO	10/31/05	B/P	\$60,000 \$70,000 \$47,647 *Note: includes an increase of \$65,000 & \$70,000, respectively	\$125,000* \$140,000*
POWER GEN - PROJ MGMT	G M CRISALLI & ASSOC. INC. 4500080818	11/24/03	Provide for installation of security upgrades at CEC – Phase II	05/23/05	B/C	\$1,613,155 \$1,067,800 *Note: no additional funding requested	\$1,613,155*
CORP SERV & ADMIN - HR - OED	LINKAGE, INC. 4500080152	11/10/03	Provide for executive coaching services	11/09/05	B/P	\$35,000 \$7,744 *Note: no additional funding requested	\$35,000*

1 **Award Basis:** B= Competitive Bid; S= Sole Source; C= Competitive Search
2 **Contract Type:** P= Personal Service; S= Service, C= Construction

Procurement (Services) Contracts - Extensions
(For Description of Contracts See "Discussion")

EXHIBIT "11-A"
September 27, 2004

<u>Plant Site/ Business</u>	<u>Company Unit Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis¹ Closing Date</u>	<u>Compensation Contract Type²</u>	<u>Limit</u>	<u>Amount Expended</u>	<u>Authorized Expenditures For Life To Date</u>
POWER GEN - ENVIRONMENTAL PROGRAMS + ES&T - HELP	ONYX SPECIAL SERVICES, INC. 4600001164	11/01/03	Provide for recycling & disposal of lamps & ballasts for HELP program	10/31/07	B/S	\$250,000 ("Target Value")	\$98,138	\$700,000*
					*Note: includes an increase of \$450,000			
ES&T - R&TD	SHAW POWER TECHNOLOGIES, INC. 4500075812	08/15/03	Provide for testing and identification of generator parameters used in power system simulation studies at Flynn and STL	12/31/05	S/P	\$120,000	\$27,505	\$120,000*
					*Note: no additional funding requested			
POWER GEN - NIA	SIEMENS BUILDING TECHNOLOGIES, INC. 4500081168	11/01/03	Provide for technical support services for HVAC monitoring/control system at Niagara Project	10/31/08	S/S	\$9,731	\$9,731	\$60,000*
					*Note: includes an increase of approximately \$50,000			
ES&T - Energy Services	5 contracts: 1. TRC ENVIRONMENTAL CORP. 4600001165 2. THE LOUIS BERGER GROUP 4600001168 3. TESTWELL LABS, INC. 4600001166 4. STOHL ENVIRONMENTAL 4600001167 5. HYGIENETICS ENVIRONMENTAL SERVICES 4600001169	11/01/03	Provide for asbestos abatement planning and environmental consulting services for energy efficiency projects	10/31/05	B/P	\$500,000 ("Target Value")	\$139,238	\$2,100,000*
					\$600,000	" "	\$2,688	
					\$300,000	" "	\$0	
					\$200,000	" "	\$4,583	
					\$500,000	" "	\$0	
					*Note: no additional funding requested; but some funding may be reallocated from several contracts providing services for upstate projects to the contract with TRC, providing downstate services. It should be noted that all of the funding will be recovered by the Authority from the participating customers			

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service, C= Construction

12. 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 ‘12-A’ in support of projects and programs for the Authority’s Business Units/Departments and 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 the 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 the 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

“Although the firms identified in Exhibit ‘12-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. The 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 ‘12-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, reprioritized, 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 **American Federal Crane Certification Bureau (4500077116)** provides for annual inspection and certification services for various cranes (including, but not limited to, overhead, gantry, crawler, locomotive and truck cranes) at the Authority’s facilities, in compliance with all applicable Occupational Safety and Health Administration (‘OSHA’) requirements and ANSI standards. The original award, which was competitively bid, became effective on September 11, 2003 for an initial term of less than one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and continue services, as may be required. The current contract amount is \$36,840; it is anticipated that an additional \$70,000 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 September 10, 2006, and to approve the additional funding requested.

“The contract with **Antar-Com, Inc. (4500080063)** provides for maintenance services for security equipment and related software installed by the vendor at the Charles Poletti Power Project, Richard M. Flynn Power Plant and Small Clean Power Plants (‘SCPPs’), under other contracts. The security support agreement includes programmed preventative inspections and maintenance, repairs, software maintenance and upgrades and spare parts, as needed. The original contract, which was awarded on a sole-source basis, became effective on November 3, 2003 for an initial term of one year, with an option to extend for two additional years. An eight-month extension is now requested in order to continue services, as needed, until a new consolidated contract for such services to support all Southeast New York (‘SENY’) sites, including the White Plains Office, is rebid. The current contract amount is \$100,000; it is estimated that an additional \$85,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through June 30, 2005 and to approve the additional funding requested.

“The two contracts with **APOW Towing and Proline Services Corp. (‘APOW’ and ‘Proline’; 4500080361 and 4500080359)** provide for transport services throughout New York State, on an ‘as needed’ basis, for the Authority’s electric vehicles (‘EVs’), in support of Corporate Support Services and various Energy Services programs (including EVs loaned or donated by the Authority, EVs shipped to and from press events, etc.). The original awards, which were competitively bid, became effective on November 14, 2003 for an initial term of one year, with an intended option to extend for one additional year. A one-year extension is now requested in order to exercise the option and provide services, as needed. The current contract amounts are \$11,000 and \$40,000, respectively; it is anticipated that an additional \$50,000 (combined total for both contracts) may be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through November 13, 2005 and to approve the additional funding requested.

“The two contracts with **Diane Viera and Harrison I. Getz, Jr. (4500080183 and 4500080184)** provide for computer design and production services performed at the Authority’s White Plains Office. Such services include, but are not limited to: computer design and production of print materials (e.g., annual report, corporate collateral materials, marketing and promotional brochures, newsletters, posters, advertising materials, presentations and exhibits); web site development and design and production of PowerPoint slide presentations in PC format. The original awards, which were competitively bid, became effective on November 1, 2003 for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested in order to exercise the option and provide services, as needed. The current contract amounts are \$60,000 and \$70,000, respectively; it is anticipated that an additional \$65,000 and \$70,000, respectively, 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 October 31, 2005 and to approve the additional funding requested.

“The contract with **G. M. Crisalli & Associates, Inc. (‘Crisalli’; 4500080818)** provides for the construction and/or installation of security upgrades (Phase II) at the Clark Energy Center. Such work includes, but is not limited to: excavation; concrete reinforcement; conduit and cable installation; perimeter fencing; lighting; cameras and intrusion detection system; security consoles; etc. The original contract, which was competitively bid, became effective on November 24, 2003 for a term of less than one year. Due to delays in completion of the work by the contractor and subcontractor, as well as additional required enhancements and modifications, all work may not be completed within the one-year maximum term. A six-month extension is therefore requested to allow sufficient time for the completion of the work, including system testing and debugging. The current contract amount is \$1,613,155; 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 May 23, 2005, with no additional funding requested.

“The contract with **Linkage, Inc. (4500080152)** provides for executive coaching services to enhance the performance and/or development of executive professionals within the Authority. The original award, which was competitively bid, became effective on November 10, 2003 for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested to complete coaching assignments tailored to specific individuals at the Authority. The current contract amount is \$35,000; 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 November 9, 2005, with no additional funding requested.

“The contract with **ONYX Special Services, Inc. (4600001164)** provides for recycling and disposal of lamps and light ballasts for the Authority’s High Efficiency Lighting Program (‘HELP’). The contractor furnishes,

or arranges for furnishing, all labor, supervision, material, equipment, laboratory facilities, transportation vehicles, fuel, tolls, highway use taxes, insurance, spill prevention control and countermeasure equipment and materials, and federal, state and local permits, licenses and other approvals necessary to manage the waste from its point(s) of generation within New York State to the point(s) of ultimate disposition. The original award, which was competitively bid, became effective on November 1, 2003 for an initial term of one year, with an option to extend for three additional years. A three-year extension is now requested in order to exercise the option and continue services, as needed. The current 'target value' is \$250,000; it is anticipated that an additional \$450,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 31, 2007 and to approve the additional funding requested.

"The contract with **Shaw Power Technologies, Inc. ('Shaw PTI'; 4500075812)** provides for testing and identification of generator parameters used in power system simulation studies at the Richard M. Flynn Plant and St. Lawrence/FDR Power Project. The original contract, which was awarded on a sole-source basis, became effective on August 15, 2003 for a term of one year. The work has taken longer than originally projected due to the following reasons: (1) the availability of the units for wiring and connecting the required signals to the measurement equipment (since such work can only be performed when the units are down for other reasons) and (2) availability of plant personnel and scheduling of the work. A short-term interim extension through September 27, 2004 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A 15-month extension is now requested in order to complete the testing and studies. The current contract amount is \$120,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and extend the subject contract through December 31, 2005, with no additional funding requested.

"The contract with **Siemens Building Technologies, Inc. ('Siemens'; 4500081168)** provides for technical support services for the proprietary heating, ventilation and air conditioning ('HVAC') monitoring/control system at the Niagara Power Project. The original contract, which was awarded on a sole-source basis, became effective on November 1, 2003 for an initial term of one year, with an option to extend for four additional years. A four-year extension is now requested in order to exercise the option and provide for the continuation of technical support services by the original equipment manufacturer, as needed. The current contract amount is \$9,731; it is anticipated that an additional \$50,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 31, 2008, and to approve the additional funding requested.

"The five contracts with **TRC Environmental Corp. (4600001165), The Louis Berger Group Inc. (4600001168), Testwell Laboratories Inc. (4600001166), Stohl Environmental LLC (4600001167) and Hygienetics Environmental Services (4600001169)** provide for asbestos abatement planning and environmental consulting services in support of the Authority's Energy Efficiency programs, on an 'as needed' basis. Services include, but are not limited to: feasibility studies; asbestos and lead inspections; sampling; abatement design and project monitoring. The original awards, which were competitively bid, became effective on November 1, 2003 for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested in order to exercise the option and continue services, as needed. Services under these contracts are provided on an 'as needed' basis only; no funding is committed/released until the services are required. Current approved 'target values' total \$2.1 million, as delineated in Exhibit '12-A.' Although current expenditures for these consulting contracts are low, active projects valued at approximately \$150,000 have been assigned. Staff recommends retaining existing funding levels in preparation for large projects, which are currently in development, but not yet assigned. These include SUNY Albany chillers, SUNY Albany East (burners, fuel storage tanks, etc.), Poughkeepsie State Office Building boilers, NYC Police Precinct chiller and boiler projects, United Hospital boilers and chillers and NYC Parks Department boilers, among others. Staff also projects that an additional \$150,000 may be required for the contract with TRC to complete its current assignments. These include completion of ongoing NYC school projects that were reassigned to TRC from other firms whose contracts had expired, as well as ongoing projects originally assigned to TRC under a prior contract. Since expenditures for upstate services are expected to be less than originally allocated, some funding will be transferred from the contracts providing services upstate to the contract with TRC, which provides services downstate, where more projects are active. The Trustees' approval is requested to extend the subject contracts through October 31, 2005, with no additional funding requested. It should be noted that all costs, including interest and Authority overheads, will be recovered by the Authority from the participating customers.

FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2004 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 (‘CEAR’). Payment for contracts in support of the Energy Efficiency projects and HELP programs will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement and Real Estate, the Vice President – Project Management, the Deputy Inspector General – Investigations, the Director – Research and Technology Development, the Director – Organizational and Employee Development, the Director – Corporate Support Services, the Director – Power Generation Support Services, the Engineering Manager – Energy Services, the Manager – Graphic Communications, the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York and the Regional Manager – Southeast New York recommend the Trustees’ approval of the extensions, additional funding and increase in the compensation ceiling of the procurement contracts listed in Exhibit ‘12-A.’

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

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

The following resolution, as submitted by the President and Chief Executive Officer, was adopted by a vote of three in favor with Trustee Townsend abstaining with reference to Siemens.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit “12-A,” attached hereto, is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the 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.

Procurement (Services) and Other Contracts – Awards
(For Description of Contracts See "Discussion")

EXHIBIT "12-A"
September 27, 2004

<u>Plant Site Contract</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis¹ Closing Date</u>	<u>Compensation Contract Type² Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of</u>	
LAW	BOND, SCHOENECK & KING, PLLC (4500095667)	07/30/04	Provide for legal services in connection with the LIPA summer 2005 Capacity Program and other matters, as may be required, under this "where & when" contract	07/31/07 (+ option to extend for 2 additional yrs)	C/P	\$100,000	\$0	\$100,000*
								<i>*Note: represents initial funding (for current assignments related to the summer 2005 LIPA Capacity Program) from a revolving fund of \$1M in the aggregate. The full cost of such services will be reimbursed to the Authority by LIPA.</i>
POWER GEN - \$100,000* STL	BROCKWAY SANITATION SERVICE (4600001299)	10/01/04	Provide for sewage removal and disposal services at STL	09/30/07	B/S			
								<i>*Note: represents total for 3-year term</i>
POWER GEN - PROJ MGMT - SCPPs	DMJM + HARRIS, INC. (Q-02-3377; PO# TBA)	10/01/04	Provide for construction management & engineering/design services for SCPPs	09/30/07 (+ option to extend for 1 additional yr)	B/P			\$1,000,000*
								<i>*Note: represents total for 4-year term (including option year)</i>
POWER GEN - SYSTEM ENGINEERING	GZA GEOENVIRONMENTAL OF NY, INC. (Q-02-3415; PO# TBA)	10/01/04	Provide for on-call civil & geotechnical engineering services for all facilities	09/30/07 (+ option to extend for 1 additional yr)	B/P			\$800,000*
								<i>*Note: represents total for 4-year term (including option year)</i>
POWER GEN - NIA	METAL LOCKING SERVICE (4600001294)	10/01/04	Provide for repair services for machine shop equipment	09/30/08	B/S			\$200,000*
								<i>*Note: represents total for 4-year term</i>
POWER GEN - NIA	MODERN DISPOSAL SERVICE, INC. (6000048976; PO# TBA)	10/01/04	Provide for disposal of non-hazardous waste	09/30/08	B/S			\$100,000*
								<i>*Note: represents total for 4-year term</i>
POWER GEN - \$20,000* STL	MORRISONVILLE SEPTIC SERVICE (4600001300)	10/01/04	Provide for sewage removal and disposal services at Plattsburgh substation	09/30/07	B/S			
								<i>*Note: represents total for 3-year term</i>

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

Procurement (Services) and Other Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site Contract</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis</u> ¹	<u>Compensation Contract Type</u> ²	<u>Limit</u>	<u>Amount Expended To Date</u>	<u>Authorized Expenditures For Life Of</u>
ES&T - R&TD	NYSERDA (PO # TBA)	04/01/04	Provide for annual \$1.6M contribution to NYSERDA's research program + up to \$1.5M annually for potential joint NYSERDA/NYPA projects for 5 years	03/31/09	S/N			\$15,500,000*
								*Note: represents total for 5-year term
POWER GEN - NIA	OCCUPATIONAL HEALTH CARE (4600001312)	10/01/04	Provide for annual physical & other medical examinations	09/30/08	B/P			\$300,000*
								*Note: represents total for 4-year term
POWER GEN - NIA	SCRUFARI CONSTRUCTION COMPANY, INC. (4600001286)	10/01/04	Provide for underground pipe and conduit repair services	09/30/08	B/S			\$200,000*
								*Note: represents total for 4-year term
ES&T - R&TD	SERVERON CORP. (PO # TBA)	10/01/04	Provide for extended service contract for 8 gas analyzers installed at CEC & Sprain Brook substation	09/30/06	S/S			\$125,000*
								(+ option to extend for 3 additional yrs)
								*Note: represents total for 5-year term (including option years)
CORP SERV & ADMIN - CorpSuppServ	TRI-STATE CONTRACTING OF WESTCHESTER (Q-02-3474; PO# TBA)	10/01/04	Provide for on-call masonry services for WPO	09/30/07	B/S			\$1,625,000*
								(+ option to extend for 2 additional yrs)
								*Note: represents total for 5-year term (including option years)
CORP SERV & ADMIN - CorpSuppServ	TRI-STATE CONTRACTING OF WESTCHESTER (Q-02-3473; PO# TBA)	10/01/04	Provide for landscaping & snow removal services for WPO	09/30/07	B/S			\$1,100,000*
								(+ option to extend for 2 additional yrs)
								*Note: represents total for 5-year term (including option years)

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= (Non-Personal) Service; C= Construction; E= Equipment; N= Non-Procurement

13. Increase in Governmental Customer Rates – Notice of Proposed Action

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Secretary to file notice for publication in the New York State Register of a change in the rates for the sale of firm power to the governmental customers that are located primarily in New York City, consistent with the Authority’s procedures under the State Administrative Procedures Act, 21 NYCRR § 455 (‘SAPA’). The revenues at existing rates are insufficient to recover projected costs. The proposed rates represent an 18.9% average increase over current total billed charges.

BACKGROUND

“The majority of the governmental customers signed Supplemental Power Service Agreements with the Authority in 1995 and 1996 (‘Supplemental Agreements’). These Supplemental Agreements contain, among other things, commitments from the customers that they will remain full-requirement electricity customers of the Authority for certain fixed terms, in return for which the Authority agreed to constrain its ability to raise prices. However, the standard form of the Supplemental Agreements permits rate increases beginning January 1, 2002, if justified by a cost-of-service analysis.

“At their meeting of March 30, 2004, the Trustees adopted the current rates, which became effective with the April 2004 billing period. Those rates were based on a 2004 cost-of-service study. The amount of the rate increase was \$32.3 million on an annualized basis and represented a 6.5% increase in the production component of the bill, or about a 4.3% increase in the overall billed amounts, including delivery service. The current production rates for the sale of firm power and energy to the governmental customers are shown in Table ‘13-1.’

DISCUSSION

“The Authority’s production rates for governmental customers remained essentially unchanged from February 1990 through March 2004. Ultimately, because of increases in the cost of purchased power and fuel, the cumulative effects of inflation since 1990, and the addition of new charges assessed by the New York Independent System Operator, the Authority increased the rates in 2004 for the first time in 14 years. The 2004 rate increase was largely associated with increases in the cost of maintaining the then-existing supply portfolio. However, the new 2004 rates did not include anticipated cost increases associated with shifts in the supply portfolio beginning in January 2005. Accordingly, the customers were advised of the likelihood that the Authority would return for additional rate relief in 2005 and beyond.

“The key changes and major drivers causing the Authority to return for additional rate relief in 2005 are the changing supply mix used to serve the government customers and the prevailing higher cost of purchased power and fuel. The reasons for this proposed rate increase are summarized below and set forth in greater detail in the Preliminary Staff Report attached hereto as Appendix ‘13-A.’

“**Changing Supply Mix** – NYPA currently purchases 100% of the output from Entergy’s Indian Point 3 nuclear plant (capacity, energy and ancillary services) under an agreement that expires at the end of 2004. This purchase will be replaced in part by new market purchases made pursuant to a competitive solicitation and the output of the new 500MW combined cycle plant (‘500MW plant’). The 500 MW plant is scheduled to begin operation on or after May 1, 2005. Debt service on this generator equals \$41.9 million in 2005. This plant will eliminate the need to make market-priced in-city capacity purchases for the government customers.

“The Poletti plant is operated on an economic dispatch basis and sells its generation into the NYISO market in New York City. The government customers are charged for the associated plant costs and are also credited with all associated NYISO revenues received. The new 500MW plant will be managed in a similar fashion. For 2005, the Government customers are assigned the cost-based rate for Blenheim-Gilboa capacity, but will also receive their proportionate share of NYISO revenue credits associated with that facility.

“Purchased Power and Fuel – The largest cost drivers are the increased costs of purchased power and fuel. Start-up of the 500MW plant in 2005 will approximately double NYPA’s natural gas purchases on an annualized basis. Higher natural gas prices will increase the cost of fuel at Poletti and the 500MW plant. NYISO energy market prices are highly correlated with the cost of natural gas and, thus, the higher natural gas costs evident in recent years have led to higher purchased power costs statewide.

Rate Plan

“Consistent with the Supplemental Agreements and the Authority’s past ratemaking practices, the proposed increase is based on a pro-forma cost-of-service. See Table ‘13-2’ for the components of the 2005 cost-of-service. As mentioned, the primary causes of the rate increase are the prevailing higher cost of purchased power and fuel, and the changing supply mix used to serve the government customers. The proposed rates would go into effect with the January 2005 billing period. In 2004, the production cost-of-service for governmental customers was \$825.3 million. The projected 2005 cost-of-service of \$1,055.7 million is shown on Table ‘13-2.’ The Exhibit shows a current rate deficiency of \$149.3 million, or 27.8% of production revenues .

“This rate proposal addresses projected costs for the year 2005. The 2005 cost-of-service sums the various fixed and variable costs of serving the government customers’ power needs, applies appropriate credits and calculates a pro-forma production rate revenue requirement for the government class.

Customer Impacts

“The projected 2005 production revenues at current rates are \$537.1 million. In addition, the Authority purchases delivery service from Con Edison at an annual cost of about \$250 million. The rate increase proposed would result in a 27.8% increase over current production rates and a 18.9% average increase over current total billed charges, including production and delivery charges. The proposed increase would be equally applied to the current tariff rates on an across-the-board basis to the extent allowed by contract. The Authority’s government customers would continue to benefit from highly competitive pricing under the proposed rate structure, with a savings of more than 30% over Con Edison’s current rates.

“In addition to the proposed increase in production rates, Con Edison’s delivery rates will also likely increase. In April 2004, Con Edison filed a proposed three-year rate increase that would raise Con Edison’s rates for the delivery of Authority power to government customers by 43% , or more than \$107 million in year one, effective April 1, 2005. For years two and three, Con Edison has proposed an additional increase of approximately \$45 million in these delivery rates. The Authority and its largest government customers are actively participating in this proceeding and working vigorously to reduce the proposed rate increase. A decision in this case is not expected until March 2005.

FISCAL INFORMATION

“The proposed rate increase is designed to produce a \$133-million increase in revenue from the New York City government customers through the end of 2005.

RECOMMENDATION

“The Director – Supply Planning, Pricing and Power Contracts recommends that for the reasons set forth above and in the Preliminary Staff Report attached hereto as Appendix ‘13-A,’ the governmental customer rates be modified as shown in Table ‘13-3’ and that the Secretary be authorized to file a notice of the proposed rate increase for publication in the New York State Register.

“It is further recommended that the Senior Vice President – Marketing, Economic Development and Supply Planning, or her designee, be authorized to issue a written notice of the proposed action to the Authority’s customers under the provisions of the Authority’s tariffs and that, because the proposed new rates will increase revenues by more than 2%, a public forum on the new rates be held consistent with Authority policy.

“The Executive Vice President – Power Generation, 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, the Vice President – Controller, the Vice President – Ethics and Regulatory Compliance and I concur in the recommendation.”

Mr. Brandeis presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Brandeis said that the public forum for this action would be held at the Authority's New York City office. Responding to another question from Vice Chairman McCullough, Ms. Morman said that the governmental customers had already been contacted about this proposed pricing increase as a first step in what is expected to be a very involved process. She explained that because of the complexity and magnitude of the changes, the customers will need extra time to absorb this information. In response to another question from Vice Chairman McCullough, Ms. Morman said that today the Trustees are only approving the start of the formal process for a price change. That process involves a time period for customer comment and recommendations and open discussions among Authority staff, customers and their consultants, and allows the Trustees to consider all customer input later before any rate changes are approved and implemented. In response to a question from Chairman Ciminelli, Ms. Morman said that the governmental customers understand that their contractual relationship with the Authority is going to have to change and that the Authority is having discussions with these customers about the possibility of developing new long-term relationships with them that involve the costs of new supply resources and risk factors.

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 notice with the Secretary of State for publication in the State Register of the Authority's proposed action to adjust the governmental customer rates, as set forth in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to schedule a public forum for the purpose of obtaining the views of interested persons concerning the Authority's proposed action to adjust the governmental customer rates, 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 be, and hereby is, authorized to issue written notice to such customers with respect to the modification in rates; 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.

GOVERNMENTAL CUSTOMERS
CURRENT CONVENTIONAL PRODUCTION RATES

<u>Service Class</u>		<u>Demand Rates</u> <u>\$/kW-mo.</u>	<u>Base Energy Rates</u> <u>Cents/kWh *</u>
62	General Small	**	6.858
64	Commercial & Industrial Redistribution	9.35	3.530
65	Electric Traction Systems	6.90	4.074
85s	NYC Transit Authority Substation	7.69	3.751
66	Westchester Street Lighting	**	5.413
68/82	Multiple Dwellings Redistribution	8.26	3.642
69	General Large	6.82	3.814
80	NYC Street Lighting	7.52	3.631
91/93/98	NYC Public Buildings	6.97	4.036

* In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.

** Service classes 62 and 66 do not have demand metering. Accordingly, the base energy rates reflect total demand as well as energy-related costs.

GOVERNMENTAL CUSTOMERS
CURRENT TIME-OF-DAY PRODUCTION RATES

Service Class		Demand Rates \$/kW-mo.	On-Peak Base Energy Rates Cents/kWh	Off-Peak Base Energy Rates Cents/kWh
64	Commercial & Industrial Redistribution	7.68	5.090	2.815
68/82	Multiple Dwellings Redistribution	7.41	5.262	2.882
69	General Large	5.64	5.442	2.835
91/93/98	NYC Public Buildings	5.71	5.844	2.857

Notes:

- (1) The on-peak period for demand is weekdays from 8AM to 6 PM, including holidays.
- (2) The on-peak period for energy is weekdays from 8AM to 10 PM, including holidays.
- (3) The off-peak period for demand and energy is all other hours.
- (4) Demand rates apply to peak demand during the on-peak period.
- (5) In addition to the indicated energy rates, the stabilized energy charge adjustment is applied on a monthly basis.

Appendix "13-A"
VOLUMINOUS
DOCUMENT

COPIES CAN BE OBTAINED FROM
THE SECRETARY'S OFFICE

**NEW YORK POWER AUTHORITY
2005 EMBEDDED COST-OF-SERVICE
GOVERNMENT CUSTOMERS**
(millions of dollars)

<u>Cost Component</u>	<u>Amount</u>
Operation & Maintenance	\$38.5
Fuel Expense	\$284.2
<u>Purchased Power</u>	
Energy	\$529.0
Capacity	\$31.5
Entergy (expires 12/31/04)	<u>\$0.0</u>
<i>Subtotal Purchased Power</i>	\$560.5
Shared Services	\$17.0
Debt Service	\$82.1
Bond Reserve	\$0.0
Risk Mgt. and Control	\$29.0
Ancillary Services	\$31.5
Other Expenses	<u>\$14.6</u>
<i>Subtotal Revenue Required</i>	\$1,057.4
Investment and Other Income	(\$1.7)
<i>Total Revenue Required</i>	\$1,055.7
<u>Revenue:</u>	
At Standard Tariff Offering Rates, excl. delivery	\$537.1
NYISO Revenues	\$366.1
Ancillary Services & Other	<u>\$3.2</u>
<i>Total Revenues</i>	\$906.4
<u>Revenue Deficiency</u>	
Overall Revenue Shortfall at Existing Rates	(\$149.3) *
Percentage of Current Production Rate	27.8 %
Percentage of Total Delivered Rate	18.9 %

- Of this total, \$133 million will be collected from New York City government customers as allowed by contract.

GOVERNMENTAL CUSTOMERS
2005 PROPOSED CONVENTIONAL PRODUCTION RATES****

Service Class		Demand Rates \$/kW-mo.	Base Energy Rates Cents/kWh *
62	General Small	**	8.765
64	Commercial & Industrial Redistribution	11.95	4.511
65	Electric Traction Systems	8.82	5.207
85s	NYC Transit Authority Substation	9.83	4.794
66	Westchester Street Lighting	**	5.413***
68/82	Multiple Dwellings Redistribution	10.56	4.654
69	General Large	8.72	4.874
80	NYC Street Lighting	9.61	4.640
91/93/98	NYC Public Buildings	8.91	5.158

* In addition to the base energy rates, there is a stabilized energy charge adjustment that varies annually and is applied on a monthly basis.

** Service classes 62 and 66 do not have demand metering. Accordingly, the base energy rates reflect total demand as well as energy-related costs.

*** No change from current rates.

**** Proposed increases as allowed by contract.

GOVERNMENTAL CUSTOMERS
2005 PROPOSED TIME-OF-DAY PRODUCTION RATES

<u>Service Class</u>		<u>Demand Rates</u> <u>\$/kW-mo.</u>	<u>On-Peak Base Energy Rates</u> <u>Cents/kWh</u>	<u>Off-Peak Base Energy Rates</u> <u>Cents/kWh</u>
64	Commercial & Industrial Redistribution	9.82	6.505	3.598
68/82	Multiple Dwellings Redistribution	9.47	6.725	3.683
69	General Large	7.21	6.955	3.623
91/93/98	NYC Public Buildings	7.30	7.469	3.651

Notes:

- (1) The on-peak period for demand is weekdays from 8 AM to 6 PM, including holidays.
- (2) The on-peak period for energy is weekdays from 8 AM to 10 PM, including holidays.
- (3) The off-peak period for demand and energy is all other hours.
- (4) Demand rates apply to peak demand occurring during the on-peak period.
- (5) In addition to the indicated energy rates, the stabilized energy charge adjustment is applied on a monthly basis.
- (6) Proposed increases as allowed by contract.

14. Motion to Conduct an Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session to discuss: (i) matters leading to the modification of contracts with a particular corporation and (ii) matters related to claims and potential litigation.” On motion duly made and seconded, an Executive Session was held.

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.

**16. Procurement (Services) Contract – 500 MW – Combined Cycle Project –
General Work Contract – Slattery Skanska, Inc., Increase in
Compensation Ceiling**

The Executive Vice President – Power Generation submitted the following report:

SUMMARY

“The Trustees are requested to approve a \$15 million increase in the compensation ceiling of the General Work Contract with Slattery Skanska Inc. (‘SSI’) for the 500 MW Combined Cycle Project (‘Project’) at the Charles A. Poletti Power Project site. This increase will be funded from the project construction contingency amount without increasing the overall Project budget. This amount will be used to compensate SSI for work due to de-minimus design refinements and changes in the scope of work made after the contract award in 2002.

BACKGROUND

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

“Upon receipt of the Article X Certificate from the Board on Electric Generation Siting and the Environment, construction work for the project started in October 2002. Four separate contracts were competitively bid and awarded. These consisted of Site Preparation, Fuel Supply and Bulk Storage, Electrical Interconnection and the General Work Contract. Site preparation has been completed and work by other contractors is in progress.

“At their meeting of November 26, 2002, the Trustees authorized the award of a lump-sum General Work Contract to SSI with a compensation ceiling of \$249 million for the construction of the Project’s Power Island. The Power Island includes the turbine building, gas and steam turbines, steam generators, air-cooled condenser and all complementary mechanical and electrical activity.

“At their June 29, 2004 meeting, the Trustees authorized an increase in the compensation ceiling of the General Work Contract in the amount of \$5 million for performance of extra work. To date, \$4.8 million of this amount has been expended.

“Work under the General Work Contract is 72% complete. The Authority has paid SSI \$167 million for the work completed to date.

DISCUSSION

“Since the General Work Contract does not contain unit prices for extra work, SSI’s entitlement to financial and schedule considerations must be identified and substantiated. The value of these minor extra work effects is reviewed by comparing SSI’s price proposal and an independent fair-cost estimate developed by the Authority’s Construction Manager, DMJM + Harris. Particular aspects of the work are considered, such as whether the work must be performed during the off-shift periods at premium time rates to minimize the impact on ongoing work and schedule. As the work advances, a series of change orders to SSI’s contract will be issued.

“Accordingly, approval of the Trustees is requested to increase the compensation ceiling of SSI’s contract in the amount of \$15 million. With the \$5 million authorized in June 2004, the total amount authorized for extra work is \$20 million.

FISCAL INFORMATION

“No additional funding is required as the overall budget for the project is not affected. The cost of the extra work will be paid for from the Project’s construction contingency amount.

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

RECOMMENDATION

“The Vice President – Project Management and the Vice President – Procurement and Real Estate recommend that, pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Expenditure Authorization Procedures, the Trustees approve an increase to the compensation ceiling of Slattery Skanska Inc.’s contract in the amount of \$15 million and further recommend that the Executive Vice President – Power Generation or his designee be authorized to execute the change orders to the Slattery Skanska, Inc. contract.

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

The following resolution, as submitted by the Executive Vice President – Power Generation, was unanimously adopted.

RESOLVED, That pursuant to the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, an increase in the compensation ceiling is hereby approved in the amount of \$15 million to the General Work Contract with Slattery Skanska, Inc. for the 500 MW Combined Cycle Project at the Charles A. Poletti Power Project site as listed below:

<u>Capital</u>	<u>Previous Authorization</u>	<u>Current Authorization</u>	<u>Total Expenditure Authorization</u>
Slattery Skanska, Inc.	\$254,000,000	\$15,000,000	<u>\$269,000,000</u>

AND BE IT FURTHER RESOLVED, That the Executive Vice President – Power Generation or his designee be, and hereby is, authorized to execute the change orders to the General Work Contract with Slattery Skanska, Inc. up to the amount stated in the foregoing report of the Executive Vice President – Power Generation; and be it further

RESOLVED, That the Chairman, the Executive Vice President – Power Generation 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 certificates, agreements 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.

**17. 500 MW Combined Cycle Project – Construction Management Services
Contract – DMJM+Harris – Increase in Compensation Ceiling**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize an additional expenditure commitment of \$5.7 million for construction management services provided by DMJM + Harris for the 500 MW Combined Cycle Project (‘Project’) at the Charles A. Poletti Power Project site. This increase will be funded from the project construction contingency amount.

“The additional expenditure commitment will provide for a continuation of the requisite level of construction management staffing to support the construction through substantial completion; a transition period through start-up and commissioning wherein the construction management staffing will be reduced commensurate with the level of activity on the project and the continuation of very select construction management staffing to support project close-out activities, including resolution of commercial issues.

“The current construction management contract expenditure authorization is \$14.7 million. The additional commitment of \$5.7 million will increase the construction management allocation to \$20.4 million.

BACKGROUND

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

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

“The construction management services contract was competitively bid on an hourly rate schedule as a service for fee (time and material type) contract. At their meeting of May 22, 2001, the Trustees approved award of the construction management contract for the Project to DMJM + Harris of New York City. An initial allocation of \$8 million was made to support the construction management services at that time with an understanding that as the job progressed, and as additional or extended services were required, additional funding would be allocated as necessary.

“At their meeting of November 26, 2002, the Trustees approved an increase to that allocation in the amount of \$2 million to bring the total allocation to \$10 million. This increase was to provide for the construction management services for an extended duration due to delay in the construction start.

“At their meeting of July 22, 2003, the Trustees increased that allocation to \$14.7 million. This allocation was necessary to support additional construction management resources to reflect an increased level of effort required of the Construction Manager and an allowance for overtime for the construction management personnel to support site activities.

DISCUSSION

“The current construction management contract expenditure ceiling is \$14.7 million, which was based on a level of services anticipated prior to it becoming evident that the general work contractor would be unable to maintain the schedule. In addition, the current expenditure ceiling was established before the general work contractor adopted an extremely aggressive commercial posture, which resulted in a significant reduction of manpower at the site and otherwise slowed progress of the work. Based on the level of effort currently being expended to support the project goals, and recognizing that the construction phase of the project will be extended a

minimum of seven months, it is anticipated that the value of the construction management contract through completion of the project will increase to approximately \$20.4 million.

FISCAL INFORMATION

“No additional funding is required as the overall budget for the project is not affected. The cost of additional construction management services will be paid for from the project construction contingency amount.

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

RECOMMENDATION

“The Vice President – Project Management and the Vice President – Procurement and Real Estate, recommend that, pursuant to the Guidelines for Procurement Contracts and the Expenditures Authorization procedures adopted by the Authority, the Trustees approve an increase in the expenditure commitment of \$5.7 million for the construction management services to DMJM + Harris.

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

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

RESOLVED, That pursuant to the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, additional commitment is hereby approved in the amount of \$5,700,000 to DMJM + Harris for construction management services for the 500 MW Combined Cycle Project at the Charles A Poletti Power Project site:

<u>Capital</u>	<u>Previous Authorization</u>	<u>Current Authorization</u>	<u>Total Expenditure Authorization</u>
DMJM + HARRIS	\$14,700,000	\$5,700,000	\$20,400,000

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 certificates, agreements 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.

18. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, October 26, 2004, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

19. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:10 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