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

January 25, 2005

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Albany Office at 11:15 a.m.

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

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
Edward Hubert	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
Arthur T. Cambouris	Assistant General Counsel – Litigation
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Gerald G. 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 Resource Management
John M. Hoff	Vice President – Procurement and Real Estate
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
William V. Slade	Vice President – Environmental Management
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Paul W. Belnick	Director – Energy Services and Technology
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Lydia Helle Maide	Director – Major Accounts Group
John L. Murphy	Director – Public Relations
Joan Tursi	Director – Budgets
Daniel Wiese	Director – Corporate Security/Inspector General
Albert Swansen	Deputy Inspector General – Security
Daniel J. Cappiello	Manager – Performance Planning
Michael J. Huvane	Manager – Business Marketing and Economic Development
James F. Pasquale	Manager – Business Power Allocations and Compliance
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant
Joann M. Duffy	Strategic Change Consultant

Jesse Samberg	Metropolitan Transportation Authority
John Cashin	Executive Administrator, Battery Park City Authority

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

1. Approval of the Minutes

The minutes of the regular meeting of December 14, 2004 were unanimously adopted.

2. **Financial Reports for the Twelve Months Ended December 31, 2004**

Mr. Bellis provided the Financial Reports for the twelve months ended December 31, 2004.

3. Report from the President and Chief Executive Officer

No report.

4. <u>Allocation of 2,200 kW of Hydro Power</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve three allocations of available Replacement Power ('RP'), totaling 2,200 kW to two industrial companies.

<u>BACKGROUND</u>

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

<u>DISCUSSION</u>

"On October 22, 2003, the Authority, NiMo, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding ('MOU') that outlines the process to coordinate marketing and allocating Authority hydro power. The entities noted above have formed the Western New York Advisory Group ('Group') with the intent of better using the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydro power.

"Based on the Group's discussions, staff recommends that the available power be allocated among two companies, as set forth in Exhibit '4-A'. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help to maintain and diversify Western New York's industrial base and will provide new employment opportunities. They are projected to result in the creation of 60 jobs.

"These contracts will be for a term expiring August 31, 2007, subject to legislation being passed that authorizes extension of the Replacement Power program.

<u>RECOMMENDATION</u>

"The Director – Business Power Allocations, Regulation and Billing recommends that the Trustees approve the allocation of 2,200 kW of hydro power to the companies listed in Exhibit '4-A.'

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major 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 allocation of 2,200 kW of hydro power, as detailed in Exhibit "4-A," 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.

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "4-A"
January 25, 2005

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	American Pharmaceutical Partners, Inc (Lang Blvd)	Grand Island	Erie	1,000	25	$10,100,000	$55,000	**1,000**	Until 8/31/07
A-2	American Pharmaceutical Partners, Inc (Staley Rd)	Grand Island	Erie	1,000	25	$23,750,000	$55,000	**1,000**	Until 8/31/07
A-3	Hammond Manufacturing Company, Inc.	Cheektowaga	Erie	200	10	$1,021,000	$31,000	**200**	Until 8/31/07
	Total RP Recommended			2,200	60	34,871,000	141,000	**2,200**	

(1) The Niagara Project license and the resale agreement with Niagara Mohawk (NS-1) expires on August 31, 2007.

January 25, 2005
Exhibit "4-A1"

APPLICATION SUMMARY

Replacement Power

Company:	American Pharmaceutical Partners, Inc
Location:	Grand Island, New York (Lang Blvd)
County:	Erie
IOU:	NIMO
Business Activity:	Manufacturer of pharmaceuticals
Project Description:	The Company will invest in facility modifications and biologic processing equipment. This process is new technology for APP and will add significant growth to its product offerings. The investment is in biologics processing equipment and clean room facilities.
Prior Application:	Yes
Existing Allocations:	1,500 kW of Replacement Power (takedown pending)
Power Request:	1,000 kW
Power Recommended:	1,000 kW
Job Commitment:	
Existing	0 jobs
New	25 jobs
New Jobs/Power Ratio:	25 Jobs/mW
New Jobs - Avg. Wage and Benefits	$55,000
Capital Investment:	$10,100,000
Capital Investment Per MW	$10,100,000 Dollars/MW

Summary: American Pharmaceutical Partners is a specialty drug company that develops, manufactures and markets injectable pharmaceutical products, focusing on the oncology, anti-infective and crital care markets. The company is one of the largest producers of injectables. They were incorporated in 1996 and are located on Grand Island. A low-cost power allocation will help the company compete and lower its operating costs.

January 25, 2005
Exhibit "4-A2"

APPLICATION SUMMARY

Replacement Power

Company:	American Pharmaceutical Partners, Inc
Location:	Grand Island, New York (Staley Road)
County:	Erie
IOU:	NIMO
Business Activity:	Manufacturer of pharmaceuticals
Project Description:	The project will include the construction of a new 45,000 square foot packaging building. In addition, the company will expand its aseptic filling complex, adding syringe filling capabilities. The company will create a new formulation area for Abrazane, a new lyophilized injectable product for breast cancer treatment.
Prior Application:	Yes
Existing Allocations:	1,500 kW of Replacement Power (takedown pending)
Power Request:	1,000 kW
Power Recommended:	1,000 kW
Job Commitment:	
Existing	481 jobs
New	25 jobs
New Jobs/Power Ratio:	25 Jobs/mW
New Jobs - Avg. Wage and Benefits	$55,000
Capital Investment:	$23,750,000
Capital Investment Per MW	$47,500,000 Dollars/MW
Summary:	American Pharmaceutical Partners is a specialty drug company that develops, manufactures and markets injectable pharmaceutical products, focusing on the oncology, anti-infective and crital care markets. The company is one the largest producers of injectables. They were incorporated in 1996 and are located on Grand Island. A low-cost power allocation will help the company compete and lower its operating costs.

January 25, 2005
Exhibit "4-A3"

APPLICATION SUMMARY

Replacement Power

Company:	Hammond Manufacturing Company, Inc
Location:	Cheektowaga, New York
County:	Erie
IOU:	NIMO
Business Activity:	Manufacturer of outlet strips and electronic transformers
Project Description:	The project will be the opening of a manufacturing plant in Cheektowaga. The plant will be approximately 20,000 sq. ft. They will install 6 new machines including molding machines, jib cranes, dryer, vacuum loaders, grinders and chillers. They plan on investing in leasehold improvements and potentially adding shrink wrap machines and auto baggers.
Prior Application:	None
Existing Allocations:	None
Power Request:	200 kW
Power Recommended:	200 kW
Job Commitment:	
Existing	14 jobs (transferred from another site)
New	10 jobs
New Jobs/Power Ratio:	50 Jobs/mW
New Jobs - Avg. Wage and Benefits	$31,000
Capital Investment:	$1,021,000
Capital Investment Per MW	$5,105,000 Dollars/MW
Summary:	The Company was incorporated in NYS in 1982. Products are sold to direct customers and through a global network of distributors. The company's corporate office is in Ontario, Canada. They are planning to open a new manufacturing plant in NY to manufacture products now being produced in Canada.

5. Niagara Economic Development Fund – Authorization to <u>Modify Niagara Economic Development Fund Agreements</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize certain modifications to the Niagara Economic Development Agreement (the 'Development Agreement'), the Niagara Economic Development Fund ('Niagara Fund') Trust Agreement (the 'Trust Agreement') and the Niagara Economic Development Fund Administrative Agreement (the 'Administrative Agreement') (collectively, the 'Agreements'). The modifications would authorize the Niagara Fund to provide $200,000 in grant monies to the Niagara County Industrial Development Agency ('NCIDA') for a new marketing initiative for economic development purposes within Niagara County.

DISCUSSION

"At their meeting of April 24, 1990, the Trustees authorized the transfer of $5 million to the New York Job Development Authority ('JDA'), as trustee under a trust agreement, to establish an economic development loan fund for Niagara County. The Niagara Fund was established to further economic development in the Niagara County area and operates under the direction of a five-member board (the 'Niagara Fund Board'). The Niagara Fund Board consists of representatives of the Authority, the JDA, the New York State Urban Development Corporation, the NCIDA and the City of Niagara Falls. By further resolution adopted August 25, 1998, the Trustees authorized the transfer of the trust fund and responsibility for administering the loan program to the NCIDA. This entity currently administers a Niagara Fund loan program to effectuate economic development in the Niagara County area.

"Currently, the Niagara Fund total is approximately $8.5 million. Of this total, $2 million is specifically set aside for a grant program to the USA Niagara Development Corporation. The USA Niagara Grant Program was approved by the Trustees at their meeting of March 26, 2002. Of the remaining balance, about $3.5 million is accounted for in outstanding or committed loans and the remaining balance of approximately $3 million is available for loans.

"In October 2003, the NCIDA and the Niagara County Department of Economic Development joined forces under one roof and created a 'one-stop shop' called the Niagara County Center for Economic Development. Throughout 2004, this entity developed and launched a combined website, updated marketing materials and created a CD containing photos and videos of available sites and buildings throughout the County. The goal of this effort is to carry out an aggressive marketing campaign to distribute these materials throughout southern Ontario during 2005 and follow up with personal marketing calls. To that end, the NCIDA is requesting a $200,000 grant from the Niagara Fund to finance this marketing campaign. It is proposed that these funds, along with $100,000 from the NCIDA, be used specifically for site visits to targeted companies, advertising in selected trade publications, preparation of collateral materials and staff support functions.

RECOMMENDATION

"The Vice President – Major Accounts, Marketing and Economic Development recommends that the Trustees approve modifications to the Agreements to permit the Niagara Fund to provide a $200,000 grant to the Niagara County Industrial Development Agency to co-fund and implement a marketing campaign to initiate economic development projects for the local economy.

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

Mr. Huvane presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Huvane said that the Niagara Economic Development Fund ("Fund") was

separate from the Niagara relicensing process. Responding to questions from Trustees Seymour and Carey, Mr. Huvane said that the proposed $200,000 grant to the Niagara County Industrial Development Agency would come from unallocated loan funds, which total in excess of $3 million. He also said that Fund expenditures were audited annually by an independent accounting firm.

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

RESOLVED, That it is hereby authorized that the Niagara Economic Development Agreement (the "Development Agreement"), the Niagara Economic Development Fund Trust Agreement ("Trust Agreement") and the Niagara Economic Development Fund Administrative Agreement ("Administrative Agreement") be, and hereby are, amended to permit the use of Niagara Fund monies in the amount of $200,000 for a grant to the Niagara County Industrial Development Agency to co-fund and implement a marketing campaign, with the monies to be used as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, the Vice President – Major Accounts, Marketing and Economic Development or his designee be, and hereby is, authorized to execute such amendments to the Development Agreement, Trust Agreement and Administrative Agreement, and to any other related agreements, as such officer may deem necessary or advisable to effectuate the purposes of this resolution, with such amendments or agreements having such terms and conditions as he may deem necessary or advisable, and to execute all other certificates, documents or agreements that he may deem necessary or advisable to effectuate this resolution; 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. Village of Solvay Repayment Agreement

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President and Chief Executive Officer to enter into an agreement with the Village of Solvay ('Village'), a municipal power customer of the Authority. Under the agreement, the Authority would finance certain 'transition costs' the New York State Department of Agriculture and Markets' New York State Fair ('State Fair') will be required to pay Niagara Mohawk Power Corporation ('NMPC') before it can become a Village of Solvay electric power customer. If the Trustees agree to finance the transition costs, the State Fair would be able to avail itself of the lower electric rates charged by the Village, resulting in money savings to the State.

BACKGROUND

"The 12-day State Fair spotlights the people and products of New York State. Each year, fairgoers are greeted by 2,000 concessionaires in categories ranging from cows, pigs, horses, sheep and llamas to photographs, paintings and flower arrangements to New York State apple pies, pumpkins, vegetables, fruits and wines. The State Fair brings measurable financial benefits to the Central New York region and beyond. In recent years, in order to become totally self-sufficient and free of taxpayer support, the managers of the Empire Expo Center, home of the State Fair, have made it a year-round center for business, the arts, entertainment, education and recreation, at the same time carefully preserving its tradition and foundation of livestock and agriculture.

"Currently, the State Fair is served by NMPC. The State Fair's annual electricity bill is approximately $1,040,000. A small part of the State Fair is also served by the Village, an Authority customer. The State Fair has requested full service from the Village in order to reduce its electric rates. Pursuant to certain provisions of NMPC's tariff, the State Fair would have to pay NMPC $2,794,573 in 'transition costs' related to the State Fair no longer taking service from NMPC. The Authority has agreed to finance this transaction for the Village at an interest rate of 5% amortized over seven years. Repayment will be made in monthly installments, invoiced in the Village's monthly electric bill. If the Village ceases to be an Authority electric customer, the outstanding amount of the repayment obligation (plus accrued interest) will be due and payable in a lump sum within 30 days.

"The Village is expected to enter into a separate agreement with the State Fair that will set forth the electric rate the State Fair will pay in order to capture the transition cost repayments made by the Village to the Authority.

"With this arrangement, the State Fair is expected to save more than $600,000 annually after its debt is paid off. During the seven-year payback period, the State Fair will see annual savings of nearly $150,000.

FISCAL INFORMATION

"Payment of the transition costs of $2,794,573 will be made from the Authority's Operating Fund. While Incremental Power Service to full requirements municipal systems is presently sold at a loss, it is expected that this amount would be offset by the interest earnings such that there will be little or no net financial impact on the Authority as a result of this transaction.

RECOMMENDATION

"The Executive Director – State Governmental Affairs recommends that the Trustees authorize the President and Chief Executive Officer, or his designee, to enter into an agreement with the Village of Solvay under which the Authority will finance $2,794,573 for payment of the State Fair's transition costs by the Village, on the terms and conditions set forth above.

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

Mr. Hamor presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Carey, Mr. Hamor said that this agreement would not have any net financial impact on the Authority.

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

RESOLVED, That the President and Chief Executive Officer, or his designee, be, and hereby is, authorized to execute a financing agreement between the Authority and the Village of Solvay, in such form as may be approved by the Executive Vice President, Secretary and General Counsel, to facilitate the use of Operating Fund monies to finance the transition costs required by Niagara Mohawk Power Corporation for the State Fair to terminate its electric service with Niagara Mohawk Power Corporation in order for the State Fair to become an electric customer of the Village. The terms for such financing and the requirements for the Village's repayment to the Authority are as set forth and recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That such monies in the amount of $2,794,573 to be used for the purposes described in the foregoing report of the President and Chief Executive Officer 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 as a condition to making the payment specified in the foregoing resolutions, on the day of such payment, the Vice President – Finance or the Treasurer shall certify that such monies to be used for such payment described in the foregoing report of the President and Chief Executive Officer are not then 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 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. Revisions to Delegations of Authority to Enter into Energy-Related Transactions, Fuel-Related Transactions, Hedging Transactions Related to Energy and Fuel, NYMEX Transactions and Other Transactions

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested (1) to approve revisions to authorities previously approved and delegated to the President and Chief Executive Officer and certain other officers and staff by the Trustees relating to approval of energy-related and fuel-related transactions, hedging transactions related to energy and fuel, and New York Mercantile Exchange ('NYMEX') transactions and (2) to approve authorizations related to natural gas transportation contracts and the sale of emission allowances.

BACKGROUND

"This memorandum sets forth proposed revisions to delegations of authority previously approved by the Trustees at their meetings of October 29, 2002 and April 27, 2004, to the President and Chief Executive Officer and certain other officers and staff relating to energy-related transactions, fuel-related transactions, hedging transactions related to energy and fuel and NYMEX transactions. It also proposes authorizations related to natural gas transportation contracts and the sale of emission allowances.

"Price volatility has increased significantly due to evolving market conditions and macro-economic factors that can affect the cost of producing power at the Authority's generating plants. From the time of the prior action of the Trustees on October 29, 2002 the price of natural gas at the New York City gate has increased approximately 77%. The corresponding price of NYISO Zone 'A' peak energy has increased approximately 44%. Because many Authority customers are served under fixed-price contracts, it is prudent to enter into financial transactions that will provide price protection and manage the risk of price volatility. The proposed revisions are necessary to address the continually evolving market and the Authority's need to keep pace with such changes, to provide the Authority flexibility to meet the changing circumstances of its customers and its obligation to serve such customers and manage risk for itself and its customers.

DISCUSSION

"The Trustees are requested to approve the proposed revisions and authorizations discussed below, which are reflected in the revised Appendices '7-A' and '7-B' (attached hereto as Exhibits '7-1' and '7-2') to the 'Governing Policies for Energy Risk Management,' approved by the Trustees at their meeting of October 29, 2002. Unless specifically revised, the delegations approved by the Trustees in prior resolutions continue in full force and effect. Also attached are Exhibits '7-3' and '7-4', which highlight proposed changes to the cascading authorities.

"The recommended revisions recognize that the Authority is routinely exposed to energy- and fuel-price risk in conducting its operations and that revisions are required to remain current with changing market conditions and to address the evolving operations of the NYISO and the exposure to more and varied market forces and associated risks. In most cases, price volatility imposes a substantial and direct risk (or opportunity) to the financial performance of the Authority's business units, as well as to their competitive posture. Management of these risks is important to the Authority's success. The proposed revisions deal with the philosophy, framework and delegation of discretion necessary to govern the activities of the Authority related to its energy- and fuel-risk-management program. The Authority will conduct risk-management activities in a manner that supports the Authority's mission, mitigates energy- and fuel-price exposure and prevents unauthorized financial risk.

"A summary of the proposed revisions and authorizations follows:

A. Physical Transactions. Proposed revisions relating to physical transactions include the following:

(1) increasing the 'term' transaction authority for the President and Chief Executive Officer and the Executive Vice President – Power Generation (a transaction with a duration greater than 40 days) from the current level of $20 million per transaction to $25 million for both fuel and electric transactions;

(2) adding an authorization for the President and Chief Executive Officer and the Executive Vice President – Power Generation to approve entry into contracts with natural gas pipeline companies for transportation of natural gas, provided that the cost of such contract does not exceed $20 million and the term does not exceed 24 months;

(3) adding an authorization for the President and Chief Executive Officer and the Executive Vice President – Power Generation to approve transactions for the sale of emission allowances, provided that the sale price for the transaction does not exceed $5 million and the term does not exceed 24 months;

(4) increasing the approval authority of the President and Chief Executive Officer and the Executive Vice President – Power Generation to allow for an increase in the maximum term for the physical purchase of natural gas to 36 months from the existing limit of 24 months; and

(5) revising cascading authorities for specified officers and staff related to physical transactions, as shown in the revised Appendix '7-A.'

B. Financial Hedge Transactions. Proposed revisions relating to financial hedge transactions include the following:

(1) increasing the limit for the approval authority for the President and Chief Executive Officer and the Senior Vice President- Chief Financial Officer for each hedge transaction relating to fuel or energy to $25 million from the current level of $20 million;

(2) increasing the approval authority for the President and Chief Executive Officer and the Senior Vice President- Chief Financial Officer to allow for a maximum duration for either gas or energy financial hedges to 36 months from the current limit of 24 months; and

(3) revising cascading authorities for specified officers and staff related to financial hedge transactions, as shown in the revised Appendix '7-B.'

C. NYMEX Transactions. Proposed revisions relating to NYMEX transaction guidelines include the following:

(1) clarifying that the maximum aggregate value of $90 million for the NYMEX transactions is measured by the original purchase price and not by the outstanding market value of the NYMEX contracts;

(2) revising current authorities to reflect a new cascading authority for a cumulative number of NYMEX contracts;

(3) revising current authorities to reflect a new cascading authority for specified officers and staff for the number of NYMEX contracts that may be committed/transacted on a daily basis;

(4) revising current authorities to allow the Senior Vice President and Chief Financial Officer, along with the Treasurer and the Vice President – Finance, to approve the release of margin amounts for NYMEX transactions;

(5) authorizing the Executive Vice President – Power Generation, in addition to the Vice President – Energy Resource Management, to approve the termination of NYMEX contracts and to determine whether to financially settle NYMEX contracts or take physical delivery; and

(6) establish cascading authorities for specified officers and staff related to NYMEX transactions.

"In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the written concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, Secretary and General Counsel, or his designee, as to the acceptability of the contractual arrangement governing such transaction, and (c) in the case of derivative transactions, the Vice President-Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective.

RECOMMENDATION

"The Vice President – Chief Risk Officer recommends that the Trustees approve the revisions discussed above and reflected in the revised Appendices '7-A' and '7-B' attached hereto.

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

Mr. Warmath presented the highlights of staff's recommendations to the Trustees. He said that staff had added a provision for an extra tracking mechanism for certain large transactions at the suggestion of Trustee Seymour. Vice Chairman McCullough clarified this by saying that the Trustees wanted to ensure that the transactions were monitored by an appropriately high level of Authority management notwithstanding the proposed cascading nature of the proposed delegations of authority.

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

RESOLVED, That the authorizations approved by the Trustees in their Resolutions adopted October 29, 2002 and April 27, 2004, are hereby revised in accordance with the foregoing report of the President and Chief Executive Officer and the revised Appendices "7-A" and "7-B" attached hereto; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Power Generation and those other officers and staff specified in revised Appendix "7-A" be authorized to enter into natural gas transportation contracts, with such entities and having such terms and conditions as such approving officer or staff member deems necessary or advisable, consistent with the conditions set forth in the foregoing report of the President and Chief Executive Officer, subject to approval of the form of such contracts by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Power Generation and those other officers and staff specified in revised Appendix "7-A", be authorized to enter into contracts for the sale of emission allowances, with such entities and having such terms and conditions as such approving officer or staff member deems necessary or advisable, consistent with the foregoing report of the President and Chief Executive Officer, subject to approval of the form of such contracts by the Executive President, Secretary and General Counsel; and be it further

RESOLVED, That in the case of withdrawals from the Operating Fund for NYMEX transaction margin purposes, in addition to the Treasurer and the Vice President – Finance, the Senior Vice President and Chief Financial Officer shall have the authority to certify that such amount to be withdrawn is not then needed for any of the purposes specified in Section 503(1) (a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations; and be it further

RESOLVED, That in addition to the Vice President – Energy Resource Management or in his absence, his designee, the Executive Vice President – Power Generation, or in his absence, his designee, is authorized to take such actions relating to New York Mercantile Exchange ("NYMEX") contracts as he deems necessary or advisable, including, but not limited to: (1) approving the termination of NYMEX contracts prior to their expiration; and (2) determining whether to financially settle futures contracts or take physical delivery of such contracts; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Vice President – Energy Resource Management, the Vice President – Chief Risk Officer, the Vice President – Finance, 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 resolutions, subject to the approval of the foregoing as to form thereof by the Executive Vice President, Secretary and General Counsel.

REVISED 1/24/05 11:15am

Exhibit "7-1"
January 25, 2005

Rev 2 of 1/05 Appendix A PHYSICAL[7] Transaction Limits[8, 10]

		Spot trades [1]				Term trades [2]				Natural Gas Transportation (not to exceed 24 mon. term) [7]		Term trades [2,7,9]			Emissions Allowance Transaction [7]		
		Fuel	Fuel	Electric	Electric	Fuel	Fuel	Fuel	Fuel	Nat'l Gas Transportation	Nat'l Gas Transportation	Electric	Electric	Electric	Emissions	Emissions	Emissions
Name	Title	$ Value[5]	Volume	$ Value	Volume (MW/hr)	$ Value	Duration (months) (oil/gas)	Volume	Cumulative[6] Volume Limit	$ Value	Volume (dth/day)	$ Value	Duration (months)	Volume (MW/hr)	Value NOx/SO_2	Volume NOx/SO_2 (tons)	Duration (months)
		per transaction[4]	per transaction	per transaction	per transaction	per transaction	per transaction	per transaction	per day basis	per transaction	per transaction	per transaction	per transaction	per transaction	per transaction	per transaction	per transaction
Gene Zeltmann	President and Chief Executive Officer[11]	$ 20 MM	NE	$ 20 MM	NE	$ 25 MM	24/36	NE	NE	$ 20 MM	NE	$ 25 MM	24	NE	$ 5 MM	NE	24
Bob Hiney	Executive Vice President -- Power Generation[11]	$ 20 MM	NE	$ 20 MM	NE	$ 25 MM	24/36	NE	NE	$ 20 MM	NE	$ 25 MM	24	NE	$ 5 MM	500/6500	24
Louise Morman	Sr. Vice President-MED	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	$ 20 MM	18	250 MW/hr	NA	NA	NA
Bob Deasy	Vice President- Energy Resource Mgmt	$ 18 MM $ 15 MM	75,000 dth/d 300,000 bbls	$ 10 MM	500 MW/hr	$ 20 MM	18/24	18 BCF 600,000 bbls	300,000 dth/d 600,000 bbls	$ 15 MM	30,000 dth/day	$ 20 MM	18	200 MW/hr	$ 1.5/$ 2.5 MM	300/3000	18
Jim Yates	Vice President- Major Accounts - MED	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	$ 15 MM	12	200 MW/hr	NA	NA	NA
Paul Rougeux	Director- Generation Resource Management	NA	NA	$8 MM	200 MW/hr	NA	NA	NA	NA	NA	NA	$15 MM	12	200 MW/hr	NA	NA	NA
Jordan Brandeis	Director- Supply Planning & Pwr Contracts- MED	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	$ 10 MM	12	200 MW/hr	NA	NA	NA
Rod Mullin	Director-Fuel Planning & Operations	$ 12 MM $ 10 MM	50,000 dth/d 200,000 bbls	NA	NA	$ 15 MM	12/18	11 BCF 450,000 bbls	200,000 dth/d 450,000 bbls	$ 7 MM	20,000 dth/day	NA	NA	NA	$ 1.0/ $ 1.5	250/2500	12
Jim Ondishin	Manager-Fuel Operations	$ 10 MM $ 8 MM	40,000 dth/d 150,000 bbls	NA	NA	$ 10 MM	6/12	10 BCF 300,000 bbls	100,000 dth/d 300,000 bbls	$3 MM	10,000 dth/day	NA	NA	NA	$ 800K/$1MM	150/2000	8
	Commodity Trader/Negotiator [3]	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM	DBM

Physical

Notes:

1. "Spot" for physical fuels or electric will be defined to have a term of less than or equal to 40 days. This is a limit for each single transaction.
2. "Term" transactions will be defined as a term greater than 40 days. The term period shall be defined as beginning on the day of execution of contract and running through the last date of delivery into the Authority's possession.
3. Includes the following titles: Senior Fuel Economist, Fuel Planning Consultant, Fuel Buyer, Associate Fuels Buyer, Fuel Scheduling Coordinator, Senior Power Marketer, Power Marketer ERM, Senior Economist ERM and Power Trader. Additional titles may be added by the Vice President-Energy Resource Management or the Vice President-CRO.
4. "transaction"- note: per transaction per day = per vendor per day. For example, for these guidelines, multiple deals all done on the same day with the same supplier or vendor is one transaction.
5. "value" shall mean the amount to be paid or received under a transaction by the Authority.
6. "cumulative" is a daily total limit; a per day basis for all transactions done. The VP- Energy Resource Management shall be the primary administrator of this limit.
7. "PHYSICAL": sales or purchases of UCAP and ancilliary services, the acquisition of natural gas pipeline transportation capacity or transactions involving emissions allocation/credits, for the purposes of these controls, shall be deemed to be physical transactions.
8. Each limit operates independently of every other limit.
9. Electric term transactions with a term exceeding 12 months, with NYPA as the Seller, require additional review with treasury/legal for conformance to possible tax restrictions (applicable to facilities financed wtih tax exempt debt).
10. **In addition, in the case of any physical or financial transaction having a value of $15 million or more, prior to any officer or staff member approving such transaction under the authority granted hereunder, such officer or staff member would obtain the written concurrence of (a) those members of his or her staff at the level of Manager and above (or their designees in the case of their absence) having responsibility for such transaction, (b) the Executive Vice President, Secretary and General Counsel, or his designee, as to the acceptability of the contractual arrangement governing such transaction, and (c) in the case of derivative transactions, the Vice President-Chief Risk Officer, or, in his absence, his designee, as to the acceptability of the transaction from a risk management perspective.**
11. Both the President and Ex. VP-Pwr Gen shall have the same authority level to approve physical transactions.

DBM- delegated by manager; not to exceed or be equal to the authority delegated to manager
NE- No limit currently in effect
NA-not applicable = No authority currently delegated.
MM- million

Note: The above limits also apply to any titles which are the successor to the positions set forth above, provided that the President and Chief Executive Officer deems that such new title is the successor for the purposes of the delegation of authority as set forth above.

8. Informational Item: New York Power Authority's Annual Strategic Plan

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are presented with the 2005-2007 Strategic Plan as set forth in Exhibit '8-A' attached hereto.

BACKGROUND

"Article VII – Fiscal Management of the Authority By-Laws states in Section 2 – Strategic Plan, that the Trustees shall annually review a strategic plan which shall become the basis for the development of departmental plans, the annual budget and the capital expenditure plan. The Authority has been updating its strategic planning document in its current format since 1995. As part of the Authority's annual review and planning process, it was decided to expand the content of the Strategic Plan to make clear and specific the Authority's role and intentions as to Generation, Transmission, Economic Development, Energy Efficiency and New Technology so that all stakeholders have a clear understanding of the driving forces behind the Authority's policy and decisions.

DISCUSSION

"This annual review of the overall Strategic Plan begins each year with the Authority's annual planning conference. In preparation for the conference, a number of preliminary steps are taken to ensure that the agenda is structured so that those issues of most concern to both internal and external stakeholders are addressed. The process begins with a series of one-on-one interviews with government and industry thought leaders, customer visionaries, Authority employees, stakeholders and business partners. In addition, market data, industry press and academic material are reviewed. Inputs from data and interviews generate an issue listing of topics that clearly articulate a fact-based hypothesis. Whenever possible, employee teams prepare presentations that will generate open discussion at the planning conference and recommend speakers/participants. Early each year, a strategic planning conference is held so that Authority executives can hear from a variety of issue leaders, proponents and influencers and debate issues and priorities. As an output of the conference, action plans are developed with specific initiatives and assignments. Recommendations based on these initiatives and assignments and/or initiative/assignment updates are then presented throughout the year at monthly Executive Management Committee meetings.

"Concurrently, the Strategic Plan document is being updated to reflect any changes in the Authority's Mission, Decision Drivers, Strategic Result Areas and Balanced Scorecard metrics and targets over the next three years.

- MISSION STATEMENT – A Mission Statement is a clear definition of the Authority's aims, focus and emphasis for a specified time frame.
- DECISION DRIVERS – Underlying this Mission Statement is a set of core drivers that define the Authority's priorities. Drivers determine how decisions are made, work is performed and outside stakeholders are dealt with. By understanding the driving forces behind its mission, the Authority's executive management can make decisions that support its goals.
- STRATEGIC RESULT AREAS – If the Authority is to succeed in its Mission, it needs to articulate its vision and make its intentions clear in specific areas. In order to do that for both internal and external stakeholders, the Authority needs to define its goals and objectives, as well as identify the specific actions it is taking to support that vision. (The Balanced Scorecard then translates mission and strategy into objectives and measures organized according to different perspectives.)

"The attached Strategic Plan reflects the results of the planning process and was used as the basis for the 2005 budget that was approved at the Trustee meeting held December 14, 2004."

Mr. Cappiello presented an overview of the Authority's Annual Strategic Plan. A discussion ensued between Chairman Ciminelli and staff about the fact that safety had not been included as a value or decision driver in the Plan. Mr. Cappiello pointed out that the importance of safety was emphasized by its inclusion in the Authority's Mission Statement, with Mr. Vesce adding that safety was one of the Authority's nine Performance Measures in the Strategic Plan. Mr. Hiney mentioned that the Authority also tracks recordable incidents and lost time.

9. <u>Motion to Conduct an Executive Session</u>

"Mr. Chairman, I move that the Authority conduct an executive session to discuss: (i) the financial history of particular corporations and matters leading to the award of contracts to particular corporations and (ii) matters related to ongoing or potential administrative litigation relating to particular persons and corporations." On motion duly made and seconded, an Executive Session was held.

10. 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.

13. Informational Item: Status of Pending Long-Term <u>Agreements to Provide Energy and Capacity Supplies</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"At their meeting of December 14, 2004, the Trustees authorized staff to negotiate with certain selected bidders (the 'Selected Suppliers') for energy and capacity supplies, with final execution of contracts with such bidders contingent on the results of the negotiations and on the execution of long-term contract extensions ('Long-Term Contracts') with the Authority's governmental customers in southeastern New York (the 'Governmental Customers').

"At this time, staff would like to advise the Trustees of the ongoing status of negotiations with Selected Suppliers to provide stable predictably priced energy and capacity supplies and/or financial supply contracts to the Authority commencing in 2008 and continuing through as late as 2017 for the Authority's Governmental Customers.

<u>BACKGROUND</u>

"The Authority has served and will continue to serve its Governmental Customers in large part with self generation and market purchases. Under purchase agreements, the Authority has previously secured base-load energy supplies in the amount of 600 megawatts ('MW') from January 1, 2005 through December 31, 2008.

"Based on the new Long-Term Contracts with the Governmental Customers, the Authority needs to purchase energy and capacity starting in 2008 due to the expiration of existing power- purchase agreements in order to serve their full requirements.

"On June 4, 2004, the Authority issued a Request for Proposals ('RFP') for long-term, stable, predictably priced supplies of up to 500 MW of UCAP and sufficient energy, to be supplied as early as February 1, 2008.

"Establishment of the RFP scope and bid evaluations were done in parallel with the negotiation of Long Term Contracts with certain of the Governmental Customers under a Joint Planning Process (the 'Participating Governmental Customers'), established by the Authority and the Participating Governmental Customers at their request. Both the Participating Governmental Customers and the Authority retained outside consulting firms to assist in the evaluation process.

"The Authority received bids from 33 prospective suppliers, containing more than 60 separate bid options, which included financial products, physical unit contingent products, new generation and transmission products and renewable resource products. A second round of bidding was conducted to narrow the field of prospective suppliers, which led to the Selected Suppliers being selected for final consideration. This was based upon their ability to meet the criteria outlined in the RFP, subject to the Authority's credit and risk criteria.

"In December 2004, the Trustees approved the negotiation of contracts with the Selected Suppliers under final consideration. Further negotiations, including a detailed discussion of the legal and credit terms, are under way with the Selected Suppliers.

<u>DISCUSSION</u>

"The Selected Suppliers currently in negotiations with the Authority were chosen in collaboration with certain Governmental Customers (the 'Participating Governmental Customers') and their consultants as part of the Joint Planning Process discussed in the President and Chief Executive Officer's memorandum on this matter submitted at the December 14, 2004 Trustees' meeting.

"The Authority's consultant in this process, Quantec LLC, provided analytical support in the bid evaluation and portfolio development process. Quantec analyzed the bids and assembled alternative portfolios to meet RFP requirements, with the objective of determining the set of resources that best meets the customers' needs under the RFP with the least cost and volatility.

"The Participating Governmental Customers and their consultants, which include the City of New York, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey and the New York City Housing Authority, have been involved in the evaluation and negotiation process.

"When negotiations are complete, staff will seek Trustee approval for contract execution."

14. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, February 22, 2005, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

<u>Closing</u>

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:45 p.m.

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