

**MINUTES OF THE REGULAR MEETING OF THE
POWER AUTHORITY OF THE STATE OF NEW YORK
July 26, 2005**

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1. Minutes of the Regular Meeting held on June 28, 2005	2	
2. Financial Reports for the Six Months Ending June 30, 2005	3	‘2-A’
3. Report from the President and Chief Executive Officer	4	
4. Power for Jobs Program – Extended Benefits Resolution	5	‘4-A’
5. University at Albany Foundation – Energy Services Project – Authorization Resolution	8	
6. Revision of Statewide Energy Services Program – Customer Implemented Work Resolution	10	
7. Procurement (Services) Contract – Maintenance Services for SENY Security Systems – Award Resolution	13	
8. Procurement (Services) Contract – Transmission Project – Licensing Services – Increase in Compensation Ceiling Resolution	16	
9. Motion to Conduct an Executive Session	19	
10. Motion to Resume in Open Session	20	
11. Economic Development Power Programs – Service Tariff Amendment – Notice of Proposed Action Resolution	21	‘11-A’
12. Procurement (Services) Contract – 500 MW Combined Cycle Plant – Slattery Skanska, Inc. - General Work Contract – Increase in Compensation Ceiling Resolution	25	
13. In City Generation Project – Expenditure Authorization Request Resolution	28	‘13-A’
14. Election of the Chairman of the Authority and Re-Establishment of the Position of Chief Operating Officer Resolution	30	

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
15.	Next Meeting	32	
	Closing	33	

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the St. Lawrence/FDR Power Project at 11:00 a.m.

Present: Frank S. McCullough, Jr., Vice Chairman
Timothy S. Carey, Trustee
Elise M. Cusack, Trustee
Joseph J. Seymour, Trustee
Michael J. Townsend, Trustee

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
Edward Hubert	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Thomas P. Antenucci	Vice President – Project Management
Donald A. Russak	Vice President – Finance
Thomas A. Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
John J. Suloway	Executive Director – Licensing, Implementation and Compliance
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Mark O’Connor	Director – Real Estate
Michael A. Saltzman	Director – Public Relations
Allen D. Schriver	Regional Manager Northern New York
Edward A. Welz	Project Manager – Project Management
Albert Swansen	Deputy Inspector General – Security
Michael Elsner	LEM Construction Superintendent
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Bonnie Fahey	Executive Administrative Assistant
Noelle M. Zandri	Secretary to Executive Vice President, Secretary and General Counsel
Elizabeth Phillips	Mayor, Village of Waddington
William Dalton	Supervisor, Town of Waddington
Kenneth MacDonnell	Mayor, Village of Massena
Sanford T. Cook	Supervisor, Town of Massena
Larry Legault	Supervisor, Town of Louisville
Mike Caulfield	Power Manager, ALCOA
Ron McDougall	UAW – Program Representative
Karen White	Reporter, Courier Observer
Scott Dosztan	News Director, WPDM Radio, Potsdam

Vice Chairman McCullough 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 June 28, 2005 were unanimously adopted.

2. **Financial Reports for the Six Months Ending June 30, 2005**

Mr. Russak presented an overview of the reports to the Trustees. In response to a question from Trustee Seymour, Mr. Russak said that the new SENY rates were not covering expenses but that the settlement agreement anticipated this. He also noted that new rates would go in effect in January 2006.

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

President Zeltmann asked Mr. Hiney to present a report on the progress of the 500 MW combined cycle construction project. Mr. Hiney said that as of July 16th the project was 97.6% complete. Milestone #5, the plant being ready to accept both fuels, had been met. By August 10th, the heat recovery steam generators are scheduled to be completed and the first turbine is to be ready for first fire. He also noted that General Electric's commissioning work is a few days ahead of schedule, with good quality from the turnover packages. Overall, the job has a good project manager and great teamwork and it is being done the way it should be.

4. Power for Jobs Program - Extended Benefits

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve extended benefits for 40 Power for Jobs (‘PFJ’) customers as listed in Exhibit ‘4-A.’ These customers have been recommended to receive such extended benefits by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

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

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

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

“In July 2002, legislation was signed into law by Governor Pataki that authorized another 183 MW of power to be allocated under the program. The additional MW were described in the statute as ‘phase five’ of the program. Customers that received allocations in Year Two or Year Three were given priority to reapply for the program. Any remaining power was made available to new applicants. The program’s sunset date is December 31, 2005.

“In 2004, provisions of the approved state budget extended the benefits for PFJ customers whose contracts expire before the end of the program in 2005. Such customers may choose to receive an ‘electricity savings reimbursement’ rebate and/or a power contract extension. The Authority was also authorized to voluntarily fund the rebates, if deemed feasible and advisable by the Trustees.

“PFJ customers whose contracts expired on or prior to November 30, 2004 are eligible for a rebate to the extent funded by the Authority from the date their contract expired through December 31, 2005. As an alternative, such customers may choose to receive a rebate to the extent funded by the Authority from the date their contract expired as a bridge to a new contract extension, with the contract extension commencing December 1, 2004. The new contract would be in effect from a period no earlier than December 1, 2004 through the end of the PFJ program on December 31, 2005.

“PFJ customers whose contracts expired after November 30, 2004 are eligible for rebate or contract extension, assuming funding by the Authority, from the date their contracts expire through December 31, 2005.

“Approved contract extensions entitle customers to receive the power from the Authority pursuant to a sale-for-resale agreement with the customer’s local utility. Separate allocation contracts between customers and the Authority contain job commitments enforceable by the Authority.

DISCUSSION

“As a result of its meeting, EDPAB recommended that the Authority’s Trustees approve electricity savings reimbursement rebates to the 40 businesses listed in Exhibit ‘4-A.’ Collectively, these organizations have agreed to retain more than 48,000 jobs in New York State in exchange for the contract extensions or rebates. The contracts will be extended and the rebate program will be in effect until December 31, 2005, the program’s sunset. The power will be wheeled by the investor-owned utilities as indicated in the exhibit.

“The Trustees are requested to approve payment and funding of rebates for the companies listed on Exhibit ‘4-A’ in a total amount currently not expected to exceed \$4,300,000. Staff recommends that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such amount, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented. Staff expects to present the Trustees with requests for additional funding for rebates for the companies listed on the Exhibit in the future.

“Completed applications were reviewed by EDPAB and recommendations were made at its meeting on July 26, 2005.

FISCAL INFORMATION

“Funding of rebates for the companies listed on Exhibit ‘4-A’ is not expected to exceed \$4,300,000. Payments will be from the Operating Fund.

RECOMMENDATION

“The Senior Vice President and Chief Financial Officer and the Director – Business Power Allocations, Regulation and Billing recommend that the Trustees approve the electricity savings reimbursements to the PFJ customers listed in Exhibit ‘4-A.’

“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 Vice President – Major Account 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.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve contract extensions and electricity savings reimbursements to the Power for Jobs customers listed in Exhibit “4-A”;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves the payment of electricity savings reimbursements to the companies listed in Exhibit “4-A,” as submitted to this meeting, and that the Authority finds that such extensions and payments for electricity savings reimbursements are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That based on staff’s recommendation, it is hereby authorized that payments be made for electricity savings reimbursements as described in the foregoing report of the President and Chief Executive Officer in the aggregate amount of up to \$4,300,000 and it is hereby found that amounts may properly be

withdrawn from the Operating Fund to fund such payments; and be it further

RESOLVED, That such monies may be withdrawn pursuant to the foregoing resolution upon the certification on the date of such withdrawal by the Vice President – Finance or the Treasurer that the amount to be withdrawn is not then needed for any of the purposes specified in Section 503 (1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented; and be it further

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

RESOLVED, That the Vice 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 resolutions, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

New York Power Authority
 Power for Jobs Extended Benefits
 Recommendations for Electricity Savings Reimbursements

Exhibit "4-A"
 July 26, 2005

Count	Company	City	County	IOU	KW	Jobs	Jobs/MW	Type	Service
1	Charmer Industries, Inc.	Astoria	Queens	CONED	750	732	976	Large	Distributors of wines and spirits
2	Columbia University	New York	New York	CONED	750	719	959	NFP	Educational and student services
3	Continental Food Products, Inc.	Flushing	Queens	CONED	300	88	293	Small	Frozen pizza manufacturer and distributor.
4	Cumberland Packaging	Brooklyn	Kings	CONED	750	273	364	Large	Manufactures Sweet & Low sugar substitute
5	Henry Street Settlement	New York	New York	CONED	300	688	2,293	NFP	Social Services
6	International Business Machines Cor	White Plains	Westchester	CONED	4,400	1,989	452	Large	Computer manufacturer
7	Kingsbrook Jewish Medical Center	Brooklyn	Kings	CONED	1,200	2,091	1,743	NFP	Medical and Research Institution
8	Kinray, Inc.	Whitestone	Queens	CONED	450	420	933	Large	Wholesaler and distributor of pharmaceuticals
9	Kraft Foods - Tarrytown	Tarrytown	Westchester	CONED	1,000	674	674	Large	Food processor
10	Leake and Watts Services, Inc.	Yonkers	Westchester	CONED	500	776	1,552	NFP	Child care agency
11	Liz Claiborne, Inc.	New York	New York	CONED	1,500	1,075	717	Large	Clothing and accessories manufacturer.
12	Long Island Jewish Medical Center	Manhasset	Nassau	CONED	2,000	6,143	3,072	NFP	Healthcare Center
13	Mount Sinai Medical Center	New York	New York	CONED	2,000	10,787	5,394	NFP	Medical Center
14	New Museum of Contemporary Art	New York	New York	CONED	50	41	820	NFP	Art Center
15	NYU Medical Center	New York	New York	CONED	4000	9876	2,469	NFP	Medical Center
16	Pepsi Cola Bottling Company	College Point	Queens	CONED	2,200	1,030	468	Large	Manufacturer & distributes soft drinks
17	S. R. Guggenheim Museum	New York	New York	CONED	475	356	749	NFP	Art Museum
18	The Educational Alliance	New York	New York	CONED	400	492	1,230	NFP	Educational and Cultural Organization
19	The Museum of Modern Art	New York	New York	CONED	1,000	741	741	NFP	Museum
	Con Edison		Subtotal	19	24,025	38,991	1,623		
20	Automatic Data Processing	Edgewood	Suffolk	LIPA	1,000	1,298	1,298	Large	Processing and mailing for the financial industry
21	Kleer-Fax Inc.	Amityville	Suffolk	LIPA	200	130	650	Small	Mfr. paper and plastic products
	LIPA		Subtotal	2	1,200	1,428	1,190		
22	Diemolding Corporation	Canastota	Madison	NIMO	200	305	1,525	Small	Thermoset plastic forming
23	Ethox Corp.	Buffalo	Erie	NIMO	500	164	328	Large	Medical Lab
24	Ford Motor Company	Buffalo	Erie	NIMO	5,000	1,706	341	Large	Automotive components stamping
25	Glens Falls Lehigh Cement Company	Glens Falls	Warren	NIMO	1,000	155	155	Large	Cement Manufacturer
26	H. P. Hood, Inc.	Oneida	Madison	NIMO	1,000	197	197	Large	Fluid Milk Products
27	Mercy Hospital	Buffalo	Erie	NIMO	1,000	1,982	1,982	NFP	General Hospital
28	Mohawk Paper Mills	Cohoes	Albany	NIMO	2,250	389	173	Large	Manufacturer of text and cover papers
29	Natrium Products, Inc.	Cortland	Cortland	NIMO	90	20	222	Small	Manufacturer of sodium bicarbonate
30	PCI Paper Conversions, Inc.	Syracuse	Onondaga	NIMO	400	224	560	Large	Printed materials & adhesive manufacturing
31	Robison & Smith, Inc.	Gloversville	Fulton	NIMO	384	176	458	Small	Linen & Laundry Supply
32	Syracuse China Company	Syracuse	Onondaga	NIMO	500	434	868	Large	Manufactures restaurant china

New York Power Authority
 Power for Jobs Extended Benefits
 Recommendations for Electricity Savings Reimbursements

Exhibit "4-A"
July 26, 2005

Count	Company	City	County	IOU	KW	Jobs	Jobs/MW	Type	Service
33	Utica Converters, Inc.	Utica	Oneida	NIMO	1,400	197	141	Large	Tire cord manufacturer
	NIMO		Subtotal	12	13,724	5,949	433		
34	Cameron Fabricating Corporation	Horseheads	Chemung	NYSEG	325	158	486	Small	Manufacturer of process equipment
35	Corning, Inc.- (Big Flats)	Corning	Steuben	NYSEG	500	143	286	Large	Manufacturer of optical fiber, glass and ceramic products
36	Corning, Inc. (SCC & TDM)	Corning	Steuben	NYSEG	500	161	322	Large	Manufacturer of optical fiber, glass and ceramic products
37	Corning, Inc.- (Southside)	Corning	Steuben	NYSEG	1,500	647	431	Large	Manufacturer of optical fiber, glass and ceramic products
38	Frito-Lay, Inc.	Binghamton	Broome	NYSEG	1,000	639	639	Large	Snack food mfr
39	Ultralife Batteries, Inc.	Newark	Wayne	NYSEG	1,440	468	325	Large	Manufacturers batteries
40	World Warehouse & Distribution	Champlain	Clinton	NYSEG	150	133	887	Small	Warehousing and freight transportation.
	NYSEG		Subtotal	7	5,415	2,349	434		

Total	40	44,364	48,717	1,098
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**5. University at Albany Foundation –
Energy Services Project - Authorization**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the design, engineering, equipment procurement, installation and financing of up to \$2 million for an energy efficiency project for the University at Albany Foundation (‘Foundation’). These funds will be drawn from the previously Trustee-authorized funding of the Statewide Energy Services Program (‘ESP’). Measures to be implemented for this project include burner replacement, energy-efficient lighting systems, occupancy sensors, retrofitting of exit signs with LED lights, HVAC modernization, including installation of variable-speed drives on pumps and upgrading the chilled-water supply system, and related capital improvements. All project costs, net of any grants, will be recovered from the participant. The project will include a Petroleum Overcharge Restitution (‘POCR’) Fund grant.

BACKGROUND

“The Foundation is a not-for-profit charitable corporation that raises funds for projects that enhance the learning environment for students. The Foundation partners with the State University of New York at Albany (‘SUNY-Albany’) and plays a significant role in supporting programs and research that contribute to and stimulate the economic development of the Capital Region and New York State. The Foundation owns the former Sterling Winthrop complex in East Greenbush, New York. On this campus about 200 students attend classes at SUNY Albany’s School of Public Health which occupies about 2/3 of the building. The Foundation’s mixed purpose buildings provide a dynamic environment for educational, scientific, and economic development capabilities with those of industry and other research institutions.

“With the Trustees’ approval, Energy Services Staff would implement a turnkey energy efficiency project which will provide improvements that will establish system reliabilities, performance and operating efficiencies and lower energy usage and reduce emissions.

DISCUSSION

“The Authority will provide up-front financing for the installed project cost, as well as the turnkey installation of the recommended energy conservation measures. As in the case of all the Authority’s Energy Services programs, the Authority and the Foundation will execute a cost recovery agreement to assure that the Authority will recover the project’s financing and the cost of the advanced construction funds and overhead costs, excluding the grant provided by POCR funds.

“This project will result in reduced energy consumption and yield savings of \$205,000 annually as well as provide numerous operational benefits for the facility.

FISCAL INFORMATION

“The estimated cost of the project is approximately \$2 million. The funding will be provided from the proceeds of the Authority’s Commercial Paper Notes and/or Operating Funds. In addition, the project will be funded, in part, with POCR grant funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR grant, will be recovered via terms consistent with other Energy Services and Technology programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that the Trustees authorize the design, engineering, equipment procurement, installation and financing of up to \$2 million for an energy efficiency project for the University at Albany Foundation as described above.

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

Mr. Esposito presented the highlights of staff's recommendations to the Trustees. Responding to a question from Vice Chairman McCullough, Mr. Esposito said that the Authority's funding for the project would be recovered over a 10-year time period.

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

RESOLVED, That the Trustees authorize financing in an amount not to exceed \$2 million for the University at Albany Foundation project, funding will be drawn from the previously Trustee authorized funding of the Statewide Energy Services Program, as described in the foregoing report of the President and Chief Executive Officer, and that they 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 such agreements and other documents between the Authority and University at Albany Foundation, having such terms and conditions as such executing officer may approve, provided that the form of such agreements and documents shall be approved by the Executive Vice president, Secretary and General Counsel; and be it further

RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, and Operating Fund monies may be issued to finance Project costs; and be it further

RESOLVED, That the Project will 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 ('Section (7) 2002 Petroleum Overcharge Restitution Legislation') and will be funded, in part, with Petroleum Overcharge Restitution Funds allocated pursuant to the above mentioned Legislation; and be it further

RESOLVED, That Petroleum Overcharge Restitution Legislation funds allocated to the Authority by the Section (7) 2002 Petroleum Overcharge Restitution Legislation may be used to finance, in part, the Project; and be it further

RESOLVED, That the Vice 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.

6. Revision of Statewide Energy Services Program – Customer-Implemented Work

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a revision to the Statewide Energy Services Program (‘Statewide ESP’ or ‘ESP’) to include a ‘Customer-Implemented Work’ option for the Authority to provide financing and project management and/or other specified services to customers implementing approved energy efficiency and clean energy technology projects at their facilities.

BACKGROUND

“The Authority’s mission is to provide clean, economical and reliable energy consistent with its commitment to safety while promoting energy efficiency and innovation for the benefit of its customers and all New Yorkers. In that regard, the Authority has provided energy services programs across the State to reduce energy consumption and peak demand. To date, the Authority’s programs have reduced the demand for electricity by approximately 190 MW, resulting in savings of nearly \$90 million annually.

“The Trustees, at their meeting of December 16, 1997, approved a single program available to all public entities served by investor-owned utilities outside the Southeastern New York (‘SENY’) service territory. This program, Statewide ESP, is an energy efficiency and clean energy technology program that has traditionally provided a turnkey approach to identify, procure and implement energy-saving solutions for participants outside the SENY territory. Under this approach, Energy Services and Technology staff oversees Authority contracts with installation contractors for the implementation of energy service/clean energy projects.

“Customer-Implemented Work for Statewide ESP is essentially the same program offered to the Authority’s SENY governmental customers. The SENY Customer-Implemented Work program is derived from the supplemental long-term power purchase agreements executed in early 2005. In Article IX subsection B of such agreements, the SENY governmental customers were given the option of contracting with outside service providers while retaining access to the Authority’s financing.

“Some municipalities have requested the Authority’s assistance on a limited-work-plus-financing basis (i.e., ‘Customer-Implemented Work’) instead of the traditional turnkey work usually provided by Energy Services and Technology staff. By revising the scope of Statewide ESP and offering the Customer-Implemented Work option, the Authority will expand its reach to help its customers achieve significant energy savings and promote clean energy technologies throughout the State. Accordingly, staff is requesting the Trustees to expand the Statewide ESP program to include the Customer-Implemented Work option.

DISCUSSION

“If approved by the Trustees, the Authority will offer eligible ESP customers a new opportunity to work with the Authority through the ESP Customer-Implemented Work option. This option is an alternative to the Authority’s general, full-service ESP. While the full-service program offers turnkey projects fully implemented by the Authority, under the Customer-Implemented Work option, the Authority will offer full project financing to customers while serving in certain defined roles agreed to by the Authority and its customers with respect to implementation of the customers’ energy-related projects. With both options, the Authority’s expertise in design, engineering and construction management will encourage the customer to engage in energy efficiency initiatives and offer guidance and direction in implementing the most efficient, environmentally friendly and economically sustainable projects for the customer’s particular circumstances. Examples of the likely candidates for this option are wastewater treatment plants and landfill gas projects.

“Under the Customer-Implemented Work option, the Authority will work with the customer from design through construction. The Authority will use its expertise in energy efficiency and project implementation to help the customer make the most cost-effective equipment choices and realize the greatest greenhouse gas reductions.

“The following example illustrates how a customer could benefit from working with the Authority under the Customer-Implemented Work option. (Note: The parties’ roles would vary from case to case.)

- Engineering and construction management resources provided by the customer; oversight by the Authority.
 - The customer may choose engineering and design firms with which it has long-term relationships.
- The Authority serves in an advisory/supervisory role in implementing the project.
 - The Authority’s expertise will reduce the customer’s cost of implementation.
- The Authority provides low-cost financing to customer.
 - Lower costs benefit taxpayers by reducing the cost of government.
 - Availability of low-cost financing allows the customer to implement work sooner, rather than later, thus saving more energy and further reducing project costs.
 - Lower costs can prevent ‘slash and burn’ cost-cutting measures that could result in long-term energy and environmental costs.

FISCAL INFORMATION

“Funding will be provided through the previously approved funding of the Statewide ESP. The funding will be provided from the proceeds of the Authority’s Commercial Paper Notes and/or the Operating Fund. In addition, projects will be funded, in part, with monies from POOCR funds. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding any grant of POOCR funds, will be recovered consistent with other Energy Services and Technology programs.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology and the Director – Energy Services recommend that the Trustees approve the revision of the Statewide Energy Services Program to include a Customer-Implemented Work option that will include Authority financing and project management services.

“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 – Public and Governmental Affairs, the Senior Vice President and Chief Financial Officer, the Vice President – Procurement and Real Estate and I concur in the recommendation.”

Mr. Esposito presented the highlights of staff’s recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Esposito said that the cost-recovery time period for energy services projects was usually about 10 years, but sometimes could be longer. Responding to a question from Trustee Townsend, Mr. Esposito said that the Statewide Energy Services Program (“ESP”) could be used for such projects as the Monroe County landfill gas recovery project. In response to another question from Vice Chairman McCullough, Mr. Esposito said that staff would not be returning to the Trustees for approval of each individual project under this new application of the Statewide ESP.

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 expand the Statewide Energy Services Program to include an option for the Authority to provide financing and project management and/or other specified services to customers implementing approved energy efficiency and/or clean energy technology projects ('Customer Implemented Projects') at their facilities; and be it further

RESOLVED, That the Authority's Commercial Paper Notes, Series 1, Series 2 and Series 3, and Operating Fund monies may be issued to finance the costs of the Customer Implemented Projects; and be it further

RESOLVED, That the Customer Implemented Projects 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 ('Section (7) Petroleum Overcharge Restitution Legislation') and will be funded in part with Petroleum Overcharge Restitution Funds allocated pursuant to the Section (7) Petroleum Overcharge Restitution Legislation; and be it further

RESOLVED, That Petroleum Overcharge Restitution Legislation funds allocated to the Authority by the Section (7) Petroleum Overcharge Restitution 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 the Customer Implemented Projects in part; and be it further

RESOLVED, That the Vice 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.

7. **Procurement (Services) Contract - Maintenance Services for SENY Security Systems - Award**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a multiyear service contract to Electronic Technologies Corporation (‘ETC’) for providing maintenance and repair services (as well as installation services, as may be required) to existing security systems at the Authority’s 12 Southeastern New York sites (‘SENY Sites’). The intended duration of the subject contract is 65 months and the total estimated amount requested is \$502,066 (which includes \$322,066 for the initial contract amount plus additional amounts for minor corrective maintenance and emerging work, as further 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.

“The SENY Sites (the Albany, White Plains and New York offices, the Poletti and Flynn Plants and the seven Small Clean Power Plant sites) added or installed state-of-the-art security system upgrades as a direct result of the September 11, 2001 terrorist attacks. These systems have been maintained by two separate service maintenance contracts. Since one of these contracts was due to expire at the end of July 2005, a decision was made to consolidate all such work into the subject bid inquiry document.

DISCUSSION

“On May 11, 2005, the Authority issued a notice in the New York State Contract Reporter requesting security contractors to submit qualifications statements, including evidence of specific certifications, under Inquiry No. Q-02-3579JF, to provide maintenance services for installed security systems at the Authority’s SENY Sites for the originally intended 66-month term (July 1, 2005 through December 31, 2010). Twelve pre-qualified security contractors were subsequently invited to bid based on their ability to service existing security system software (Software House certification required) and to service the sites, in compliance with U.S. Homeland Security regulations for protecting sensitive proprietary information.

“Seven of the 12 pre-qualified security contractors submitted proposals for consideration. The security proposal evaluation committee (‘Committee’) comprising staff from Engineering, Project Management, Procurement and the Office of Inspector General, evaluated the proposals.

“The following is the list of bidders and bid prices received as the bids were opened:

<u>Bidder</u>	<u>Bid Price</u>
ETC	\$ 261,412
ISR Solutions	\$ 297,000
Security by Design	\$ 387,375
Deterrent Technologies	\$ 394,000
Diebold Enterprise Security	\$ 530,255
Siemens Building Technologies	\$1,491,230
PEI	\$2,108,157

“Based on their bid prices, the two apparent low bidders, ETC and ISR Solutions (‘ISR’), were evaluated for price and technical merit. Following bid clarification meetings with both bidders, the evaluated prices became \$327,021 (subsequently adjusted to \$322,066 for a 65-month term) for ETC and \$1,076,640 for ISR. ISR was dropped from further consideration based on price. ETC’s pricing was essentially correct in its proposal, but it erred in multiplying its price for a line item by the correct multiplier. This error was readily noted and corrected and ETC remained the low evaluated bidder. ETC further demonstrated superior management and technical attributes for the services. On the other hand, after meeting with ISR, the Committee determined that ISR had not properly interpreted the specification requirements and increased its price significantly.

“Based on its satisfactory qualifications, experience and ability to perform such work, as well as its price, the Committee recommends the award of the subject contract to ETC, located in New York City, as the lowest qualified bidder, in an initial contract amount of \$322,066, for the aforementioned maintenance and repair services. In the event that any of the facilities are closed down during the term of this agreement, a reduction in the price will be made to the payments.

“The Trustees’ approval for additional funding of \$180,000 (average of \$15,000 for each of the 12 sites over the 65 months of the contract) for future planned/unplanned minor work, as well as emergency and off-hours call-out requests, is also requested, for a total requested amount of \$502,066.

“Any significant repair, maintenance or additional work will be formally bid. This will include repair to underground raceways at four SENY sites. Additional funding is also needed to replace security components that will exceed their useful service life due to age during the term of this new contract, i.e. 156 cameras/monitors, 76 card readers and 15 digital video recorders currently installed.

FISCAL INFORMATION

“Funds required to support services to be provided under the subject contract have been included in the 2005 Approved O&M Budget. Funds for subsequent years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Deputy Inspector General – Security, the Vice President – Procurement and Real Estate and the Resident Manager – Southeastern New York recommend that the Trustees approve the security system service contract to be awarded to Electronic Technologies Corporation for providing maintenance and repair (and installation services, as may be needed) to the existing security systems at the Authority’s 12 SENY sites.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Administration, the Inspector General and Director – Corporate Security 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 Guidelines for Procurement Contracts adopted by the Authority and Expenditure Authorization Procedures, approval is hereby granted to award a contract to Electronic Technologies Corporation for providing maintenance, repair and installation services to existing security systems at the Authority’s 12 Southeastern New York sites on the terms set forth in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

<u>Contract Award</u>	<u>Award Amount</u>	<u>Projected Completion Date</u>
Electronic Technologies Corporation	<u>\$502,066</u>	12/31/10
Maintenance & repair services for SENY security system (including the Albany, White Plains and New York offices, the Poletti and Flynn Plants, and the 7 SCPP sites)	(includes initial award amount of \$322,066 + additional funding for emergent issues such as additions, installations, upgrades & relocation of equipment, if and when required)	

AND BE IT FURTHER RESOLVED, That the Vice 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.

**8. Procurement (Services) Contract –
Transmission Project – Licensing Services –
Increase in Compensation Ceiling**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an increase in the compensation value of the contract with Tetra Tech EC, Inc. (‘Tetra Tech’) from \$871,000 to \$1,553,700. This contract is for preliminary engineering and licensing services to obtain required regulatory approvals for the construction of a new transmission line (‘Transmission Project’) to alleviate serious transmission capacity deficiencies in the Lake Placid, Tupper Lake and Saranac Lake region of the Adirondacks. The increase is needed for additional studies, reports and memoranda preliminary to and supportive of the Transmission Project. At their meeting of June 28, 2005, the Trustees authorized the financing of \$3.5 million to pay for studies, reports and memoranda to support the Transmission Project.

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, an increase in the cumulative change order value of personal services contracts that exceeds the greater of \$250,000 or 35% of the originally approved contract amount not to exceed \$500,000 (in this case \$304,850), requires the Trustees’ approval.

DISCUSSION

“At their meeting of October 26, 2004, the Trustees authorized a settlement agreement (‘Agreement’) that, in part, provides for the construction of substation equipment (the Static Var Compensator ‘SVC’ Project) to provide the Adirondack transmission system with better voltage regulation and a new transmission line to alleviate serious transmission capacity deficiencies in the Lake Placid, Tupper Lake and Saranac Lake area of the Adirondacks.

“At their meeting of June 28, 2005, the Trustees authorized interim financing for the Transmission Project and the SVC Project at the estimated aggregate cost of \$21.2 million through the issuance of Commercial Paper and the use of Capital Fund monies. The execution of the Agreement in which the Authority agreed to finance and license the Transmission Project and that provides for the construction of the SVC Project was approved by the Trustees at their meeting on October 26, 2004.

“On February 10, 2005, the President and Chief Executive Officer authorized the award of a contract to Tetra Tech with a compensation ceiling of \$871, 000 in accordance with the Authority’s Expenditure Authorization Procedures and as a result of competitive bidding. The contract is for preliminary engineering and licensing services to: (1) perform studies evaluating engineering and route alternatives and (2) prepare applications and supporting documents necessary to obtain required regulatory approvals for the construction and operation of a new transmission line to reinforce the electrical system in the Lake Placid, Tupper Lake and Saranac Lake region of New York State.

“Approximately \$560,689 has been expended through July 5, 2005. Due to the unique and stringent statutory and regulatory requirements of the Adirondack Park Agency, the New York State Department of Environmental Conservation and other regulatory agencies for work performed within the Adirondack Park, additional funding in the amount of \$682,700 is requested for the additional studies and analyses necessary to prepare applications and documents to obtain required regulatory approvals for the Transmission Project through the anticipated submission of the Draft Environmental Impact Statement (‘DEIS’) in October 2005.

“In particular, the additional \$682,700 is requested to provide additional pre-application support, wetlands and ecological studies, visual assessment and engineering support, as well as to conduct new wetlands air photo interpretation in support of environmental studies, enhanced public outreach and scoping efforts in furtherance of the regulatory process under the State Environmental Quality Review Act (‘SEQRA’) for the new transmission line. Additional funding may be required in the event further studies or expanded work scopes of existing studies are required to finalize licensing of the project. Any such additional funding will be authorized in accordance with the Authority’s Expenditure Authorization Procedures.

FISCAL INFORMATION

“Funding of this work will be done through the issuance of Commercial Paper and/or the use of Capital Fund monies, as previously approved by the Trustees at their meeting of June 28, 2005.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Senior Vice President – Public and Governmental Affairs, the Vice President – Procurement and Real Estate and the Executive Director – Licensing, Implementation and Compliance recommend that the Trustees authorize an additional \$682,700 for support of the Transmission Project, resulting in a revised compensation ceiling of \$1,553,700, as well as an extension of the contract through the life of the project, currently estimated to be June 2006.

“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.”

Mr. Suloway presented the highlights of staff’s recommendations to the Trustees. In response to questions from Trustee Seymour and Carey, Mr. Suloway said that the visual impact, ecological and other studies necessitating this increase in the project’s compensation ceiling had been requested by the Adirondack Park Agency (“APA”). The original scope of work had been based on initial meetings with APA and the New York State Department of Environmental Conservation and a cost estimate that had been prepared by Niagara Mohawk. In response to further questions, Mr. Suloway indicated that the funding would cover all basic studies required for the application but that requests for additional studies from various parties were always possible.

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 and the Authority’s Expenditure Authorization Procedures, authorization for an additional commitment in the amount of \$682,700 to Tetra Tech EC, Inc., thereby increasing the compensation ceiling to \$1,553,700, is hereby approved as recommended in the foregoing report of the President and Chief Executive Officer, in the amount and for the purpose listed below:

	<u>Initial Contract Authorization</u>	<u>Total Expenditure Authorization</u>	<u>Project Completion</u>
Tetra Tech EC, Inc. (4500102769) Engineering and Licensing services for the Transmission Project	\$871,000	<u>\$1,553,700</u>	06/30/06

AND BE IT FURTHER RESOLVED, That the Vice 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. **Motion to Conduct an Executive Session**

“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 and judicial litigation.”

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.

**11. Economic Development Power Programs –
Service Tariff Amendments –
Notice of Proposed Action**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a notice of proposed action to amend the Authority’s tariffs for High Load Factor (‘HLF’), Economic Development Power (‘EDP’) and Industrial Economic Development served by Municipal Distribution Agencies (‘IED/MDA’) (collectively, ‘Power Programs’) to increase rates for certain of the Power Program customers who receive economic benefits to be provided in accordance with recently passed legislation, which is expected to be signed into law by the Governor. The proposed rates reflect the increased costs incurred by the Authority, combined with the mitigating effects of such economic benefits. The Trustees will be requested to approve the funding of these economic benefits following receipt of the necessary approvals from the Economic Development Power Allocation Board (‘EDPAB’). Starting in 2007, the customers’ economic benefits would end and they would be subject to market-based rates under the proposed tariffs.

“This action would also amend one HLF tariff and the IED/MDA tariff to ensure the continued collection of New York Independent System Operator (‘NYISO’) costs beyond the expiration date of these customers’ contracts. These amendments will make these tariffs consistent with the Authority’s tariffs affecting virtually all other business customers with respect to NYISO costs.

“In addition to the publication of the required notices in the State Register under the State Administrative Procedure Act (‘SAPA’), staff requests that the Trustees authorize the Secretary to schedule a public forum for the purpose of obtaining the views of interested parties concerning the proposed tariff amendments. Staff will evaluate any comments on the notice of proposed action received in accordance with SAPA or received at the public forum, and return to the Trustees in October seeking final action on the tariff amendments.

BACKGROUND

“The existing tariffs for the sale of power to certain Power Programs have been in effect since January 1993. The rates contained in those tariffs reflect the cost of service under lapse of purchase power contracts with the James A. FitzPatrick Nuclear Power Plant (‘FitzPatrick Plant’), and do not reflect the current cost of supplying electricity.

“On June 23, 2005, the New York State Legislature approved legislation amending the Public Authorities Law and the Economic Development Law to remove the outdated references to the FitzPatrick Plant. The legislation also creates the Energy Cost Savings Benefit Awards to be administered by the EDPAB. These awards are designed to mitigate the rates that would otherwise reflect the cost of electricity purchased from the NYISO-administered markets. This legislation is expected to be approved by the Governor. In connection with the new legislation, the Governor and the Legislative leaders agreed that EDPAB and the Authority should administer the new Energy Cost Savings Benefit Awards to limit rate increases to the Power Program customers to prescribed percentages described below through December 31, 2006. This is an interim solution.

“In 1998, the Authority entered into long-term pricing contracts with some of its Power Program customers. Thirty-nine of those contracts expire October 31, 2005. These and 35 other Power Program contracts that do not have rate protection would be subject to the proposed tariff rate increases.

“As the Trustees are aware, the Authority has already amended a number of its tariffs over the last 18 months to ensure recovery of the NYISO costs incurred on behalf of its industrial customers, including two of those subject to today’s action, Service Tariff No. 50 applicable to EDP customers and Service Tariff No. 1 applicable to certain HLF customers. While the Authority has the contractual authority to pass through NYISO costs to the remaining customers affected by today’s item, the service tariffs applicable to those customers have not been similarly amended.

DISCUSSION

“Staff proposes to amend the Power Program tariffs in order to allow the Authority to cover the costs of serving the affected customers. In addition to removing obsolete references to the FitzPatrick Plant and making various conforming changes, the tariff amendments would implement rates reflecting both the cost of market-based electricity incurred by the Authority to serve these customers, as well as the mitigating effects of the Energy Cost Savings Benefit Awards that will be received by certain of the Power Program customers as a result of the expected enactment of the new legislation. The Energy Cost Savings Benefits Awards permit the rate increases to be modest, as described below. Such rate increases will not apply to the 30 Power Program customers who have rate protection via contract through October 31, 2007. Moreover, these proposed amendments would not eliminate any delivery cost discounts consistent with existing contracts or (PSC or local utility) rate case settlements currently enjoyed by certain Power Program customers.

“Thus, beginning November 2005 through the end of December 2006, the Power Program customers who receive Energy Cost Savings Benefit Awards under the new legislation will be charged the proposed tariff rates, net of the Energy Cost Savings Benefits Awards recommended by EDPAB. The Energy Cost Savings Benefit Awards are derived in part from the sale into the NYISO market of up to 70 MW of currently unallocated Niagara Project Replacement Power, as well as 20 MW of St. Lawrence hydroelectric power reclaimed in 2004 from out-of-state customers.

“At the time staff seeks final action on this proposal, the Trustees will be requested to approve payment and funding of Energy Cost Savings Benefit Awards. The total amount of such awards is currently estimated at approximately \$68 million. At that time, staff will also recommend that the Trustees authorize a withdrawal of monies from the Operating Fund for the payment of such awards, provided that such amount is not needed at the time of withdrawal for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended and supplemented.

“Consistent with the new legislation, and as a result of the Energy Cost Savings Benefit Awards discussed above, starting November 1, 2005, eligible customers would pay no more than the current tariff rates until February 1, 2006, at which time rates will be increased by approximately 5%. Later, in August 2006, an additional 6% rate increase will be implemented. These proposed rates will expire at the end of December 2006. The rate increases will result in additional revenues of about \$5 million to the Authority over the 14-month term of this pricing plan. Any Power Program customers not receiving Energy Cost Savings Benefit Awards, except for customers with rate protection contracts through October 2007, will pay the full costs incurred by the Authority in providing service to them.

“Staff estimates that the Authority will incur an increased expense in excess of current rate revenues of about \$63 million per year to meet the customers’ electricity requirements. Over the 14 month period from November 2005 to December 2006, the excess expenses will be an estimated \$73 million. As noted above, the Authority will recover approximately \$5 million of this amount from the proposed rate increases. An estimated \$32 million of this expense will also be offset through the sale of 90 MW of hydroelectric power. The balance of about \$36 million will be absorbed by the Authority. Of this amount, about \$4 million/year has already been covered by industrial incentive awards from Expansion Power Net Revenues.

“Staff intends to keep the affected customers informed of the cost to the Authority of the Energy Cost Savings Benefit Awards.

“As indicated earlier, this pricing plan is an interim solution through December 2006. After that date, the tariffs as proposed herein would be market-based rates for all electricity sold under these contracts.

“The proposed tariffs reflect the pricing plan recommended here and are subject to the Trustees’ discretion to raise the rates above the prescribed fixed rate levels prior to 2007, if the Trustees determine in their sole discretion that such action is necessary to protect the Authority’s financial condition. Upon making such a determination, the Trustees would have the authority to modify the tariff charges up to the full cost incurred by the Authority to serve the customers.

“Staff’s proposal to amend Service Tariff No. 1S affecting certain HLF customers and Service Tariff No. 35 affecting the IED/MDA program simply confirms the Authority’s ability to recover all the NYISO costs it incurs to serve the Power Program customers. These changes will ensure that these costs are recovered from such customers after current agreements regarding recovery of such costs expire, as well as make these tariffs consistent with the tariffs affecting the Authority’s other business customers with respect to such costs. The imposition of these NYISO costs, however, will not disturb the Authority’s pricing objectives through the end of 2006, consistent with the agreement reached in conjunction with the new legislation, described above.

“Attached as Exhibit ‘11-A’ are the existing Service Tariffs Nos. 1 and IS for HLF, Service Tariff No. 50 for EDP and Service Tariff No. 35 for IED/MDA, each marked to show the amendments proposed by this action. Exhibit ‘11-B’ contains the proposed final versions of these same tariffs.

FISCAL INFORMATION

“Implementation of the proposed tariff amendments will insure that the Authority has the means in place to offset a portion of the cost of purchasing electricity commodity in the market to serve the Power Program customers. The cost to the Authority of implementing the Energy Cost Savings Benefits is estimated to be \$36 million for the 14-month period November 1, 2005 to December 31, 2006.

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 adopt tariff amendments implementing new rates, removing references to the FitzPatrick Plant and to ensure the recovery of NYISO costs, to certain economic development customers.

“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 the Vice President – Major Account Marketing and Economic Development and I concur in the recommendations.”

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 staff would be coming back to the Trustees at their October meeting for approval of the final action with respect to this service tariff amendment.

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

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file with the Secretary of State for publication in the New York State Register notice of the Authority’s proposed action to adopt tariff amendments allowing for the collection of higher rates consistent with changes authorized in recently passed legislation, and to make other administrative corrections; and to schedule a public forum to solicit the views of interested parties concerning the proposed action; and be it further

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

July 26, 2005

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.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a \$3,310,000 increase, funded from the previously approved CEAR, in the compensation ceiling of the General Work Contract with Slattery Skanska, Inc. (‘SSI’). This increase is for work performed in the February transition period prior to the effective date of Change Order No. 11, additional work performed by SSI after execution of Change Order No.11 and repairs to the new underground fire water line and existing Poletti steam line.

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.

“Also, in accordance with the Authority’s recently revised Expenditure Authorization Procedures, the Trustees’ approval is required for additional funding in excess of \$1,000,000 for non-personal services, construction and equipment contracts, where it is impractical to rebid.

“At their meeting of March 29, 2005, the Trustees authorized Change Order No. 11 for settlement of old claims and completion of the General Work Contract. At the present time, the first three milestones have been completed and SSI’s work is approximately 96% complete.

DISCUSSION

“As the Project progresses towards completion, additional changes have been included in SSI’s scope of work as described below.

1. February Work

The transition period for work in February 2005 was included and capped by Change Order No. 11. However, none of the monies for performing this work were included in the adjusted Contract Price of \$327,000,000. As the work was completed, these items have been reviewed, negotiated and agreed upon for the current value of \$510,000, which is well within the \$1,200,000 maximum limit of the agreement.

2. Additional Work

This work performed by SSI after Change Order No. 11 is estimated at \$1,700,000. The bulk of the changes in this category are attributed to such items as: electrical wiring updates identified by quantity changes in the Electronic Routing System Database, HVAC modifications to meet local codes, safety incentive program, chiller gas compressor removal for rework by General Electric and refabrication of the fuel oil supply containment piping due to New York City Fire Department (‘NYCFD’) radiography requirement.

3. Fire Main and Steam Line

A portion of the new fire main installed about two years ago as part of the 500MW Project was recently discovered to be unable to hold test pressure during the required NYCFD system integrity testing. Test excavations revealed that the fire water piping was being heated to significantly high temperatures, apparently due to breached insulation on the adjacent existing steam supply line to the Poletti fuel oil yard.

The heat was causing softening of the joint gasket material and disfigurement of the coated surfaces of the valve seats. It was decided to abandon most of the existing line in place and replace the damaged portions of the system with new piping, fittings, valves and high-temperature gaskets. Work includes system testing, excavation and backfill. Most of the work has been completed and NYCFD accepted the testing of the new and existing underground hydrant piping. The estimated cost for this work is \$500,000.

The existing steam supply and condensate return piping from the Poletti Plant to the fuel oil storage yard was found to have severe breaching in the outer casing of the insulation system. NYCFD is requesting that the steam line be repaired prior to their issuing the permit for operation of the 500 MW facility. The line will be repaired or replaced with new materials, as necessary, and insulated. Work will include testing, excavation, backfill and road repair. The estimated cost of this work is \$600,000.

Due to the fact that SSI has the manpower and equipment available at the site, it was agreed that the most efficient method to proceed with these repairs was to award the work to SSI on a time-and-material basis for a total estimated cost of \$1,100,000.

FISCAL INFORMATION

“Payment will be made from the Capital Fund. The requested contract amount is within the fund allocation in the approved 500 MW CEAR for construction services.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President – Project Management, the Vice President – Procurement and Real Estate and the Senior Project Manager recommend that, pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve an increase of \$3,310,000 in the General Work Contract with Slattery Skanska, Inc., resulting in a revised maximum contract price of \$330,310,000.

“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 Vice President – Controller and I concur in the recommendation.”

Mr. Antenucci presented the highlights of staff’s recommendations to the Trustees. In response to a question from Trustee Seymour, Mr. Antenucci said that the total amount authorized for this contract was significantly below what staff’s previous cost assumptions had been due to the fact that there had been fewer disputes to resolve since the settlement with Slattery Skanska, Inc. Mr. Hiney added that the job is proceeding as staff had hoped and that this increase in compensation ceiling is very much consistent with that.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization procedures adopted by the Authority, an increase of \$3,310,000 in the contract with Slattery Skanska, Inc. for the changes described in the foregoing report of the President and Chief Executive Officer be, and hereby is, approved, resulting in an increase in the contract amount to \$330,310,000 for general work for the 500 MW Combined Cycle Power Plant at the Charles A. Poletti Plant site; and be it further

RESOLVED, that the Vice Chairman or the President and Chief Executive Officer be, and hereby are, authorized and directed to execute on behalf of the Authority the necessary contract change documents subject to approval of the Executive Vice President, Secretary and General Counsel in the amount listed below:

<u>Slattery Skanska, Inc.</u>	<u>Capital</u>
Previous Contract Authorization	\$327,000,000
Current Request	<u>3,310,000</u>
TOTAL AMOUNT AUTHORIZED	<u>\$330,310,000</u>

AND BE IT FURTHER RESOLVED, That the Vice 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.

13. In City Generation Project – Expenditure Authorization Request

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the payment of \$4.1 million plus any interest, if accrued, for previously approved real estate acquisitions regarding the In City Generation Project for the generation site and transmission line located at 23rd Street and 3rd Avenue in Brooklyn, New York.

BACKGROUND

“At their meetings on November 28, 2000 and December 19, 2000, the Trustees approved the acquisition in fee simple by purchase, eminent domain, or transfer of jurisdiction, sites located in the Bronx, Brooklyn, Queens, Staten Island, and Brentwood Long Island for the placement of GE LEM 6000 natural gas turbines (generator units) and supporting equipment. These generator units were subsequently constructed and have been in operation since the summer of 2001.

DISCUSSION

“The Authority has acquired and paid for all of the sites with the exception of the site located at 23rd Street and 3rd Avenue in Brooklyn, New York as shown and described on map numbers NYBK-5 R2 and NYBK-10. (The site and transmission line are shown on the attached Exhibit ‘A.’) The site is currently owned by the City of New York (‘City). The initial appraised value of this site done in 2001, based on the initial mapping of the acreage required, was \$2.12 million, and such amount was deposited with the Office of the State Comptroller pursuant to statute.

“Since that time, the site configuration was modified and expanded to include additional fee rights for the generating station site and additional easement rights for an underground transmission line (which partially crosses a separate City parcel) into Con Edison’s Gowanus Substation. The Authority and the City entered into an agreement whereby the Authority was permitted to construct and maintain the generator unit at the 23rd Street site pending negotiation and ultimate agreement on the purchase price of this site. Authority staff has negotiated a settlement with the City for the acquisition of these real estate rights for the current appraised value of \$4.1 million. The revised valuation reflects both the expanded site configuration and a general increase in property values for the intervening period during which the Authority was not required to pay rent. Upon completion of the appropriation, the \$2.1 million on deposit with the Office of the State Comptroller will be refunded to the Authority.

FISCAL INFORMATION

“Payment for this acquisition will be made from the Authority’s Operating Fund and/or Construction Fund.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President – Project Management and the Vice President – Procurement and Real Estate recommend that the Trustees approve the settlement and acquisition of the property shown on Map Nos. NYBK-5 R2 and Map No. NYBK-10 for a payment to the City of New York of \$4.1 million plus any interest, if accrued.

“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 Vice President – Environmental Management 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 provisions of Article 5, Title 1 of the Public Authorities Law, the Authority finds it necessary and essential to acquire the property rights as shown and described on map numbers NYBK-5 R2 and NYBK-10 by purchase, eminent domain or transfer of jurisdiction; and be it further

RESOLVED, That the settlement payment of \$4.1 million and any interest, if accrued, is hereby approved and such amount may be withdrawn from the Authority's Operating and/or Construction Fund and used for expenditures related to this acquisition; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President – Power Generation or the Vice President – Project Management be, individually and severally, and hereby are, authorized to approve the payment to be made for the acquisition of such site and directed to execute on behalf of the Authority such certificates, requests and directions as are necessary for the acquisition of such real property, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel or the Vice President – Procurement and Real Estate of the Authority be, and hereby are, authorized on behalf of the authority to execute any and all other agreements, papers or instruments which may be deemed necessary or advisable to ensure that the foregoing is carried out, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof; and be it further

RESOLVED, That the Vice 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.



SCALE: 1 inch = 200 feet

Gowanus Bay

NYBK-5 R2,
Parcel Nos. 5A, 5B

NYBK-10,
Parcel No. 10

Gowanus
Substation

23rd Street / Gowanus Expressway

**New York Power Authority
In-City Generation Project
Joseph J. Seymour Turbine Site
23rd & 3rd Streets
Brooklyn, NY**

23rd&3rd AsBuilt.pdf

JGW 07/18-05

14. Election of the Chairman of the Authority and Re-Establishment of the Position of Chief Operating Officer

The Vice Chairman submitted the following report:

SUMMARY

“In accordance with § 1004 of the Public Authorities Law (the ‘Power Authority Act’), the Trustees are requested to elect Joseph J. Seymour of Bethlehem, New York as Chairman of the Authority, effective July 26, 2005. Section 1003 of the statute also provides that when a Trustee is selected to serve as Chairman, he or she is eligible to receive an annual salary as set by the Trustees, which salary cannot exceed the salary prescribed for the positions listed in paragraph (f) of subdivision one of § 169 of the Executive Law.

“Further, in order to provide the President and Chief Executive Officer with additional support in running the overall operations of the Authority, the Trustees are requested to re-establish the position of Chief Operating Officer.

DISCUSSION

“Section 1004 of the Power Authority Act provides that the Trustees may select, from among their own, a Trustee to hold the position of Chairman of the Authority. Based on his strong managerial talents and expertise and his outstanding record of service in senior-level State and local governmental positions, including prior service as Chairman of this Authority, it is recommended that Joseph J. Seymour be elected to fill the vacancy of Chairman created by Louis P. Ciminelli’s retirement on June 28, 2005.

“In addition, it is recommended that the position of Chief Operating Officer be recreated. In the recent past, the Authority has had both a Chief Executive Officer and a Chief Operating Officer who have shared responsibilities for carrying out the general supervision of the Authority’s affairs. Because of the significance and complexity of management issues facing the Authority today, including implementing the recently passed public authority reform legislation; managing, financing and building various high-technology projects and maintaining a sufficient revenue base in New York electric markets to meet overall Authority financial objectives, it is appropriate that the position of Chief Operating Officer be re-established as part of senior management. More specifically, this position, which will report to and be under the general direction and supervision of the President and Chief Executive Officer, will undertake such general and special duties and responsibilities as may be delegated by such President and Chief Executive Officer.

“Further, pending the selection and election of the Chief Operating Officer by the Trustees, it is proposed that the President and Chief Executive Officer, with the concurrence of the Chairman, be authorized to appoint and set the compensation for a Temporary Chief Operating Officer.”

Vice Chairman McCullough presented the proposed resolution, and the Trustees voted to elect Joseph J. Seymour as Chairman. Trustee Carey then extended congratulations to Chairman Seymour and ended by saying that former Chairman Ciminelli had done a great job and that Chairman Seymour would ably fill his shoes. Vice Chairman McCullough and Trustees Townsend and Cusack also extended their congratulations. Chairman Seymour said that he looked forward to working with the other Trustees and the Authority’s dedicated employees on the significant issues facing the Authority.

The following resolution, as submitted by the Vice Chairman, was unanimously adopted.

RESOLVED, That Joseph J. Seymour of Bethlehem, New York be, and hereby is elected on this 26th day of July, 2005 as the Chairman of the Power Authority of the State of New York; and be it further

RESOLVED, That the Chairman's annual salary shall be as set by paragraph (f) of subdivision one of Section 169 of the Executive Law; and be it further

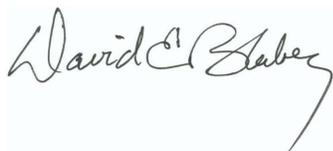
RESOLVED, That a new position of Chief Operating Officer, as more particularly described in the foregoing report to the Trustees, be established and that the President and Chief Executive Officer be authorized to fill this position on a Temporary Basis and provide for his or her compensation until a permanent Chief Operating Officer is elected by the Trustees.

15. **Next Meeting**

The next Regular Meeting of the Trustees will be determined as designated by the Chairman with the concurrence of the Trustees.

Closing

On motion duly made and seconded, the meeting was adjourned by the Vice Chairman at approximately 1:00 p.m.

A handwritten signature in black ink, reading "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