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

January 27, 1998

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Minutes of the regular meeting of the Power Authority of the State of New York held at the New York office at 10:00 a.m.

Present:	Clarence D. Rappleyea, Chairman
	Thomas R. Frey, Vice Chairman
	Hyman M. Miller, Trustee
	Louis P. Ciminelli, Trustee
	Frank S. McCullough, Jr., Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Secretary and General Counsel
Peter W. Delaney	Executive Vice President and Chief Financial Officer
Robert A. Hiney	Executive Vice President - Project Operations
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President – Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Russell Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy and Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
H. Kenneth Haase	Vice President – System Planning
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Stephen P. Shoenholz	Vice President - Public Relations
Vincent Vesce	Vice President - Human Resources
Joseph J. Carline	Assistant General Counsel
Ronald Ciamaga	Regional Manager – Northern New York
James Ford	Regional Manager – Western New York
Richard Kuntz	Regional Manager – Southeast New York
James J. McCarthy	Regional Manager – Central New York
Carmine J. Clemente	Deputy Counsel
Gary Paslow	Executive Director – Policy Development
Jordan Brandeis	Director – Performance Planning
Arthur Brennan	Director - Budgets
Joseph J. Brennan	Director – Internal Audit
John L. Murphy	Director - Public Information
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
George W. Collins	Treasurer
Craig Banner	Manager – Muni and Coop Markets
James F. Pasquale	Manager – Business Power Allocation and Compliance
Anne Wagner-Findeisen	Deputy Secretary
Laura M. Badamo	Assistant Secretary – Legal Affairs

Chairman Rappleyea 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 held on December 16, 1997 were approved.

2. Financial Report for the Year Ended December 31, 1997

3. Report from the President and Chief Operating Officer – Briefing on Performance Measures Results and Environmental Commitment Statement

NEW YORK POWER AUTHORITY
COMMITMENT TO THE ENVIRONMENT

"The New York Power Authority's Mission includes a total commitment to performance excellence in order to be 'best in class' in key areas of our operations and to achieve our goals consistent with our commitment to the environment.

The Authority's commitment to the environment is to…

- recognize that the people of the State of New York have a genuine regard for the environment, and have the right to expect that the Authority, as a State-chartered energy supplier, will respect their concerns in this regard;

- meet the requirements of all applicable environmental laws, regulations and permit requirements and to verify this commitment through environmental auditing and performance measurement;

- reduce the impact of our operations on air, water, biota and land;

- continue an aggressive, cost-effective pollution prevention, recycling and waste minimization program;

- integrate environmental considerations into our regular business and planning processes;

- support energy-efficiency and renewable-energy programs and encourage resource conservation;

- educate our employees and contractors so that they each know their environmental responsibilities and share the Authority's commitment to the environment;

- pursue opportunities to achieve environmental enhancements through stewardship programs that incorporate stakeholder and community input for the responsible care of the land, air, water, biota and cultural resources associated with our land holdings and projects;

- participate in the public policy debate and the scientific study of environmental issues affecting our industry; and

- regularly measure environmental performance and share the results of those measurements with our employees, customers and the public at large, recognizing our unique position as a publicly owned leader in the electric utility industry.

President Zeltmann reported that the newly revised Authority Mission Statement now explicitly includes the Authority's nuclear and fossil-fueled assets in its purview and also emphasizes senior management's renewed focus on ethics and integrity in the day-to-day business practices of the Authority and its employees.

The President introduced Jordan Brandeis, Director of Strategic Planning, who described the continuing FOCUS training sessions which all employees are being given the opportunity to attend, and explained how the FOCUS process has helped create a working environment which fosters excellence.

At the President's request, each of the major Business Unit Heads reported on the year-end performance results for the respective business units.

President Zeltmann then reported on the impact of the recent upstate ice storm in the St. Lawrence area on the Authority's operations and customers, and discussed Authority staff's extensive efforts to mitigate the damage to the community, local industry, and local governmental operations. A videotape depicting extensive property damage as well as Authority workers' around-the-clock activities to effectuate repairs and restore service to as wide an area as possible was shown. Ron Ciamaga, Regional Manager – Northern New York, introduced Ed Hubert, Transmission Superintendent at the St. Lawrence FDR Power Project, who played a critical role in coordinating and overseeing the work crews. Both men described outstanding work undertaken by Authority employees in response to the emergency. President Zeltmann commended the esprit-de-corps among the St. Lawrence-FDR employees and those from other Authority facilities which had been so evident in the aftermath of the storm. Chairman Rappleyea, on behalf of the Trustees, thanked all of the many Authority employees, especially Power Generation staff, who had demonstrated dedication and tenacity, and commended Messrs. Zeltmann, Hiney, Ciamaga and Hubert for their hands-on

leadership during a critical time. He also expressed on behalf of the Trustees their appreciation and thanks for the professionalism of those employees.

Turning to developments in the Power for Jobs program, Chairman Rappleyea noted that interest in the program continues to grow. Some 530 applications have been sent to potential customers, and EDPAB has received more than 1,600 inquiries. The first five allocations were recommended by EDPAB from among the first 25 applications received. The remaining 20 were included with another 90-plus applications received after the first review process was completed. To date, 59 MW of power has been allocated with some 26,000 jobs retained or created.

The review process included the active participation of staff from the Empire State Development Corporation and the Public Service Commission's Office of Business Advocate. A wide range of factors was reviewed, including, but not limited to, jobs created, jobs retained, energy savings, capital investment, payroll, and community impacts.

At the December 15th EDPAB meeting, the 25 initial applications were from the LILCO, NIMO and NYSEG service areas. The next set of 32 recommendations was considered by the EDPAB at its meeting of January 26, 1998, and included applications from additional service territories, excepting the Rochester Gas and Electric region, in view of the continuing PSC review of RG&E's proposed delivery rate. In addition, there are no recommended allocations in this set for the Orange and Rockland service area, although several remain under review.

Chairman Rappleyea emphasized that no applications have been rejected, and all are still under active consideration.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve 32 allocations of certain available power under the Power for Jobs program to the businesses listed in Exhibit '4-A' which have been recommended for such allocations by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The program is called Power for Jobs and makes available 400 megawatts of power; 200 provided from the Authority's James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program will be phased in over three years, with approximately 133 megawatts being made available each year. Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer's local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

"The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At its December 16, 1997 meeting the Trustee's approved allocations to five businesses under the Power for Jobs program.

DISCUSSION

"In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 1600 inquires have been received and over 510 applications have been sent to prospective customers.

"Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Thirty-two applications were deemed highly qualified and presented to the EDPAB for its review on January 26, 1998. All remaining applications are still under review and will be considered at a later date.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees *{approve}* the allocations to the 32 businesses listed in Exhibit '4-A'. Collectively, these companies have agreed to create or retain over 21,564 jobs in New York State in exchange for allocations totaling 48.62 megawatts (MW). The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as also indicated in Exhibit '4-A'. The basis for EDPAB's recommendations is included in Exhibit '4-A'.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance and the Director – Business Marketing and Economic Development recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

"The Senior Vice President – Marketing and Economic Development, the Secretary and General Counsel, the Executive Vice-President – Chief Financial Officer, the Executive Vice-President – Power Operations and I concur with the recommendation."

Mr. Yates added that the Trustees' approval of four of the proposed allocations -- to Air Lock Plastics; Avon Injected Rubber and Plastics; Ford Motor Company – Buffalo Stamping Plant; and Revere Copper Products -- is requested subject to EDPAB member H. Douglas Barclay's express ratification of such allocations, in view of EDPAB member James Duncan's abstention from the vote thereon at the EDPAB meeting.

Chairman Rappleyea underscored the excellent geographical mix of the proposed allocations, and the solid jobs-per-megawatt ratio. The Chairman noted that the quantity of Power For Jobs power already requested in the applications received to date exceeds the total amount made available by the Power For Jobs legislation for the total three year duration of the program.

The attached resolution, as recommended by the President, was unanimously adopted.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 48.62 MW of allocations of Power for Jobs power to Air-Lock Plastics, Inc.; Appleton Papers; Avon Injected Rubber and Plastic, Inc.; Fiber Glass Industries; Ford Motor Company; Homogeneous Metals, Inc.; International Filler, Corp.; Kaufman's Bakery; Mohawk Paper Mills; Queensboro Farm Products Inc.; Revere Copper Products; Diversified Manufacturing Inc.; Hammond and Irving Inc.; IBM-Endicott; Seneca Knitting Mills; Toshiba Display Devices; Ultralife Batteries; AIL Systems Inc.; Commercial Envelope; Curtiss-Wright Flow Control Corp.; I.W. Industries Inc.; Kozy Shack; Photocircuits Corporation; Alvin J. Bart & Sons; IBM-Mount Pleasant; IBM-590 Madison Ave.; IBM-33 Maiden Lane; IBM-Armonk; IBM-1133 Westchester Ave.; IBM-44 South Broadway; Sprint Communications; and Northeast Solite Corporation;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves a 0.4 MW allocation of Power for Jobs power to Air-Lock Plastics, Inc.; a 3.0 MW allocation of Power for Jobs power to Appleton Papers; a 0.4 MW allocation of Power for Jobs power to Avon Injected Rubber and Plastic, Inc.; a 0.7 MW allocation of

Power for Jobs power to Fiber Glass Industries; a 5.0 MW allocation of Power for Jobs power to Ford Motor Company; a 0.5 MW allocation of Power for Jobs power to Homogeneous Metals, Inc.; a 0.4 MW

allocation of Power for Jobs power to International Filler Corp.; a 0.4 MW allocation of Power for Jobs power to Kaufman's Bakery; a 2.25 MW allocation of Power for Jobs power to Mohawk Paper Mills; a 0.5 MW allocation of Power for Jobs power to Queensboro Farm Products; Inc.; a 2.0 MW allocation of Power for Jobs power to Revere Copper Products; a 0.32 MW allocation of Power for Jobs power to Diversified Manufacturing Inc.; a 0.6 MW allocation of Power for Jobs power to Hammond and Irving Inc.; a 3.5 MW allocation of Power for Jobs power to IBM-Endicott; a 0.4 MW allocation of Power for Jobs power to Seneca Knitting Mills; a 3.5 MW allocation of Power for Jobs power to Toshiba Display Devices; a 1.8 MW allocation of Power for Jobs power to Ultralife Batteries; a 2.7 MW allocation of Power for Jobs power to AIL Systems Inc.; a 0.7 MW allocation of Power for Jobs power to Commercial Envelope; a 0.6 MW allocation of Power for Jobs power to Curtis Wright Flow Control Corp.; a 1.2 MW allocation of Power for Jobs power to I.W. Industries Inc.; a 1.0 MW allocation of Power for Jobs power to Kozy Shack; a 4.0 MW allocation of Power for Jobs power to Photocircuits Corporation; a 0.7 MW allocation of Power for Jobs power to Alvin J. Bart & Sons; a 2.4 MW allocation of Power for Jobs power to IBM-Mt. Pleasant; a 0.75 MW allocation of Power for Jobs power to IBM-590 Madison Ave.; a 0.6 MW allocation of Power for Jobs power to IBM-33 Maiden Lane; a 2.2 MW allocation of Power for Jobs power to IBM-Armonk; a 4.4 MW allocation of Power for Jobs power to IBM-1133 Westchester Ave.; a 0.4 MW allocation of Power for Jobs power to IBM-44 South Broadway; a 0.7 MW allocation of Power for Jobs power to Sprint Communications and a 0.6 MW allocation of Power for Jobs power to Northeast Solite Corp. (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations 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 a total of 48.62 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities, and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate the foregoing.

5. Municipal and Rural Cooperative Economic Development Program – Allocations to Village of Frankfort and City of Salamanca

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of power under the Municipal and Rural Cooperative Economic Development Program ('Program') to the Village of Frankfort ('Frankfort') and the City of Salamanca ('Salamanca').

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of November 24, 1997, 21,350 kW have been allocated.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the program, an allocation to a system should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio is considered on a case-by-case basis. For projects involving existing businesses, the number of jobs per megawatt is the number of new jobs as compared to the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per MW; for companies employing between 101 and 250, the ratio is 50; for companies employing between 251 and 500, the ratio is 75; and for companies employing over 500, the ratio is 100 jobs per megawatt.

"Frankfort and Salamanca have submitted applications for power under the program for consideration by the Trustees.

DISCUSSION

Village of Frankfort

"Fiberdyne Labs ('Fiberdyne') is a manufacturer of fiber-optic products for the telecommunication, control, and data communications industry. The Village of Frankfort currently serves Fiberdyne. Founded in 1992, Fiberdyne does business with many major corporations in the United States and Canada. The expansion will take place within the Village of Frankfort and consists of relocating and doubling the size of the existing facility (22,000 square feet). There was serious consideration by Fiberdyne to leave New York State and move to Florida. Total project cost is estimated at $500,000. Employment is projected to increase to 200 from the existing 90. The jobs-per-megawatt ratio is 440 jobs/MW. It is recommended that up to 250 kW be approved for this allocation.

City of Salamanca

"Salamanca has submitted applications for two allocations.

"R. F. Kilns, Inc. ('R.F. Kilns') is a radio frequency dryer of hardwoods. The City of Salamanca currently serves R.F. Kilns. Established in 1992 with one kiln, this expansion will add a third kiln to meet production needs. The expansion consists of rehabilitating the existing building by adding a radio frequency transmitter, a vacuum pumping system and a stainless steel chamber to contain the wood. Total project cost is

estimated at $400,000. Employment is projected to increase to 13 from the existing level of 9. The jobs-per-megawatt ratio is 11 jobs/MW. The ratio falls below the targeted guidelines, but due to various factors including economic condition of the locality, the total dollars invested, and MEUA support, it is recommended that up to 350 kW be approved for this allocation.

"J. G. Collins Industries ('Collins') is a plastics injection molding company. The City of Salamanca currently serves Collins. On January 31, 1995, the Trustees approved a 600 kW allocation to Collins. Due to the company's expansion, namely the takeover of Fiber Flow, an increase in economic development power is requested. Total project cost is estimated at $2,100,000. Employment is projected to increase to 165 from the existing 145 over the next several years. The jobs-per-megawatt ratio is 25 jobs/MW. It is recommended that up to 800 kW be approved for this allocation.

"The Municipal Electric Utilities Association Executive Committee supports the recommended allocations to the Village of Frankfort and the City of Salamanca.

"The recommended allocations under the program comprise half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational, and the incremental power will be sold on an as-used basis. The hydropower earmarked for this program is presently sold to the municipal and cooperative customers on a withdrawable basis.

RECOMMENDATION

"The Senior Vice President – Marketing and Economic Development recommends that the Trustees approve the allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Village of Frankfort and the City of Salamanca in accordance with the foregoing report of the President.

"The Secretary and General Counsel and I concur in the recommendation."

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That allocations of power to the Village of Frankfort and the City of Salamanca under the Municipal and Rural Cooperative Economic Development Program be, and hereby are, approved with the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development, or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the aforesaid allocations.

6. Power for Jobs Program – Competitive Procurement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of Enabling Agreements with the Long Island Lighting Company ('LILCO'), the Niagara Mohawk Power Corporation ('Niagara Mohawk'), and the Public Service Electric and Gas Company ('PSE&G') to permit purchase of 66.7 MW of firm capacity and energy pursuant to the requirements of the Power for Jobs program.

BACKGROUND

"On July 29, 1997, Governor George E. Pataki signed into law Section 189 of the Economic Development Law and related legislation which established the Power for Jobs program. The legislation provides lower cost electricity to businesses and not-for-profit corporations throughout the State to stimulate new jobs and create economic opportunities for New Yorkers.

"The Power for Jobs program makes available up to 400 MW of power, to be phased in over a three-year period. The legislation provides for 200 MW of the power to be made available from the Authority's FitzPatrick plant, and for 200 MW to be purchased from other suppliers pursuant to a competitive procurement process administered by the Authority. For the first year of the program, 66.7 MW must be procured from other suppliers.

"The Power for Jobs legislation requires that:

- the competitive procurement process be conducted pursuant to guidelines established by the Economic Development Power Allocation Board ('EDPAB') in consultation with the New York State Department of Public Service;
- the process provide the least cost power consistent with the goal of providing safe and reliable service; and
- power available through the competitive procurement process be acquired and transmitted at a price not in excess of the price of FitzPatrick power transmitted to the local utilities.

DISCUSSION

The Bidding Process

"The competitive procurement process was carried out in accordance with the Guidelines for Competitive Procurement adopted by the EDPAB at its meeting of September 18, 1997.

"On October 15, 1997, a Request for Proposals ('RFP') was issued to over 50 potential bidders identified through a notice announcing the procurement process and a public information campaign. The RFP requested bidders to provide fixed price bids in cents/kWh for the delivery of up to 66.7 MW of firm capacity and energy to interconnections with the seven investor-owned utilities in New York State. Price bids were requested for three time periods: through April 30, 1998; through October 31, 1998; and through October 31, 2000. Bidders were required to meet a number of requirements, including demonstrating their capability of delivering the power and energy to the investor-owned utilities, meeting the New York Power Pool Installed Generation Reserve Requirement, and providing financial assurances for meeting their obligations.

"On October 23, 1997, a pre-bid conference was held to answer questions from potential bidders. Representatives of over 20 firms attended.

Bid Evaluation

"Thirty-one (31) bids from ten prospective suppliers were received on the due date of November 14, 1997, and were evaluated on the basis of the following criteria:

- whether the bid met the minimum requirements contained in the RFP;
- the price of the capacity and energy as delivered to each investor-owned utility;
- the financial capability of the bidder to carry out the terms of the Enabling Agreement; and
- the environmental impact of the bidder's power supply (bidders with sources of power supply meeting certain air quality emissions standards were awarded a one mill advantage in the price evaluation).

"The evaluation included requests for additional information and clarification from the bidders. Meetings were held with six bidders to gain further insights into their bids. A discussion of each of the proposals is set forth below.

Duke Energy Trading and Marketing, L.L.C.

"Duke Energy Trading and Marketing, L.L.C. submitted a bid to provide power and energy from its portfolio of power contracts; however, the bid did not contain firm prices in cents/kWh as required by the RFP. Duke Energy's bid was therefore eliminated from consideration.

Hydro Quebec

"Hydro Quebec submitted a bid to provide up to 27 MW to the Niagara Mohawk service territory via its Dennison-Massena interconnection with Niagara Mohawk. The bid was for the winter '97-'98 and summer '98 capability periods. The power would be supplied from Hydro Quebec's Cedar Rapids hydroelectric generating station, which has several units with a total capability of 90 MW. Hydro Quebec has numerous contracts and transactions with the Authority and it is considered financially capable of meeting the liquidated damages requirements of the RFP in the event of non-delivery of the power. Hydro Quebec's source of supply, a hydroelectric generating station, qualifies for the environmental credit in the price evaluation; however, Hydro Quebec indicated that its minimum supply amount would be 7 MW, which would reduce the Authority's flexibility in using Hydro Quebec as a supplier.

KIAC Partners

"KIAC Partners operates a 110 MW cogeneration plant at Kennedy International Airport and proposed to supply up to 8 MW to the Consolidated Edison Company of New York, Inc. ('Con Edison') service territory during the winter '97-'98 and summer '98 capability periods. KIAC is jointly owned by subsidiaries of PSE&G and Brooklyn Union Gas. KIAC proposes to back up its power supply with generation from the Nissequogue cogeneration facility in Stony Brook, Long Island, or from PSE&G. Given the small size of KIAC's bid and the limited exposure to the Authority for failure to deliver, KIAC is considered capable of meeting the liquidated damages requirements of the RFP based on analysis of its audited financial statements. KIAC's plant did not qualify for the environmental credit in the price evaluation.

Long Island Lighting Company

"LILCO proposed to supply up to 10.7 MW from its system supply to meet the requirements of Power for Jobs customers in its service territory, for both the winter '97-'98 and summer '98 capability periods. (LILCO withdrew its summer '98 bid due to lack of capacity.) It also proposed to supply 27.4 MW to the Con Edison service territory for the winter '97-'98 capability period. LILCO's source of supply would be system supply. For the power delivered to the Con Edison service territory, the flow would generally be against the prevailing power flows and would be reliable. Deliveries to the LILCO territory would be at its substations. As system supply, LILCO's proposal did not qualify for the environmental credit. LILCO has other contracts with the Authority and it is considered capable of meeting the liquidated damages requirements of the RFP.

Niagara Mohawk

"Niagara Mohawk proposes to supply up to 20 MW in each of the following service territories: Niagara Mohawk, NYSEG, and RG&E for the winter '97-'98 and summer '98 capability periods. The supplies to RG&E and NYSEG would be provided at Niagara Mohawk's interconnections with these utilities, most likely at the Huntley and Oswego plants. Supplies for Power for Jobs customers would be provided at Niagara Mohawk's generator buses. As system supply, Niagara Mohawk's proposal did not qualify for the environmental credit. Niagara Mohawk has contracts with the Authority and it is considered capable of meeting the liquidated damages requirements of the RFP.

Nissequogue Cogen Partners

"Nissequogue Cogen Partners ('Nissequoque') operates a 40 MW cogeneration plant at the Stony Brook campus of SUNY. Nissequogue is jointly owned by subsidiaries of PSE&G and Brooklyn Union Gas. It proposes to supply up to 10 MW of power in the LILCO service territory at its interconnection points with LILCO during the winter '97-'98 capability period. Nissequogue proposes to back up the output of the cogeneration plant with supplies from the KIAC plant. However, the transmission path from KIAC to LILCO could be constrained during periods of peak demand. Although Nissequogue is a stand-alone cogenerator, given the small size of its bid and the small financial exposure of NYPA in the event of non-delivery, Nissequogue is considered capable of meeting the liquidated damages provisions of the RFP based on analysis of its audited financial statements. The Nissequougue bid did not qualify for the environmental credit.

North American Energy Conservation, Inc.

"North American Energy Conservation, Inc. ('NAEC') is the power marketing subsidiary of York Research Corporation, a publicly traded developer of cogeneration plants in New York City. For the winter '97-'98 and summer '98 capability periods NAEC proposes to provide 27 MW to Con Edison, 7 MW to NYSEG, and 10 MW to Niagara Mohawk using power supply contracts with PSE&G and the Jamestown Board of Public Utilities. Backup power would be provided by purchasing energy using NAEC's various power supply contracts. NAEC has existing contracts with the Authority and offers a corporate guaranty from York Research. Review of York Research's audited financials indicated that it is capable of meeting the liquidated damages provisions of the RFP. NAEC's power supply source does not qualify for the environmental credit.

Northeast Utilities

January 27, 1998

"Northeast Utilities proposed to supply 2 MW to Central Hudson, 27.4 MW to Con Edison, 10.6 MW to LILCO, and 14 MW to Niagara Mohawk, all for the period beginning in the winter '97-'98 capability period through the end of the year 2000 summer capability period. The Northeast Utilities' bids were the highest of all the bids proposed and were eliminated from further consideration.

Plum Street Energy Marketing

"Plum Street Energy Marketing is the unregulated subsidiary of Niagara Mohawk. It proposed to supply 30 MW to Central Hudson, 30 MW to Con Edison, 30 MW to NYSEG, 30 MW to O&R and 30 MW to RG&E, all for the winter '97-'98 and summer '98 capability periods. The power supply would be from Plum Street's pool of power supply contracts and would not qualify for the environmental credit. Plum Street was eliminated from further consideration since in all but one instance, its proposed pricing was above that of its competitors. In the case of its Central Hudson bid, where Plum Street was the low bidder, it would be less costly to supply Central Hudson entirely from the FitzPatrick plant and balance this with additional bid power in another service territory – e.g. Niagara Mohawk.

Public Service Electric and Gas Company

"PSE&G proposes to provide up to 54 MW to Con Edison, 14.7 MW to NYSEG, 28 MW to Niagara Mohawk, and 6.7 MW to Orange and Rockland, all for the winter '97-'98 and summer '98 capability periods. The power would be supplied at PJM interconnections with the four utilities. In the event the interconnections are unavailable, PSE&G has power purchase contracts in place with utilities in New York that would permit delivery of the energy. Since PSE&G would be providing system supply, it would not be eligible for the environmental credit. Based on analysis of PSE&G's audited financial statements, it is considered capable of meeting the liquidated damages requirements of the RFP.

The Recommended Bidders

"Based on the evaluation of the bids and the proposed pricing, it is recommended that Enabling Agreements be executed with the following bidders:

Public Service Electric and Gas Company for supplies to Con Edison, NYSEG, Niagara Mohawk and Orange and Rockland, as the lowest bidder in these territories.

Long Island Lighting Company for supplies to the LILCO service territory as the low bidder in that territory.

Niagara Mohawk Power Corporation for supplies to the RG&E, NYSEG and Niagara Mohawk service territories. In the RG&E service territory, Niagara Mohawk is the low bidder. It is the second lowest bidder in the NYSEG service territory and could serve as a second source of supply should additional bid power be required. In the Niagara Mohawk territory, Niagara Mohawk could also serve as an additional source of power. Niagara Mohawk was chosen over Hydro Quebec as the second supplier in the Niagara Mohawk territory (even though Hydro Quebec's evaluated bid price was somewhat lower) due to Hydro Quebec's requirement that a minimum of 7 MW be dispatched. Since NYPA cannot guarantee a minimum level of dispatch for any bidder, Niagara Mohawk's bid, which had no minimum dispatch requirement, was considered superior to Hydro Quebec's.

"The recommended bidders, the amounts in MW's and the prices are shown in Exibit '6-A'.

"All of these bidders meet the requirements of the RFP and offer the lowest priced bids within six of the service territories. Selection of these bidders also provides the capability of making allocations in the Niagara Mohawk and NYSEG service territories above the amounts expected based on the distribution of the Gross Receipts Taxes. Lastly, in the case of the Central Hudson territory, any allocations can be met using 100% FitzPatrick power, balanced by an increased purchase of bid power in another territory (e.g., Niagara Mohawk).

The Enabling Agreements

"Enabling Agreements have been negotiated with each of the recommended bidders (Qualified Providers). The Enabling Agreements are umbrella agreements which permit the Authority to draw down power from a particular Qualified Provider for delivery to one of the investor-owned utility service territories as allocations are made for Power for Jobs customers. This is done by entering into a Transaction which specifies the amount of power and energy, the price, the term of the Transaction, and the delivery point, among other things. In effect, the Enabling Agreements are no cost options to purchase power that get exercised only as power is needed. The Authority has no obligation to purchase any power and there are no minimum payments.

"The Enabling Agreements provide that the price bids contained in the Qualified Providers' proposals will be held through April 30, 1998, at which time new bids will be sought. Should a Qualified Provider fail to deliver the power as scheduled by the Authority, the Authority would secure the energy and the Qualified Provider would be liable for any increased cost to the Authority. The Authority can also cancel the Enabling Agreement and bar the Qualified Provider from future Power for Jobs competitive procurement opportunities in the event of non-delivery. Individual Enabling Agreements will remain in effect until April 30, 1998, or until the last Transaction is completed, whichever is later.

FISCAL INFORMATION

"Purchase of capacity and energy from Qualified Suppliers for the Power for Jobs program will have no net impact on the Authority's finances. The cost of this power will be offset by payments from the investor-owned utilities pursuant to the Purchase and Resale Agreements entered into between the Authority and the investor-owned utilities.

RECOMMENDATION

"The Director - Marketing Planning, the Director - Power Contracts, and the Senior Vice President-Marketing and Economic Development recommend that the Trustees authorize execution of the Enabling Agreements substantially in the form attached hereto as Exhibit "6-B", and authorize the Senior Vice President-Marketing and Economic Development or the Director - Power Contracts to enter into Transactions as contemplated by such Enabling Agreements for the purpose of providing up to 66.7 MW of capacity and energy for the Power for Jobs program.

"The Deputy General Counsel, the Executive Vice-President and Chief Financial Officer, the Executive Vice President - Project Operations, and I concur in the recommendation."

Mr. Yates added that the procurement process would take place twice annually, i.e., for the summer and winter periods, and that the bidding procedure for the summer period would be commenced shortly.

In response to questions from Vice Chairman Frey, Mr. Yates explained that LILCO tends to have excess power to sell only during the winter, and is thus not expected to bid for summer transactions.

January 27, 1998

The attached resolution, as recommended by the President, was unanimously adopted.

WHEREAS, the Governor of the State of New York signed the Power for Jobs legislation to boost New York State's economy; and

WHEREAS, the legislation directs the Authority to purchase power and energy from other suppliers to provide power for the Power for Jobs Program; and

WHEREAS, the Authority has carried out a competitive procurement process for such power and energy in accordance with the legislation and the Guidelines for Competitive Procurement adopted by the New York State Economic Development Power Allocation Board;

NOW, THEREFORE BE IT RESOLVED, That the Chairman, the President, the Senior Vice President-Marketing and Economic Development, and the Director – Power Contracts are, and each of them hereby is, authorized to execute Enabling Agreements in substantially the form attached hereto as Exhibit "6-B", and to enter into Transactions for the purchase of up to 66.7 MW of capacity and energy as contemplated by said Enabling Agreements.

7. James A. FitzPatrick Nuclear Power Plant –
Generator Stator Rewind - Expenditure Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the expenditure of $7.5 million to rewind the generator stator at the James A. FitzPatrick Nuclear Power Plant ('JAF'). The generator stator will be rewound to replace leaking stator bars. These leaks, left unattended, would allow moisture buildup within the electrical insulation with the potential to cause the generator to fail. A complete rewind of the stator at this time will rectify the problem and improve the overall physical condition of the generator

BACKGROUND

"The generator is comprised of two main components: the stator, which is the outer housing, and the rotor, driven by the turbine, which rotates within the stator. This presents the plant with two challenges: first, heat generated by the 24,000 volt electric current flowing through the stator conductors must be dissipated, and second, the conductors must be insulated from ground to prevent an electrical short. To dissipate the heat, thousands of tiny tubes are built into the conductors allowing cooling water to circulate and maintain a constant operating temperature. The second problem is to keep moisture out of the insulation surrounding the coils which can lead to insulation failure. The JAF generator has developed leaks where fittings were brazed to the thousands of tiny tubes within the stator bars. The water seeping from these joints can then damage the coil insulation.

"If these leaks continue unchecked, the insulation will fail resulting in a short circuit and damage to the generator. This problem of leaking stator bars is a common occurrence and has been experienced by other utilities. Some have taken the path of a preventive rewind as proposed in this request, others have chosen to repair the leaks during each outage. The drawback of repairs is that there are numerous locations and a leak can occur at any one of them at anytime. There is no predictive mechanism to forecast future failures and all repairs must be made while the unit is off line which means lost generation.

DISCUSSION

"The plant has repaired other leaks similar to those currently being experienced over the past few outages. A General Electric recommended procedure using epoxy has proved to be short-lived and thus does not offer a permanent solution. It has been determined that the only permanent, cost effective solution to the problem is removal of the old cooling bars and replacement with new components. This total rewind will address all known leaks and replace any components which may be susceptible to failure in the future.

"If left unattended, an unscheduled replacement of a wet coil during a refuel outage will require the disassembly of the generator, adding 30 days to the outage at an estimated total cost of $1.5-$2.0 million. An in-service failure is also possible, these complete failures have caused plant outages in excess of six months awaiting parts fabrication, scheduling of a qualified work crew and site installation.

"The generator is one of the key pieces of equipment within a power plant; it is vital that it be kept in optimal running condition if the plant's budgeted capacity factor of 95% is to be achieved. The proposed rewind will provide the plant with a completely refurbished generator which should provide JAF with many years of trouble free service. The rotor itself was rewound in 1992; with this stator rewind, this generator will be returned to service in excellent operating condition. The proposed rewind will be scheduled for the upcoming October

1998 Refueling Outage. At this time it is estimated that this task can be accomplished within the scheduled outage.

"Previously, at their meeting of December 16, 1997, the Trustees approved a resolution to enter into a contract with the General Electric Company to provide outages services during the October 1998 Refueling Outage. The rewinding of the generator stator was part of that prior contract approval.

FISCAL INFORMATION

"The James A. FitzPatrick Improvement Project Proceeds Account has a current balance of $51.8 million of which $11.7 million is available to fund this $7.5 million capital request and additional tasks not yet authorized or identified in the capital plan. Based upon current cash flow projections, funds are available through the year 2000. Payment will be made from the appropriate Construction Fund - James A. FitzPatrick Improvement Project Proceeds Account.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Vice President - Nuclear Engineering, and the Chief Nuclear Officer recommend that the Trustees approve capital expenditures in the amount of $7.5 million for the generator stator rewind.

"The Vice President - Controller, the Secretary & General Counsel, the Executive Vice President and Chief Financial Officer, and I concur in the recommendation."

In response to questions from Trustee McCullough, Mr. Delaney explained that the stator rewind expenditure had been included in the 1998 budget, and had been reclassified as a capital rather than O&M expense. In response to questions from Trustee Miller, Mr. Knubel explained that in view of, among other things, the prohibitive cost of shipping, there exist no cost-effective alternative solutions to the rewind and that, because ultimate failure of the generator is certain if the unit is left unrepaired, the prudent approach would be to proceed with the rewind.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

		Expenditure Authorization
James A. Fitzpatrick Nuclear Power Plant		
Generator Stator Rewind	**Capital**	**$7,500,000**

Total **$7,5000,000**

8. Lease of Office Space, Centroplex Building
TPG Financial Systems, Inc. - 7th Floor

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a lease of approximately 7,344 square feet of office space on the 7th floor of the Centroplex Building, White Plains, New York by the Authority as landlord, to TPG Financial Systems, Inc. ('TPG'), as tenant. The proposed lease is for a term of seven years and four months at an average annual base rent of $20.43 per square foot, plus electricity at $2.25 per square foot and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit '8-A' attached hereto.

BACKGROUND

"The Authority acquired the Centroplex Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. Due to staff reductions, relocation of employees, and expiration of leases over the past few years, the Authority no longer has a need to occupy certain space within the building. In July 1995, the Authority engaged the real estate brokerage services of the Rostenberg-Doern Company to solicit offers for leasing all or portions of this space.

DISCUSSION

"TPG is an independently owned software engineering development and support company located in White Plains, New York. The company was established in 1992. TPG's product, SL2000, is an application designed to support the trading, operations and administrative tasks associated with equity financing and global securities activities. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit '8-A'. A review of local market conditions indicates that this transaction compares favorably to other deals recently completed in Downtown White Plains.

FISCAL INFORMATION

"Payment for standard brokerage commissions, tenant improvements, and architectural and engineering fees as set forth in Exhibit '8-A' will be made from the Operating Fund.

RECOMMENDATION

"The Director - Real Estate and the Vice President - Procurement and Real Estate recommend that the Trustees approve entering into a lease agreement with TPG Financial Systems, Inc. for commercial office space in the Centroplex Building on terms substantially in accordance with the foregoing and Exhibit '8-A'.

"The Secretary and General Counsel, the Executive Vice President and Chief Financial Officer, and I concur in the recommendation."

In response to questions from the Chairman, Mr. Delaney explained that approximately 12,000 square feet would remain available for leasing following the proposed transaction, and that he anticipates that all such available space will be leased within the next several months.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the President, the Executive Vice President and Chief Financial Officer, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease agreement for office space in the Centroplex Building with TPG Financial Systems, Inc. on substantially the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Executive Vice President and Chief Financial Officer, the Vice President - Procurement and Real Estate or the Director - Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing.

9. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants – Awards

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '9-A' for the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods in support of refueling and other outages, or if special expertise is required that is not available within the Authority.

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from $4,000,000 to $12,600,000.

"These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract awards will be correspondingly reduced.

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

Headquarters-issued contracts in support of the nuclear plants:

"In the past, the Authority bid separately for Quality Assurance/Quality Control personnel and services ('QA/QC') for IP3 and JAF. A joint IP3/JAF request for proposals was prepared in order to consolidate and streamline the contracting process. Bidders were requested to submit bids for both plants, although proposals for a single plant would also receive full consideration. The Authority reserved the right to award contracts to one or several contractors, depending on what it deemed most advantageous.

"Twenty of bids were solicited (in addition to notice in the Contract Reporter) and four proposals were received. The bidders' proposals were initially evaluated against the requirements of the bidding document, the submittal of information required by the bidding document, pricing, and the bidders' written exceptions and clarifications. From that standpoint, JAF and IP3 staff independently evaluated the proposals for their respective sites. Based on the review of bid evaluations by site personnel and headquarters procurement staff, The Atlantic Group is the lowest and most technically qualified bidder for each site. Staff also recommends that a back-up contract be awarded to The Spec Group, the second lowest and technically qualified bidder for each site.

"The contracts with T**he Atlantic Group and The Spec Group (Q-02-2022; PO #'s TBA)** would commence on February 1, 1998, subject to the Trustees' approval. For administrative purposes, two purchase order numbers will be assigned to each vendor (one for each plant). The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Billing rates will remain firm for the duration of the contracts. Approval is also requested for the total amount expected to be expended for the term of these contracts, $4,000,000 (approximately $2,000,000 each for IP3 and JAF).

"In response to Federal Regulation 10 CFR 50.54(f) which require that nuclear plant owners conduct a review of their plants' design basis, it was necessary for the Authority to solicit bids for contractual personnel to support this effort. Due to the different design criteria for boiling water, as compared to pressurized water reactors ('BWR' vs. 'PWR'), as well as operating and system differences, separate bid documents were prepared for JAF and IP3.

"The multiple awards to the 15 firms listed below (PO #'s TBA) would commence on January 28, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide staff augmentation (i.e., temporary engineering support personnel) in various disciplines (electrical, mechanical, instrumentation and controls, and civil/structural) to perform Final Safety Analysis Report ('FSAR') and design bases reviews and verifications for JAF and IP3, as well as to support the Improved Technical Specification ('ITS') program at both plants. These programs will identify system, plant and/or program design bases and research, and identify supporting reference documentation. Selected personnel will augment the permanent Authority nuclear engineering staff in plant design and engineering to allow direct Authority involvement in the implementation of the FSAR verification and ITS programs. Tasks would include, but are not limited to: preparation/review of 10 CFR 50.59 Nuclear Safety Evaluations; performing discipline-specific calculations and design verifications utilizing manual means or approved software; reviewing Type A and B drawing change requests; preparation of formal responses for Deviation Event Reports/Action Commitment Tracking System Items; providing design support for plant modifications, including review of conceptual designs and Design Change Manual 11 reviews for vendor analysis/calculations; preparation of set point change requests and calculations; and preparation of operability evaluations and component classifications for the plant. All such tasks would be performed in accordance with approved Authority procedures. The awards are based on the evaluation of submitted resumes and qualifications, corresponding costs, and appropriate level of staffing to meet Authority needs. Overall, approximately 500 resumes were reviewed by staff. The awards will be made on a time and materials basis, and will ensure the best possible services and price for the Authority, meeting schedule requirements.

"Fifteen proposals were received for JAF **(Q-02-2050)** of 25 solicited (in addition to notice in the Contract Reporter). Staff recommends award of contracts to the following 6 firms for their most technically qualified candidates for JAF: **Cataract, Inc.; Duke Engineering & Services, Inc.; Liberty Technologies; MDM Services Corp.; Sargent & Lundy; and Stone & Webster Engineering Corp.** Twenty-two proposals were received for IP3 **(Q-02-2066)** of 31 solicited (in addition to notice in the Contract Reporter). Staff recommends the award of contracts to the following 9 firms for their most technically qualified candidates for IP3: **Cataract, Inc.; Duke Engineering & Services, Inc.; Engineering, Planning & Management, Inc. ('EPM'); G.D. Barri & Associates, Inc.; Proto-Power Corp.; Raytheon Engineers & Constructors; Technicon Enterprises, Inc.; SUN Technical Services, Inc.; and Westinghouse Electric Company**.

"The intended term of these contracts is two years, subject to the Trustees' approval, which is hereby requested. The billing rates will remain firm for the duration of the contracts. Approval is also requested for the total combined amount expected to be expended for the two-year term of the contracts: $13,250,000 (estimated totals of $6,650,000 for JAF and $6,600,000 for IP3). These amounts are further broken down as follows: $3,650,000 is budgeted for 1998 and $3,000,000 is projected for 1999 for JAF; $3,400,000 is budgeted for 1998 and $3,200,000 is projected for 1999 for IP3. Commitments and expenditures for all 15 contracts will be tracked against the approved totals.

FISCAL INFORMATION

"Funds required to support contract services for IP3 and JAF have been included in the 1998 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering, the Vice President - Appraisal and Compliance Services, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '9-A' and as discussed above.

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

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit "9-A" are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.

10. Clarification of Article IV, Section 6 of the Authority's By-laws

Currently, the Chairman, President and Executive Vice President for Project Operations establish salary levels for officers of the Authority who serve on the Management Committee. Such Committee members are considered "policy makers" for purposes of the State ethics laws. Under Article IV, Section 6 of the Authority's By-laws, the Chairman, as Chief Executive Officer, is authorized to determine the appropriate levels of compensation for Authority employees. Further, pursuant to Article IV, Section 6 of the Authority's By-laws, the President "except as prescribed by the Chairman or Trustees," is vested with "general supervision" over all officers of the Authority except those reporting to the Chairman. It is unclear whether this latter provision gives the President the independent power to establish salary levels for Authority officers to the extent the Chairman has not acted to do so himself. In practice, the Chairman's power to establish salaries appears to have been delegated to the President and Executive Vice Presidents, to the extent they administer separate pools for distribution of merit/cost of living increases, which pools include various Management Committee members.

As a result of the recent management changes, the Executive Committee has determined that it would be desirable, from the perspective of unifying the management team, to consolidate the power to set Management Committee member compensation levels with the Chairman. This is consistent with the powers and responsibilities vested in him by the Trustees in his capacity as Chief Executive Officer and would lead to more uniform treatment of merit/cost of living increases for all policy making officers of the Authority. Accordingly, it is recommended that the Trustees clarify Article IV, Section 6, of the By-laws to provide that the Chairman, in consultation with the President, have the power to establish compensation levels (including modifications resulting from merit/cost of living increases) for all Management Committee members who are employees of the Authority. Under this clarification, the Chairman would be authorized to establish a single merit pool for all Management Committee members and determine (consistent with any personal service contract applicable to one such member) merit/cost of living increases for all such members, provided that any merit/cost of living increase applicable to the Chairman as a Management Committee member and employee of the Authority shall always be set equal to the overall percentage increase, if any, set forth in the respective O&M budget approved annually by the Trustees for merit/cost of living increases for all Authority employees.

The President, Executive Vice President & Chief Financial Officer, and Executive Vice President for Project Operations support the recommended action.

January 27, 1998

RESOLVED, That Article IV, Section 6 of the By-laws is hereby clarified to provide that the Chairman, in consultation with the President, shall have the power to establish compensation levels (including modifications resulting from merit/cost of living increases) for all officers of the Authority who are employees of the Authority and members of the Management Committee, provided that the Chairman shall exercise such power consistent with the provisions of the foregoing report of the Secretary and General Counsel.

11. Informational Briefing – Bond Matters

Mr. John Miller, of the Public Financial Management Co., Inc., the Authority's financial advisor, summarized his firm's recommendations and opinions concerning the possibility of refunding outstanding Authority debt.

12. <u>Next Meeting</u>

‘The Regular meeting of the Trustees will be held on **Tuesday, February 24, 1998**, **at the New York Office** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.’

Closing

"Upon motion made and seconded, the meeting was closed at 1:30 p.m.

David E. Blabey
Secretary and General Counsel

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