

April 27, 1999

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

April 27, 1999

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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 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
Louise M. Morman	Senior Vice President – Marketing and Economic Development
H. Kenneth Haase	Senior Vice President - Transmission
Michael H. Urbach	Senior Vice President and Chief Financial Office
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
Robert J. Deasy	Vice President – Appraisal & Compliance, Regulatory Affairs
John M. Hoff	Vice President – Procurement and Real Estate
William Josiger	Vice President – Special Activities
Russell Krauss	Vice President - Chief Information Officer
Charles I. Lipsky	Vice President – Chief Engineer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Ronald W. Ciamaga	Regional Manager – Northern New York
James L. Ford	Regional Manager – Western New York
Richard E. Kuntz	Regional Manager – Southeast New York
James J. McCarthy	Regional Manager – Central New York
Michael Colomb	Site Executive Officer – James A. FitzPatrick Nuclear Power Plant
Fred Dacimo	Plant Manager – Indian Point 3 Nuclear Power Plant
Robert J. Schwabe	Senior Research & Development Engineer
Phillip M. Winegar	Senior Engineer Research & Development
Jordan Brandeis	Director – Performance Planning
Arthur M. Brennan	Director – Budgets
John L. Murphy	Director – Public Information
Mark D. O’Connor	Director – Real Estate
William V. Slade	Director – Environmental Programs
David W. Wang	Director – Energy Resource Management
James H. Yates	Director – Business Marketing & Economic Development
Shalom Zelingher	Director – Research & Technology Development
George W. Collins	Treasurer
Thomas Rooney	Communication Specialist
Anne Wagner-Findeisen	Deputy Secretary
Laura Badamo	Assistant Secretary
Angela Graves	Assistant Secretary
Vernadine Quan-Soon	Assistant Secretary

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

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Opening Remarks of the Chairman

Chairman Rappleyea welcomed Mr. Michael Urbach to the Authority as Senior Vice President – Chief Financial Officer. The Chairman underscored Mr. Urbach’s long-standing public service during which he served as Commissioner of the State of New York Department of Taxation and Finance.

April 27, 1999

1. Approval of the Minutes

The minutes of the Regular Meeting held on March 30, 1999 were approved.

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2. Financial Report for the Three Months Ended March 30, 1999

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3. Report from the President and Chief Operating Officer

President Zeltmann expressed great pleasure in announcing two awards for outstanding technical and cost savings achievements by Authority employees. The awards recognized the achievements of Phil Winegar and Robert Schwabe and were presented by President Zeltmann. Mr. Winegar's award, which was bestowed by his peers at EPRI, recognized his noteworthy achievements, in part the successful first-time condition application of an EPRI software program at Poletti which will enable the Authority to defer some \$20 million in expenses. Mr. Winegar's other cost-saving achievements include resolving an overheating issue at Poletti which will save NYPA some \$1 million, and an innovative method for insulating valves and pipes online, both at Poletti and IP3, which will generate annual savings of some \$200,000.

President Zeltmann then recognized Mr. Robert Schwabe, Senior Research & Development Engineer, as recipient of the 1999 Communications Award from the Society of Technical Communications. Mr. Schwabe had been instrumental in identifying the root cause of apparent sporadic equipment failures on a 26,000 lighting fixture retrofit project performed by the Authority at the World Trade Center. By successfully recreating the exact temperature and conditions at the time of the original installation, Mr. Schwabe was able to pinpoint cold air drafts within the building structure, which were causing the lighting to flicker. As a result, the Authority was able not only to avoid an expenditure of some \$180,000 to re-do the work, but also to demonstrate to the customer that our retrofit work had not been deficient.

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. In particular, Mr. Krauss reported that the successful results of the April 9th nationwide communications drill, involving approximately 2,000 participants, had been covered by CNN. The CNN video clip covering the tests, as they were ongoing, was then screened for the Trustees. Mr. Krauss explained that the Authority's role in the drill was based on an assumed failure of communications capabilities between the Niagara Power Project and the Energy Control Center, who then communicated to the New York Power Pool. The Authority further extended the bounds of the drill to include

passing the same types of operating data from all NYPA generation facilities to the ECC. What was successfully tested involved the use of alternate forms of communications via telephone, cellular and satellite phones.

Mr. Krauss then reported that to date, the assessment, remediation and testing phases have been on schedule and he is confident that the work can be completed within the next 60 days; he further explained that for purposes of reporting to the Trustees, the schedule has been “frozen” and henceforth he will report specifically on any slippage to this schedule.

Turning to the status of Y2K readiness at the JAF Plant, Mr. Krauss reported that seven “mission critical” systems are to be remediated by the end of April; 11 such systems in May, and the last seven in June. He then introduced Mr. Mike Colomb, Site Executive Officer of JAF who expressed confidence that all systems would be remediated by June 3rd, and that the schedule will be continually monitored for ways to move things into May. In response to questions from President Zeltmann concerning the NRC’s Y2K readiness review at IP3 in the last week, and its ongoing review at JAF, Messrs. Josiger and Colomb stated that the feedback from the NRC had been positive as to IP3 readiness status and that similar feedback is anticipated for FitzPatrick. The NRC will look at readiness again toward the end of the year at both sites. Trustee Ciminelli asked about typical remediation tasks at FitzPatrick and their average duration. Mr. Colomb explained that some tasks involve changing a hardware-based process and require replacement parts, most of which are inventoried. Other remediation tasks, involving software, usually call for the procurement of a Y2K “patch” from software vendors, sometimes at no additional cost. Mr. Colomb further explained that, for example, remediation of the plant process computer took several weeks and involved multiple departments and sub-tasks, while other remediation activities are often completed within a day or two. Trustee Ciminelli asked whether the June 3rd remediation date includes the “documentation” processes; Mr. Colomb responded in the negative. Mr. Hiney confirmed that staff Authority-wide is focused on and actively pursuing those measures necessary to ensure timely compliance, and that every manager is fully aware of the importance of meeting the applicable deadlines.

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7. **Resolutions – Honorable John B. Daly; Mr. Wilbur L. Gronberg;
and Mr. James E. Fitzgerald**

In offering these three resolutions for adoption, Chairman Rappleyea stressed that each of these individuals had played an important role in the fabric and history of the Power Authority, and that the Trustees' condolences would be conveyed to each of the families of the deceased in the form of the resolutions adopted.

The attached resolutions were unanimously adopted.

WHEREAS, John B. Daly served the people of Lewiston and Niagara County with dedication and integrity for nearly four decades; and

WHEREAS, he expanded his service to all the people of New York State, first in the State Assembly beginning in 1973, and then in the State Senate from 1978 until 1995; and

WHEREAS, John Daly continued to serve the public with distinction in the key positions of Commissioner of the New York State Department of Transportation from 1995 to 1997 and thereafter as a commissioner of the New York State Public Service Commission; and

WHEREAS, he was an enthusiastic and energetic proponent of public power and the New York Power Authority's role in ensuring abundant, economical and environmentally sound sources of energy for New Yorkers; and

WHEREAS, he was appointed and served as a Trustee of the New York Power Authority in 1995; and

WHEREAS, John B. Daly died on April 3, 1999; be it therefore

RESOLVED, that the Trustees of the New York Power Authority formally note with gratitude his significant contributions to the State; and

BE IT FURTHER RESOLVED, That the Trustees extend their sincere condolences to his wife, Catherine, and his children, Robert, Martin and Catherine, on their loss and extend their thanks for sharing him with the people of New York.

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WHEREAS, Wilbur L. Gronberg, was a true pioneer in the construction of the New York Power Authority's St. Lawrence-Franklin D. Roosevelt Power Project; and

WHEREAS, he was part of a group of talented and dedicated men hired from outside engineering firms to undertake the enormous challenge of harnessing the St. Lawrence River to produce electricity; and

WHEREAS, he joined the Power Authority staff in 1959 as a test engineer supervising generation and transmission of electric power for the project; and

WHEREAS, his talent, dedication and hard work lead to the position of Resident Manager, the top staff position at the St. Lawrence-FDR project; and

WHEREAS, his skill and accomplishments in that position earned him promotion to Assistant General Manager of Engineering at the Power Authority's New York City headquarters; and

WHEREAS, Wilbur L. Gronberg died on March 20, 1999; be it therefore

RESOLVED, that the Trustees of the New York Power Authority extend their sincere condolences to his wife, June, and his children, Kristee, Laura and Jeffrey.

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WHEREAS, J. Edmund "Ed" Fitzgerald was literally linked with the New York Power Authority's Niagara Power Project from groundbreaking in 1957 until his retirement in 1991; and

WHEREAS, he was a native of Niagara Falls, an engineering graduate from the University of Buffalo and a U.S. Army veteran of the Korean War; and

WHEREAS, Ed Fitzgerald honed his engineering skills at Bell Aircraft and Union Carbide; and

WHEREAS, he joined the Power Authority staff in 1961 as assistant chief of mechanical maintenance and rose swiftly through the ranks until he became Resident Manager – the highest on-site position – in 1979; and

WHEREAS, he served as Resident Manager with loyalty and distinction with a strong commitment to hiring minority workers; and

WHEREAS, he complemented his professional life with distinguished service in the civic life of the Niagara Falls community; and

WHEREAS, J. Edmund Fitzgerald died on April 1, 1999; be it therefore

RESOLVED, That the Trustees of the New York Power Authority express their sincere condolences to his children, Patricia, J. Edmund III, Daniel, Mark and Matthew and other family members.

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5. Prospect Street NYC Discovery Fund

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the reinvestment of distributions to the Authority from the Prospect Street NYC Discovery Fund L.P. (the ‘Fund’) back into the Fund, in an amount not to exceed \$5 million.

BACKGROUND

“In 1995, as part of the Authority’s long term electric agreement with the City of New York, the Authority committed to investing \$5 million into the Fund. The Fund, known as a venture capital fund, was formed to invest in small start-up companies to promote economic and job growth in New York City, while providing a return on capital to the members of the partnership.

“In May 1995, the Authority entered into the Limited Partnership Agreement (‘LP Agreement’) which formed the Fund, as a ‘Private Limited Partner,’ along with the New York City Economic Development Corporation (\$10 million), Brooklyn Union Gas (\$10 million) (now Keyspan) and Con Edison (\$5 million). Under the LP Agreement, the Small Business Administration is a ‘Preferred Limited Partner’ and Prospect Discovery Fund Inc., a Delaware Corporation, is the sole ‘General Partner.’”

“The purpose of the Fund is to make investments in ‘New York City Advanced Technology Companies,’ with the Fund being a small business investment company under the Small Business Administration Act of 1958. Generally, a ‘New York City Advanced Technology Company’ is any company that is substantially involved in the research, development, manufacture, production or provision of products or services based on new scientific applications, technical processes, methods or inventions, and which satisfies certain New York City-related criteria.”

DISCUSSION

“The Fund is seeking to have all the Private Limited Partners reinvest distributions back into the Fund on an as-needed basis up to an amount equal to each partner’s original investment. In the case of the Authority, that amount would be \$5 million. The New York City Economic Development Corporation has informed the staff that it will reinvest its distributions back into the Fund up to an amount equal to its original investment of \$10 million, and it would like the Authority to participate in this reinvestment program, if possible.

“The City of New York is the Authority’s single largest customer, with over \$300 million of sales every year. The Authority has a long-term sales agreement with the City that expires in 2004. In light of these considerations, it would certainly be consistent with the Authority’s intent underlying its initial participation in the Fund, to continue its involvement in the Fund. The reinvestment of distributions up to an amount of \$5 million would not require the Authority to expend any additional funds, and the Authority continues to expect a return of its original investment and any amounts reinvested, and to receive a reasonable return on such investments.

FISCAL INFORMATION

“The staff expects the first distribution to the Authority from the Fund to occur in the third quarter of this year in an amount estimated to be \$3 million. A second distribution is expected to occur some time in the fourth quarter of this year in an amount in excess of \$2 million. These two distributions would constitute a

return to the Authority of the full amount of the capital that the Authority invested in Fund to date. These funds, as needed, would then be reinvested in the Fund as new investments were made by the Fund, but such reinvestment by the Authority would in no event exceed \$5 million in total. Any amounts received from the Fund above \$5 million would remain in the Operating Fund.

RECOMMENDATION

“The Treasurer recommends that the Trustees authorize the reinvestment of distributions from the Fund back into the Fund in an amount not to exceed \$5 million.

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

Trustee Miller expressed satisfaction with the high rate of return on the Authority’s investment in the Fund and the speed with which it had accrued back to the Authority.

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

RESOLVED, That the Trustees authorize the execution by the Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of an amendment to the Limited Partnership Agreement of the Prospect Street NYC Discovery Fund L.P., to accomplish the commitment by the Authority of up to an additional \$5 million to such Fund, provided that such commitment shall not exceed the aggregate amounts distributed to the Authority by such Fund under the Limited Partnership Agreement; and be it further

RESOLVED, That funds in an amount not to exceed \$5 million be withdrawn from the Operating Fund for the purpose of meeting the Authority's commitment under such Limited Partnership Agreement, provided that withdrawal of such funds shall be effectuated only upon execution by the Treasurer or Deputy Treasurer of a certificate stating that the funds to be so withdrawn are not needed for any of the purposes set forth in paragraphs (a), (b) or (c) of Section 503(1) of the General Resolution authorizing Revenue Obligations, adopted on February 24, 1998; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, and the Treasurer, are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates, and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions.

April 27, 1999

6. **Power Allocations Under the Power for Jobs Program**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 45 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit ‘6-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 Power for Jobs program originally made available 400 MW 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 was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 MW of power available and have accelerated the distribution of the power. 267 MW were made available in Year 1.

“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 eight meetings from December 1997 through March 1999, the Trustee’s approved allocations to 435 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 2,800 inquires have been received and over 1,375 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. 45 applications were deemed highly qualified and presented to the EDPAB for its review on April 27, 1999. 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 18 businesses, 19 small businesses and eight not-for-profit corporations listed in Exhibit ‘6-A’. Collectively, these organizations have agreed to create or retain 7,685 jobs in New York State in exchange for allocations totaling 16.250 MW. The allocation contracts will be for a period of three years. The power will be

wheeled by the investor-owned utilities as indicated in Exhibit '6-A'. The basis for EDPAB's recommendations is also included in Exhibit '6-A'.

"The Trustees are also requested to approve job commitment revisions to the six companies listed in Exhibit '6-B'. The Trustees in prior meetings had approved these companies for a Power for Jobs allocation. Their allocation was based on their commitment to retain or create jobs as indicated in the application they submitted to EDPAB. Subsequent to Trustee approval but before entering into contract with the Authority, the companies have requested that their job commitment be revised to more accurately reflect their existing employment levels. The revisions are mainly due to confusion in accounting for part time and seasonal employees. The job number changes are insignificant in total and do not require changes to the amount of the allocation.

"In addition, the Trustees are requested to approve modifications to the existing power allocations to three Power for Jobs recipients.

"At their meeting of March 30, 1999, the Trustees originally approved an allocation to Beth Israel Medical Center. Their peak load was originally estimated at 6,800 kW and they were awarded an allocation of 2,300 kW. Subsequently it was learned that information in their application had been misinterpreted and that their peak load is actually 11,400 kW. Based on this information they would have been awarded an allocation of 3,800 kW. We are requesting that the Trustees approve a modification to the initial allocation and increase their award by 1,500 kW.

"At their meeting of February 24, 1999, the Trustees approved an allocation to Hadco, Incorporated for 2,000 kW. During the initial review of the application we did not fully understand the magnitude of certain costs that the business was about to incur. After revisiting the application we feel that an allocation of 2,400 kW would have been appropriate. We are requesting that the Trustees approve a modification to the initial allocation and increase their award by 400 kW.

"At their meeting of September 28, 1998, the Trustees approved an allocation to Dean Foods Vegetable Company for 1,000 kW. It has subsequently been determined that a 1,000 kW allocation would not produce savings due to the existing tariff structure. An allocation of 1,500 kW would provide the company with the savings promised by the program. We are requesting that the Trustees approve a modification to the initial allocation and increase their award by 500 kW.

"The additional allocations will be awarded for a term of three years commencing on the date service is first delivered. The revised jobs per megawatt ratios are still very acceptable and support the additional allocations.

RECOMMENDATION

"The Director – Business Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '6-A' and the revisions listed in Exhibit '6-B', and the allocation increases to Beth Israel Medical Center, Hadco, Incorporated and Dean Foods Vegetable Company.

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

Chairman Rappleyea stated that there are three proposed recipients (Fibron Products; Ultra Tools and Plastics; and Corson Manufacturing) to whom the allocations approved by the Authority's Trustees are conditional, upon their interim ratification, nunc pro tunc, at the next EDPAB meeting by EDPAB Member H. Douglas Barclay, who had been unable to attend that morning's meeting.

Chairman Rappleyea noted that the Power for Jobs program has now exceeded the 222,000 jobs mark and has resulted in an outstanding jobs/MW impact, as evidenced in the 7,685 jobs resulting from allocations of 16.25 MW's, which represents a ratio of some 473 jobs/MW, along with the creation of some 600 new jobs.

Trustee McCullough commended Chairman Rappleyea on the letter sent to New York City's Deputy Mayor explaining the evolution of the Power for Jobs program within Con Edison's service territory. The Chairman noted that it was important to convey to City officials that proportionately fewer applications for Power for Jobs allocations have to date been received from downstate candidates than from upstate applicants, and thus the overall mix of allocations granted is demonstrably equitable. He then commended staff for their equitable treatment of applications and applicants.

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 16.250 MW of allocations of Power for Jobs power to the companies listed in Exhibit "6-A"; modify job commitments to companies listed in Exhibit "6-B"; and increases the original allocation to Beth Israel Medical Center, Hadco, Inc., and Dean Foods Vegetable Company;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "6-A" (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 16.250 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 job commitments be amended for the six companies listed in Exhibit "6-B" and the power allocations to Beth Israel Medical Center, Hadco, Inc., and Dean Foods Vegetable Company be increased by 1,500 kW, 400 kW, and 900 kW, respectively; and be it further

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

April 27, 1999

7. Transfer of Expansion Power – General Motors Corporation

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of 14,300 kW of Expansion Power from General Motors Corporation (‘GMC’) to Delphi Automotive Systems, LLC (‘Delphi’). As part of the transfer, Delphi will honor the job commitment of 6,415 at its divisional facility of Delphi Harrison Thermal Systems located in Lockport, NY.

BACKGROUND

“GMC received an Expansion Power allocation of 14,300 kW approved by the Trustees at their meeting of October 25, 1988 for the purpose of manufacturing at the GMC – Delphi/Harrison Radiator division located in Lockport, NY. Delphi/Harrison Radiator, now known as Delphi Harrison Thermal Systems, makes heat exchanger equipment for the automotive, construction and military industries. The company has spent over \$1.3 million in the past two years on various equipment improvements and upgrades in various buildings throughout its facility.

“The substitution of Delphi for GMC is not expected to change operations, personnel, facility contacts or the facility location of Delphi Harrison Thermal Systems.

DISCUSSION

“Delphi Automotive Systems and its division, Delphi Harrison Thermal Systems, will soon be a fully independent, publicly traded corporation with no GMC retained ownership. The transaction is a result of the transfer of Delphi division’s assets to the newly formed Delphi Automotive Systems, LLC in January, 1999. At the same time, approximately 20 percent of the stock in Delphi Automotive Systems, LLC will be issued for sale to the general public. GMC will offer the remaining 80 percent of the stock around July 1999, at which time GMC will own no stock in the newly formed corporation.

“Delphi Harrison Thermal Systems acknowledges and understands the April 12, 1989 agreement between the Authority, New York State Electric & Gas (‘NYSEG’) and GMC (the Allocation and Service Agreement) pursuant to which Expansion Power and related energy purchased by NYSEG under the Resale Agreement are resold by NYSEG to GMC for utilization at the Lockport facility, and the Settlement Agreement between the parties dated July 1995. Delphi Harrison will continue to follow the guidelines and rules affecting these agreements and looks forward to a long working relationship with the Authority. Delphi Harrison exceeded its job commitment in 1998.

“In accordance with Paragraph 19 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, NYSEG and Delphi Automotive Systems, LLC and with Section 460.7 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1988)), no voluntary transfer of Expansion Power may be made without the written approval of the Authority.

RECOMMENDATION

“The Director - Business Marketing and Economic Development recommends that the Trustees approve the transfer of 14,300 kW of Expansion Power from General Motors Corporation to Delphi Automotive

Systems, LLC.

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

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

RESOLVED, That the transfer of General Motors Corporation’s Expansion Power allocation of 14,300 kW to Delphi Automotive Systems, LLC be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. Sound Cable Project - Easement Across Long Island Sound

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize acquisition of a Grant of Easement of approximately 1.8 acres of lands of the State of New York in the bed of Long Island Sound, shown and described on Map No. WNR-64, from the New York State Office of General Services (‘OGS’) attached as Exhibit ‘8-A’ in consideration of payment to the State of approximately \$33,000. The purpose of the acquisition is the installation of a cathodic protection system to protect the Sound Cable from corrosion due to stray electrical currents. This Grant of Easement will be for a period to be coterminous with the easement previously acquired by the Authority from OGS for the placement of the Sound Cable pursuant to Trustee authorization dated April 28, 1992.

BACKGROUND

“At their meeting of April 28, 1992, the Trustees approved the acquisition of real property shown and described on Power Authority of the State of New York Sound Cable Project Map No. WNR-47. This Grant was finalized and encompasses 19.6 acres of lands underwater and has been utilized for the purpose of installing and maintaining the underwater electric cable (‘Sound Cable’) from the North Transition Station in Westchester County to the South Transition Station in Nassau County.

“At their subsequent meeting of June 28, 1994, the Trustees authorized additional funding for previously planned and deferred engineering and construction activity which included improvement of the cathodic protection system for the Sound Cable by addition of cathodic protection under the Sound.

DISCUSSION

“At the time of the installation of the Sound Cable, the Authority was aware that it would be necessary to protect the cable from corrosion due to stray electric currents from the DC operated LIRR and Metro North Railroad systems. However, the magnitude of the effects could not be assessed until a study to monitor the stray currents was completed. In 1990, cathodic protection systems were installed in Westchester and Nassau counties to protect the upland portions of the Sound Cable. In 1993, field measurements were taken on the cable segments installed under the Sound. Upon evaluation of these tests, it was determined that a cathodic protection system was necessary to protect the underwater portion of the Sound Cable, as well as the upland portion, from stray DC currents.

“Pursuant to New York State Law, the lands under water located in the Long Island Sound are under the control of the OGS. Discussions with OGS were initiated in 1998 to secure an agreement allowing construction of the underwater segment of the improved cathodic protection system. On February 10, 1999, a permit was issued by OGS allowing installation and maintenance of the improved cathodic protection system. The exact area of acquisition cannot be determined until the as-built surveys are completed. However, Authority staff has negotiated with OGS the price per linear foot the Authority is to pay for the easement. The amount agreed to is \$2.01 per linear foot, which will bring the aggregate purchase price based on the preliminary construction drawings to approximately \$33,000.

FISCAL INFORMATION

“Payment will be made from the Capital Fund.

RECOMMENDATION

“The Director - Real Estate, the Vice President - Procurement and Real Estate, and the Vice President - Project Management recommend that the Trustees approve the acquisition by purchase or transfer of jurisdiction of the approximately 1.8 acres Grant of Easement shown and described on Sound Cable Project Map No. WNR-64, upon substantially the terms described above and upon the final calculation of the linear footage based on the as-built location.

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

In response to questions from Trustee McCullough, Mr. Hoff confirmed that the proposed acquisition is a one-time transaction which will secure a permanent easement for the Authority.

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

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire the real property shown and described on Power Authority of the State of New York, Sound Cable Project, Map No. WNR-64, encompassing approximately 1.8 acres and hereby finds that such property is required for a public use and hereby determines that such easement is reasonably necessary for the operation of the Sound Cable Project; and be it further

RESOLVED, That the authorization to pay OGS the agreed upon value of \$2.01 per linear foot, final payment to be determined by the actual as-built location is hereby approved; and be it further

RESOLVED, That the Chairman and Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President - Project Operations, or the Project Manager - Sound Cable Project of the Authority be, and hereby is, authorized and directed to execute on behalf of the Authority such certificates, requests, and directions as are necessary or desirable for the acquisition of such real property; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President, Secretary, and General Counsel, or the Director - Real Estate of the Authority 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 advisable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

April 27, 1999

9. St. Lawrence/F.D.R. Power Project Conveyance of Property

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the conveyance of approximately 6.1 acres of land located in the Town of Louisville, County of St. Lawrence, New York attached as Exhibit ‘9-A’. Of the total acreage, approximately 1.5 acres are to be conveyed to Mr. and Mrs. Thomas Carroll, and the remaining 4.6 acres to the respective adjacent owners along Route 131. All conveyances will be made at fair market value.

BACKGROUND

“As part of the construction of the St. Lawrence/F.D.R. Power Project (‘Project’), the Authority acquired the property rights and issued a contract for the construction of State Route 131. Construction of State Route 131 was necessary to replace the original River Road (State Route 37B) which was located on lands to be flooded for Project purposes.

“In 1960, the Authority transferred jurisdiction and the responsibility for maintenance of the new road to the New York State Department of Transportation (‘NYSDOT’). The Authority retained the underlying fee title to the roadway.

DISCUSSION

“Since 1991, the NYSDOT has received several requests from property owners residing along Route 131 to purchase the right-of-way determined to be surplus to Project needs. In particular, Mr. and Mrs. Carroll, who wish to build a home, have requested to purchase the 1.454 acres that adjoin their frontage so as to avoid the burden, financial and otherwise, of installation of additional lengths of a driveway and other services. The land the Carrolls are interested in purchasing is property that was held by the Carroll family at the time it was appropriated by the Authority. Mr. and Mrs. Carroll have agreed to purchase 1.454 acres for \$3,500 which has been deemed to be its fair market value by an independent fee appraiser. Negotiations have commenced with some of the other adjacent landowners that abut the remaining 4.6 acres, but no agreements have yet been reached.

“An Order dated October 20, 1997 was issued by the New York State Commissioner of General Services relinquishing from the jurisdiction of NYSDOT all property rights in excess of 50 feet from centerline on the south side of the right-of-way of Route 131. Accordingly, jurisdiction of that 12.0 acres was transferred back to the Authority. The Authority has retained all lands and land rights within the 12.0 acres released by DOT necessary for project works, which do not include the 6.1 acres to be surplus. Conveyance to the landowners will place these lands on the tax roll.

FISCAL INFORMATION

“Proceeds of the sale would be deposited in the Operating Fund.

RECOMMENDATION

“The Director - Real Estate, the Regional Manager - Northern New York, the Vice President – Procurement and Real Estate, and the Vice President - Policy and Governmental Affairs recommend that the

Authority approve the conveyance of the 1.5 acre parcel to Mr. and Mrs. Carroll as set forth above, as well as the remaining 4.6 acres to the adjoining landowners in the event respective agreements are reached with them.

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

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

RESOLVED, That the Power Authority hereby approves of the sale of lands in the Town of Louisville, St. Lawrence County, New York, as shown and described on Power Authority of the State of New York Map No. 119-C, Parcel 2842, comprising 1.454 acres to Mr. and Mrs. Thomas Carroll on terms as generally set out in the foregoing report from the President; and be it further

RESOLVED, That the remaining 4.6 acres be made available for conveyance to the respective adjoining landowners upon successful negotiations on terms as generally set out in the attached memorandum. The Authority hereby determines that such sales by the Authority will be on terms beneficial to the Authority and will not result in significant adverse environmental impacts; and be it further

RESOLVED, That the Executive Vice President - Corporate Services and Human Resources or the Vice President - Procurement and Real Estate be authorized to execute and deliver to Mr. and Mrs. Thomas Carroll on behalf of the Authority, in such form as approved by the Executive Vice President, Secretary and General Counsel of the Authority, a quitclaim deed of the lands shown and described on Power Authority of the State of New York, St. Lawrence/F.D.R. Power Project, Map No. 119C, Parcel No. 2842; and be it further

RESOLVED, That the Executive Vice President - Corporate Services and Human Resources or the Vice President - Procurement and Real Estate is authorized to execute and deliver to each of the respective adjacent landowners on behalf of the Authority, in such form as approved by the Executive Vice President, Secretary and General Counsel of the Authority, a quitclaim deed of those lands adjacent to his/her property and located within the strip described in the attached memorandum from the President, at a consideration to be determined to be the fair market value at such time as such agreements may be reached; and be it further

RESOLVED, That the Vice President - Procurement and Real Estate or the Director - Real Estate of the Authority be, and hereby is authorized to execute, on behalf of the Authority, any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

**10. Convertible Static Compensator Project -
Additional Environmental Assessment**

The President submitted the following report:

SUMMARY

“The Trustees are requested to consider and approve an increase in the size of the disturbed area associated with the Convertible Static Compensator Project (‘Project’) from nine acres to 13 acres, all within the confines of the existing Clark Energy Center site attached as Exhibit ‘10-A’. This change required a more detailed environmental assessment, which resulted in a finding that the overall project still does not cause a significant adverse environmental impact, which the Trustees are requested to endorse.

BACKGROUND

“At their meeting of September 28, 1998, the Trustees approved the commitment of \$35 million for the design, procurement and installation of a Convertible Static Compensator (‘CSC’) power device at the Clark Energy Center. At that time, the preliminary project design involved the disturbance of less than ten acres of land. The preliminary design was reviewed by the Environmental Division pursuant to the Authority’s State Environmental Quality Review Act (‘SEQRA’) implementing regulations, 21 NYCRR Part 461 (1995), and the project was determined to be a Type II action having no adverse environmental impact.

“During the course of finalizing the design of the CSC, and particularly in the effort to specify the extent of the sitework contract, Engineering and Project Management staff determined that there are areas on the Clark Energy Center site that could be used for on-site disposal of excess fill. This on-site use of fill material could achieve two results: 1) the cost of the sitework contract could be reduced by the elimination of trucking and disposal of excess fill, and 2) areas that have been difficult for Clark Energy Center to maintain due to irregular terrain could be landscaped. However, the increase in the total number of Project acres to thirteen acres requires the evaluation of the Project as a Type I Action and publication of the determination of environmental significance. The Director of the Environmental Division has reevaluated the Project in light of the design changes and determined that it will not have a significant adverse impact on the environment.

“The proposed revisions to the Project will not result in an increase in Project cost and no increase in monetary authorization is requested. The revisions, however, will benefit Clark Energy Center operation and maintenance activities.

DISCUSSION

“The Environmental Division, in order to meet the requirements of SEQRA and to support the Project team’s effort to reduce the cost of the CSC Project and to improve the safety of site maintenance activities, performed an assessment of the possible environmental impact of the proposed larger disturbance of the Clark Energy Center site. Using forms and methodologies proscribed by SEQRA, the Environmental Division determined that the CSC Project still does not represent a significant adverse environmental impact, and completed a Negative Declaration on April 1, 1999. The completion of the Negative Declaration was transmitted to the *Environmental Notice Bulletin* and was published on April 7, 1999.

“To maintain compliancy with SEQRA requirements, the Trustees are requested to ratify the Project as revised by Engineering and Project Management and evaluated by the Environmental Division.

FISCAL INFORMATION

“The original cost estimate for the CSC Project of \$35 million, as approved on September 28, 1998, is unchanged. Based on a review of bids received for the sitework contract, the Authority will save \$44,500 by disposing of excess fill material on-site.

RECOMMENDATION

“The Director – Environmental Division, and the Vice President – Project Management recommend that the Trustees approve an increase in the size of the disturbed area associated with the Convertible Static Compensator Project from nine acres to thirteen acres.

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

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

RESOLVED, That the Trustees approve an increase in the size of the disturbed area associated with the Convertible Static Compensator Project from nine acres to thirteen acres and this approval is based upon the finding by the Director of the Environmental Division of no significant adverse impact on the environment resulting from the project as revised; and be it further

RESOLVED, That the Convertible Static Compensator Project, as revised, is ratified and authorized to continue as originally approved on September 28, 1998.

11. Election of Authority Non-Statutory Officers

The President submitted the following report:

SUMMARY

“The Trustees are requested to elect certain non-statutory officers of the Authority for a term expiring at the next annual Trustees’ meeting or until their successors are elected.

BACKGROUND AND DISCUSSION

“Article IV, Section 2 of the Authority’s By-Laws provides for the election of certain non-statutory officers by the Trustees. Section 3 of the same Article provides that such non-statutory officers shall hold office for a term expiring at the next annual Trustees’ meeting or until their successors are elected.

RECOMMENDATION

“It is recommended that the following non-statutory officers provided for in Article IV of the By-Laws adopted December 18, 1984 and last amended on December 15, 1998, be elected by the Trustees to hold office for terms expiring at the next Annual Meeting of the Trustees in April 2000 or until their successors are elected, as follows:

Eugene W. Zeltmann	President and Chief Operating Officer
Robert A. Hiney	Executive Vice President – Project Operations
David E. Blabey	Executive Vice President, Secretary and General Counsel”

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

RESOLVED, That the following non-statutory officers of the Power Authority of the State of New York be, and each hereby is, elected pursuant to Section 2 of Article IV of the By-Laws, as adopted on December 18, 1984 and last amended on December 15, 1998, to hold office for terms expiring at the next annual Trustees’ meeting or until their successors are elected:

Eugene W. Zeltmann	President and Chief Operating Officer
Robert A. Hiney	Executive Vice President - Power Operations
David E. Blabey	Executive Vice President, Secretary and General Counsel

12. Proposed Membership in the New England Power Pool

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize membership by the Authority as a Participant in the New England Power Pool (‘NEPOOL’).

BACKGROUND

“NEPOOL is among the largest control areas with respect to peak load in North America. Although currently a nonmember, the Authority has been selling excess energy to NEPOOL by means of bilateral transactions with individual members. Membership in NEPOOL will provide the Authority with additional opportunities. As a NEPOOL member, the Authority will be able to share in the benefits of power pooling, such as having access to NEPOOL market information as well as the right reserved to Members of bidding into the NEPOOL spot market. This will increase the Authority’s opportunities to sell excess energy and buy economical or replacement energy in the NEPOOL region. The Authority became a member of the PJM Interconnection, L.L.C. (‘PJM’) earlier this year for the same reasons as mentioned above.

DISCUSSION

“Staff has reviewed the NEPOOL Membership Application, Operating Agreement (or ‘Agreement’) and Open Access Transmission Tariff. The laws of the State of Connecticut and the Federal Power Act govern the Agreement.

“The Agreement contains a common liability and indemnity provision wherein each Participant must indemnify and hold harmless the other Participants, their officers and directors with respect to all actions, claims, demands, costs, damages and liabilities asserted by third parties arising out of bodily injury, death or damage to property caused by or sustained in facilities owned by the Participant or caused by a failure to act in accordance with the Agreement. This provision does not apply to the extent that the loss is caused by the negligence or willful misconduct of the Participant, and each Participant shall be responsible for all claims of its own employees, agents and servants growing out of any workmen’s compensation law.

“Any dispute as to a matter governed by the Agreement would be subject to mediation. The arbitrator’s decision is binding and conclusive in a subsequent regulatory or legal proceeding as to the facts determined by the arbitrator but could not be conclusive as to the law, or constitute precedent on issues of law in any subsequent regulatory or legal proceeding.

“As a NEPOOL member, the Authority would be under no obligation to provide generation or firm capacity in the absence of a specific transaction. Since the Authority is not in the NEPOOL control area, there are no mandatory requirements that would affect our generation. Member bids are held confidential and membership in NEPOOL does not require disclosure of members’ actual costs.

“Authority Membership in NEPOOL on the above terms is in the Authority’s commercial interest and, ultimately, in the interests of the Authority’s New York customers whose requirements can be served more economically through such membership.

“In addition, subject to further review by the Law Department, ERM’s transactions with the NEPOOL market will be limited to sale of surplus electricity from Authority generation resources and purchase of power and energy to meet the Authority’s contractual requirements.

FISCAL INFORMATION

“To become a NEPOOL member and be eligible to conduct wholesale activities through the NEPOOL market, the Authority must pay an application fee of \$500, an annual membership fee of \$500, and a monthly variable charge based upon the amount of business activity the Authority has within NEPOOL. The monthly variable charge is determined by a formula which weights load responsibility, ownership of bulk power supply facilities, market activity and other matters. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director – Energy Resource Management and the Senior Vice President – Marketing and Economic Development recommend that the Trustees approve membership by the Authority in NEPOOL, on the terms outlined above.

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

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

RESOLVED, That the Trustees approve membership by the Authority in the New England Power Pool (“NEPOOL”) on the terms outlined in the foregoing report from the President; and be it further

RESOLVED, That the Trustees authorize the Senior Vice-President Marketing and Economic Development to execute such documents and take such other actions as she may deem necessary to effectuate the forgoing, subject to approval of the form thereof by the Executive Vice-President, Secretary and General Counsel.

13. Authorization of Purchase of Replacement Securities and Execution of Forward Supply Agreements

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize (1) the purchase from time to time of securities to replace those in the escrow funds established to refund the General Purpose Bonds (the ‘Escrow Funds’) and (2) the execution from time to time of one or more forward supply agreements relating to the Escrow Funds.

BACKGROUND

“In February 1998, as part of the refunding of all of the Authority's General Purpose Bonds, various escrow funds were formed to effectuate the defeasance of such Bonds.

DISCUSSION

“From time to time, opportunities arise which would allow the Authority to restructure the Escrow Funds by replacing securities currently in the Funds with new securities. In some instances, the new securities would have maturities shorter than the existing securities. To fill the ‘gap’ created by this circumstance, the Authority would enter into a contract with an entity, known as a forward supply agreement, to have the entity supply a short term security to fill the gap. In return, the Authority would receive an ‘upfront’ payment from the entity for granting the entity the right to sell the security to the Authority. The combination of the upfront payment and the purchase of the new securities would result in savings for the Authority.

FISCAL INFORMATION

“The proposed purchase of the new securities and the execution of the forward supply agreements would result in savings for the Authority.

RECOMMENDATION

“The Treasurer recommends that the Trustees authorize the purchase from time to time of replacement securities for the Escrow Funds and the execution from time to time of forward supply agreements relating to the Escrow Funds; provided that such purchases and/or forward supply agreements result in savings to the Authority.

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

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

RESOLVED, That the Chairman, President and Chief Operating Officer, and Treasurer are, and each of them hereby is, authorized on behalf of the Authority (1) to effectuate the purchase of replacement securities for the Escrow Funds, as described in the attached President's Memorandum, and (2) to execute one or more forward supply agreements having such terms and conditions as such authorized executing officer deems in his discretion to be necessary or appropriate, providing for the sale, assignment and transfer of (i) any or all of the Authority's

right, title and interest in and to all earnings derived from the investment and reinvestment of proceeds derived from obligations in the escrow fund under the Escrow Deposit Agreement or Agreements (collectively, the 'Escrow Agreement') between the Authority and The Chase Manhattan Bank, relating to the refunding of the Authority's General Purpose Bonds, to the extent such earnings are not needed to effectuate the contemplated refunding, and (ii) any or all rights granted to the Authority under such Escrow Agreement with respect to the substitution, purchase and sale of obligations in such escrow fund under the terms of the Escrow Agreement, including, without limitation, the right to give directions and take actions in connection therewith, subject to the satisfaction by the assignee under such forward supply agreement of the conditions of the Escrow Agreement with respect to the exercise of such rights and subject to the application of amounts in such Escrow Fund to the payment, when due, of the principal or redemption price of, and interest on, the General Purpose Bonds to be refunded pursuant to the Escrow Agreement; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, and the Treasurer be, 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.

April 27, 1999

14. Next Meeting

“The Regular meeting of the Trustees will be held on Thursday, **May 20, 1999, at the Albany Office located at 30 South Pearl Street – 10th Floor – Board Room at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

April 27, 1999

Closing

Upon motion made and seconded, the meeting was closed at 12 noon.

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

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