

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

November 22, 1999

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 11:30 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
John F. English	Senior Vice President – Corporate Planning
Louise M. Morman	Senior Vice President – Marketing and Economic Development
H. Kenneth Haase	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President - Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Harry P. Salmon	Vice President – Engineering & Project Control
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Deputy Policy Development
James J. McCarthy	Regional Manager – Central New York
Jordan Brandeis	Director – Performance Planning
Frederick Chase	Director – Community Relations
Helle Maide	Director – Major Accounts Group, Governmental
James J. Peterson	Director – Power Contracts & Billing
James H. Yates	Director – Business Marketing & Economic Development
Charles Vacek	Manager – Federal Affairs
Joanne Willmott	Community Relations Manager
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Senior Assistant Secretary
Angela Graves	Assistant Secretary

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

November 22, 1999

Opening Remarks of Chairman Rappleyea

Chairman Rappleyea commenced the meeting by welcoming the Trustees and assembled staff to the newly furnished Albany Office boardroom.

1. Approval of the Minutes

The minutes of the Regular Meeting held on October 26, 1999 were approved.

2. **Financial Report for the Ten Months Ended October 31, 1999**

Trustee Ciminelli inquired as to the anticipated amount of net revenues for the current calendar year. Mr. Bellis responded that the current projection is for some \$67 – 68 million, but that it depends on the final results for the months of November and December.

Trustee Miller inquired about the reference to \$657 million shown as “Decommissioning Trust Budget” in that portion of the Report dealing with the status of financial reserves. Mr. Bellis explained that such figure merely represents a projection and that in fact the Decommissioning Fund, as set forth on page 2 of the current Report, is under-performing this year as compared to its historical earnings of 8%. Mr. Bellis explained that this result is attributable to current market conditions. Trustee Miller asked whether this means that the Fund’s assets are lower than required. Mr. Bellis responded in the negative, explaining that in view of the preceding years of above-average performance, the Fund is where it should be.

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Hiney briefed the Trustees on the newly started ISO, which had been operating in a trial mode for about 4 days. Mr. Hiney described the range and breadth of the ISO operations as extremely sophisticated, and accessible via the Internet to real-time markets, agreed-upon energy prices, as well as a real-time balancing market. So far the Authority has been well positioned in the sense that we have lots of generation, especially from Niagara, to offer for sale. However, the real-time market is showing extreme volatility and numerous swings. Mr. Hiney stressed that there is a steep learning curve ahead for each of the participants. For example, the computer erroneously reported certain information pertinent to BG and those glitches had to be ironed out over the weekend. Overall, Mr. Hiney reiterated that the ISO is one of the most sophisticated marketing systems in the world. Chairman Rappleyea added that the ISO would operate on a 2-week trial basis, and that if it functioned according to plan, the final agreement between the NYPP members transferring control of their facilities to the ISO would be signed in early December.

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. Mr. Krauss screened an excerpt from recent ABC network coverage of upcoming Y2K concerns. Mr. Krauss then reported that with 39 days remaining, Authority processes are well in place and that only 31 computer systems remain for re-certification. Mr. Krauss explained that the final "freeze" period will be established on December 1, and that an upcoming SEMO ("State Emergency Management Office") Y2K readiness drill is planned. Lastly, Mr. Krauss submitted a detailed graph depicting the time line for events scheduled for December until the rollover.

Chairman Rappleyea ended the meeting by commending Ms. Vahue, Ms. Fahey, and their assistants for their efforts in completing the Board Room and arranging for the meeting festivities.

4. Proposed Contracts for the Sale of Firm Power to Millwood No.1 Fire District and the Mt. Pleasant - Blythedale Union Free School District – Notice of Public Hearing

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on proposed contracts for the sale of firm power to Millwood No.1 Fire District (‘Fire District’) and the Mt. Pleasant - Blythedale U.F.S.D. (‘Blythedale’).

BACKGROUND

“Pursuant to the provisions of Section 1005 of the Public Authorities Law, the Authority provides firm power service to 111 public corporations in the metropolitan area of the City of New York. These customers include, among others, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, the City of New York, and the State of New York.

“Since the initial contracts with Southeast New York (‘SENY’) governmental customers were completed in the 1970’s, additional contracts for service to public corporations in the metropolitan area were completed in 1986 (the New York Convention Center Operating Corporation and Roosevelt Island Operating Corporation); one additional contract was completed in 1994 (the United Nations Development Corporation); and seven additional contracts were completed in 1995 (North Castle South Fire District # 1, Greenville Fire District, Town of Harrison - Fire District #4, Hawthorne Cedar Knolls U.F.S.D., Mt. Pleasant Cottage U.F.S.D., Pocantico Hills C.S.D. and the Village of Rye Brook).

“The Fire District and Blythedale are eligible for power service because they are public corporations authorized to receive Authority service under Section 1005 of the Public Authorities Law.

DISCUSSION

“The Fire District is located in Westchester County and has a territory of approximately eight square miles with a population of over 4,500 residents. The Fire District is made up of two firehouses located at 60 Millwood Rd. and 366 Croton Dam Rd. The Fire District was formed by the resident taxpayers and is operated under a Board of Commissioners form of government. It provides fire protection services to the residents.

“The Blythedale School is a Special Act School, which was created in 1973. Enrollment at the school is 140 students. The purpose of this Special Act School is to provide quality education to children with special needs throughout New York State.

“These customers will use the power sold under these proposed contracts at their firehouses and school buildings.

“Submitted herewith, as Exhibits ‘4-A’ and ‘4-B’, are proposed contracts with the applicants. They have each agreed to the terms of the proposed contracts, which are the same as the basic Power Supply Agreement executed by existing governmental customers in the SENY area. The applicants will pay the same rates as other governmental customers in the same service class.

“The Fire District and Blythedale will be served under Service Tariff No.12. Based on current rates, staff estimates that the applicants would realize electric cost savings of about 15 percent compared with payments to Consolidated Edison Company of New York, Inc. (‘Con Edison’), their current supplier.

“The total load of these new customers is approximately 284 kW. The Authority has sufficient capacity available from the resources dedicated to the SENY governmental customers to meet their current and projected power requirements.

RECOMMENDATION

“The Director - Major Accounts Group - Governmental recommends that the Trustees authorize the advertisement of a public hearing on the proposed contracts, to be held in the New York Office on January 25, 2000 or, in the event of unforeseen circumstances, such other date as is designated by the Chairman and Chief Executive Officer. It is also recommended that, pursuant to Section 1009 of the Public Authorities Law, the Executive Vice President, Secretary and General Counsel be authorized to transmit copies of the proposed contracts to the Governor and the Legislative leaders.

“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 Trustees hereby authorize the advertising of a public hearing on the terms of the proposed contracts with Millwood No.1 Fire District and Mt. Pleasant - Blythedale U.F.S.D; such hearing will be held on January 25, 2000 in the New York Office or, in the event of unforeseen circumstances, such other date as is designated by the Chairman and Chief Executive Officer; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to transmit copies of such proposed contracts to the Governor; the Speaker of the Assembly; the Minority Leader of the Assembly; the Chairman of the Assembly Committee on Ways and Means; the Temporary President of the Senate; the Minority Leader of the Senate; and the Chairman of the Senate Finance Committee pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That subsequent to such public hearing the Authority shall reconsider the terms of the proposed contracts and negotiate such changes as it deems necessary or advisable, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

**POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, N.Y. 10019**

APPLICATION FOR ELECTRIC SERVICE

THE MILLWOOD No.1 FIRE DISTRICT, (hereinafter called "Customer") hereby applies to POWER AUTHORITY OF THE STATE OF NEW YORK (hereinafter called "Authority") for firm power service under the Authority's applicable Service Tariff.

Customer understands:

(1) If this Application is accepted by Authority, firm power and energy will be supplied to Customer under the applicable Service Tariff(s) to the extent that Authority determines that it has capacity available to provide such power and energy. Customers who receive power and energy pursuant to such tariff shall not be entitled to receive such power and energy from any particular plants. The Authority shall have the right to furnish the power and energy from any source available to it.

(2) Delivery of power and energy to Customer will be made over the facilities of the utility company in whose franchise territory Customer's facilities are located pursuant to contractual arrangements entered into by such company and the Authority.

Customer further understands and agrees that this Application and the furnishing of electric services hereunder is subject in all respects to the provisions of Authority's Rules and Regulations for Power Service and to the applicable Tariff; both as they may be later amended from time to time.

Upon acceptance by Authority and approval of the Governor pursuant to Section 1009 of the Power Authority Act, this Application together with the applicable Service Tariff shall constitute a contract between the parties for electric service hereunder.

Customer: _____

By: _____

Title: _____

Date: _____

(Attest)

Date: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Chairman and Chief Executive Officer

Date: _____

(Attest)

By: _____

Executive Vice President, Secretary and General Counsel

ACKNOWLEDGEMENTS

State of New York)ss:
County of New York

On this ____ day of _____, 200__ before me personally came Clarence D. Rappleyea and David E. Blabey, to me known, who each being by me duly sworn, did severally depose and say that they reside in _____, New York and in Delmar, New York, respectively, and that they are Chairman and Chief Executive Officer and, Executive Vice President, Secretary and General Counsel of Power Authority of the State of New York. That they executed the above instrument; that they know the seal of Power Authority of the State of New York aforesaid; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Trustees of Power Authority of the State of New York, and that they signed their names thereto by like order.

Notary Public in the State of New York
Residing in the County of _____
My Commission expires _____

(Notarial Seal)

State of New York)ss:
County of _____)

On this ____ day of _____, 200__ before me personally came _____ and _____ to be known, who being duly sworn, did depose and say that reside in _____ and _____, respectively, and that they are _____ and _____ of _____ that executed the foregoing instrument; that they know the seal of said entity that one of the seals affixed to said instrument is such entity's seal; that it was so affixed by order of the _____ of said entity and that they signed their names thereto by like order.

Notary Public in the State of New York
Residing in the County _____
My Commission expires _____

(Notarial Seal)

**POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, N.Y. 10019**

APPLICATION FOR ELECTRIC SERVICE

THE BLYTHEDALE UNION FREE SCHOOL DISTRICT, (hereinafter called "Customer") hereby applies to POWER AUTHORITY OF THE STATE OF NEW YORK (hereinafter called "Authority") for firm power service under the Authority's applicable Service Tariff.

Customer understands:

(1) If this Application is accepted by Authority, firm power and energy will be supplied to Customer under the applicable Service Tariff(s) to the extent that Authority determines that it has capacity available to provide such power and energy. Customers who receive power and energy pursuant to such tariff shall not be entitled to receive such power and energy from any particular plants. The Authority shall have the right to furnish the power and energy from any source available to it.

(2) Delivery of power and energy to Customer will be made over the facilities of the utility company in whose franchise territory Customer's facilities are located pursuant to contractual arrangements entered into by such company and the Authority.

Customer further understands and agrees that this Application and the furnishing of electric services hereunder are subject in all respects to the provisions of Authority's Rules and Regulations for Power Service and to the applicable Tariff; both as they may be later

amended from time to time.

Upon acceptance by Authority and approval of the Governor pursuant to Section 1009 of the Power Authority Act, this Application together with the applicable Service Tariff shall constitute a contract between the parties for electric service hereunder.

Customer: _____

By: _____

Title: _____

Date: _____

(Attest)

Date: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Chairman and Chief Executive Officer

Date: _____

(Attest)

By: _____

Executive Vice President, Secretary and General Counsel

ACKNOWLEDGEMENTS

State of New York)ss:
County of New York

On this ____ day of _____, 200__ before me personally came Clarence D. Rappleyea and David E. Blabey, to me known, who each being by me duly sworn, did severally depose and say that they reside in _____, New York and in Delmar, New York, respectively, and that they are Chairman and Chief Executive Officer and, Executive Vice President, Secretary and General Counsel of Power Authority of the State of New York. That they executed the above instrument; that they know the seal of Power Authority of the State of New York aforesaid; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Trustees of Power Authority of the State of New York, and that they signed their names thereto by like order.

Notary Public in the State of New York
Residing in the County of _____
My Commission expires _____

(Notarial Seal)

State of New York)ss:
County of _____)

On this ____ day of _____, 200__ before me personally came _____ and _____ to be known, who being duly sworn, did depose and say that reside in _____ and _____, respectively, and that they are _____ and _____ of _____ that executed the foregoing instrument; that they know the seal of said entity that one of the seals affixed to said instrument is such entity's seal; that it was so affixed by order of the _____ of said entity and that they signed their names thereto by like order.

Notary Public in the State of New York
Residing in the County _____
My Commission expires _____

(Notarial Seal)

**5 Illumination of the Upper Niagara River Rapids —
Underwriting Electricity Costs for the New York State Office of Parks,
Recreation and Historic Preservation, Niagara Frontier Region —
Expenditure Authorization**

The President submitted the following report:

SUMMARY

“At their meeting of March 28, 1989, the Trustees approved payment to the New York State Office of Parks, Recreation and Historic Preservation (‘OPRHP’), Niagara Frontier Region, for the five-year period 1989 through 1993, to cover the cost of the electricity needed for Phase I of a project to illuminate the upper Niagara River rapids. The project closing date was December 31, 1993. At their meeting of January 24, 1994, the Trustees extended the commitment for another five-year period, through December 31, 1998.

“The Trustees are requested to extend the approval for payment to cover Phase I of the illumination project for another five-year period, from January 1, 1999 through December 31, 2003. Staff estimates that the cost will be approximately \$10,000 annually. Total payments for the period 1999 through 2003 are not expected to exceed \$50,000.

BACKGROUND

“The Authority has been asked by the OPRHP to continue support of the illumination of the upper Niagara River Rapids system in a manner similar to the way Ontario Hydro provides the electricity to illuminate the Falls.

“Phase I of the illumination project covers illumination of the rapids immediately above the Falls. In 1998, OPRHP completed Phases II and III of the project, which illuminate the rapids above the Phase I area. OPRHP itself covers the cost of the electricity for Phases II and III. The Authority would continue to cover the cost of Phase I.

“Continued Authority support helps the Authority to maintain a cooperative and informative presence in the region. Authority participation also enhances the general public awareness of the Authority and its Niagara area facilities. In addition, it assists OPRHP and complements Authority involvement in the Niagara Frontier Region parks.

DISCUSSION

“The arrangement, which staff recommended and the Trustees approved in 1989 and 1994, is for the Authority to reimburse OPRHP for the cost of the electricity provided by Niagara Mohawk for Phase I of the rapids illumination at the applicable retail service rate. It is recommended that this arrangement be maintained for the period of the extension.

FISCAL INFORMATION

“Funds required for this purpose are included in the Approved 1999 O&M Budget. Funds required for subsequent years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Vice President – Public Affairs recommends that the Trustees approve payment to the New York State Office of Parks, Recreation and Historic Preservation, Niagara Frontier Region, for the electricity needed to illuminate the upper Niagara River rapids as described above.

“The Senior Vice President and 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 approval is hereby granted for payment to the New York State Office of Parks, Recreation and Historic Preservation, Niagara Frontier Region, of the cost of the electricity for Phase I of the upper Niagara River rapids illumination project, covering the five-year period 1999 through 2003, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Expenditure Approval</u>
<p>Electricity Costs— Phase I of the illumination of the Upper Niagara River Rapids</p>		
<p>New York State Office of Parks, Recreation and Historic Preservation, Niagara Frontier Region</p>	<p>12/31/03</p>	<p><u>\$50,000</u></p>

AND BE IT FURTHER RESOLVED, That it is hereby authorized that up to \$50,000 of the Operating Fund monies be withdrawn from such Fund and utilized for making the payments specified in the foregoing report of the President, provided, however, that such withdrawals be conditioned upon certifications by the Treasurer that such amounts to be withdrawn from the Operating Fund are not then required for any of the purposes specified in Paragraphs (a)-(c) of Section 503(1) of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented.

6. Next Meeting

“The regular meeting of the Trustees will be held on **Tuesday, December 14, 1999, at the New York Office at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

NXMTGNOV

Closing

Upon motion made and seconded, the meeting was closed at 12:00 noon.

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