

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

October 26, 1999

Table of Contents

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1.	Minutes of the Regular Meeting held on September 28, 1999	4	
2.	Financial Reports for the Eight Months Ended September 30, 1999	5	'2-A'
3.	Report from the President and Chief Operating Officer	6	
4.	Proposed Neighboring States Hydropower Contracts – Notice of Public Hearing – '4-B' Resolution	8	'4-A'
5.	Village of Angelica – Increase in Retail Rates – Notice of Adoption – Resolution	11	'5-A' '5-B' '5-C'
6.	Transfer of Expansion Power – Resolution	13	
7.	Nassau Public Utility Service Agency – Allocation of Industrial Power – Resolution	15	
8.	Change in Power Allocation – Resolution	17	
9.	Authorization of Prepayment Arrangements for Southeast New York ("SENY") Governmental Customers – Resolution	18	
10.	St. Lawrence/FDR Power Project – Project Life Extension and Modernization Award of Contract for Generation Control Systems to Voith-Hydro, Inc. – Resolution	20	
11.	Proposed Schedule of Trustees' Meetings in 2000 and Amendment of Article III, Section 3 of the Authority's By-Laws – Resolution	24	'11-A'

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
12. Proposed 500 MW Combined Cycle Facility – Licensing, Engineering, Procurement and Construction – Funding and Contract Award – General Electric Company	26	
12(a) Motion to Conduct Executive Session	29	
12(b) Motion to Resume Meeting in Open Session	29	
12(c) Resolution	29	
13. Next Meeting	31	
Closing		

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
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
James Knubel	Senior Vice President and Chief Nuclear Officer
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President - Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Arthur Cambouris	Assistant General Counsel
Joseph Carline	Assistant General Counsel
Ronald W. Ciamaga	Regional Manager – Northern New York
Richard E. Kuntz	Regional Manager – Southeast New York
Jordan Brandeis	Director – Performance Planning
Arthur M. Brennan	Director – Budgets
Angelo Esposito	Director – Energy Services Division
Leonard Lufker	Director – Computer Applications
Helle Maide	Director – Major Accounts Group, Governmental
John L. Murphy	Director – Public Information
William V. Slade	Director – Environmental Programs
Joan Tursi	Director of Budgets
James H. Yates	Director – Business Marketing & Economic Development
Craig Banner	Manager, Municipal & Cooperative Reg./Marketing
Ashok Nariani	Manager, Budgets
Maria Zazzera	Manager, Power Contracts
Luis Rodriguez	Community Relations Manager
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Senior Assistant Secretary
Laura Badamo	Assistant Secretary – Legal Affairs
Angela Graves	Assistant Secretary

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 September 28, 1999 were approved.

2. **Financial Report for the Eight Months Ended August 31, 1999**

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Knubel briefed the Trustees on nuclear-related developments, in particular the successful completion of the IP3 refuel outage in a record 40 days, i.e., 5 days shorter than the originally scheduled 45-day duration. Mr. Knubel reported that final outage expenditures had been slightly higher than originally anticipated. Mr. Knubel expressed thanks to Mr. Fred Dacimo of IP3, as well as those NYPA employees from other facilities, who had so greatly contributed to the outage effort, for their support, and indicated that the outage had been well prepared and well executed. Mr. Knubel further reported that the plant was presently at 90% power and that he anticipated completing the ascension on Wednesday. Chairman Rappleyea stated that the Trustees were pleased with the outstanding outage performance and extended their congratulations to staff.

With respect to JAF, Mr. Knubel further reported that there had been an unanticipated forced shutdown when the plant inexplicably tripped some 10 days earlier. Although it took some 2 days to ascertain that the cause of the trip was a short in the turbine trip signal, Mr. Knubel noted that plant management had used the down time to good effect, and moved up a portion of the work which was to be performed during a scheduled 7-day outage in November. As a result, the November outage will now only need some 3 days of down time.

At President Zeltmann's request, Ms. Morman briefed the Trustees on the recent curtailments of hydropower deliveries to some 175 Authority customers resulting from low water levels. Ms. Morman explained that such curtailments are effectuated pursuant to the original contract provisions. However, no such cutbacks had taken place in the last 30 years, and most customers were unaware of this eventuality. Ms. Morman described how Authority staff had reached out to the customers and conducted meetings and briefings, as well as provided alternative options to enable customers to meet their power needs, in particular, purchasing power on their behalf. In response to questions from Trustee McCullough, Mr. Blabey and Ms. Morman explained that 91 businesses, 17 municipal electric, and 3 wholesale customers have availed themselves of this alternate option, i.e., under which the Authority will acquire additional power to meet their needs. Remaining customers have chosen to either temporarily curtail production and/or acquire power through other sources. In response to questions from Trustee Miller, Ms. Morman explained that all 175 customers regularly utilize their full allotment

of scheduled hydropower. President Zeltmann added that Authority staff is doing its utmost to keep our customers informed and to provide assistance and accommodation, as needed.

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 with 66 days remaining, the Authority would institute its final system "freeze" period within a month. With respect to "inventory readiness," Mr. Krauss stated that staff has been getting the newer computer systems up and running, and that about 50% of these are mission-critical. Mr. Krauss further reported that the QA audits of the post-June 30th readiness status have been completed, and that the IP3 refuel outage did not give rise to any Y2K problems. Mr. Krauss added that a NYPA employee had been invited to appear on Assemblywoman Sandy Galef's cable television program, and that NYPA employees had also hosted a Russian delegation of IT experts in connection with Y2K-related matters. Lastly, Mr. Krauss described NYPA activities in performing local community outreach efforts on Y2K readiness.

4. Proposed Neighboring States Hydropower Contracts – 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 with several neighboring states (herein collectively referred to as ‘the Bargaining Agents’ or ‘the Neighboring States’). The Neighboring States and the amounts of firm and peaking power allocated to each are listed in Exhibit ‘4-A’.

BACKGROUND

“The Niagara Redevelopment Act requires the Authority to make available at least 50 percent of the Niagara Project’s power to ‘preference customers’ i.e., public bodies and non-profit cooperatives within economic transmission distance. It further requires the Authority to make available a ‘reasonable’ portion of up to 20 percent of such preference power (or up to 10 percent of the total Niagara Project power) to preference customers in neighboring states. Article 28 of the Authority’s Federal Power Commission license for the St. Lawrence Project requires that the Authority ‘make a reasonable portion of the power capacity and a reasonable portion of the power output available for use within the economic market area in neighboring states...’ The Power Authority Act authorizes the Authority to sell a ‘reasonable share’ of Niagara and St. Lawrence power to Neighboring States.

“Pursuant to the foregoing statutory and license conditions, the Authority has been selling hydropower from the Niagara Project since 1961 and the St. Lawrence/FDR project since 1958 to Neighboring States. Initially, hydropower was sold only to Vermont and subsequently to Ohio and Pennsylvania. Since 1985, power has been sold to the current seven Neighboring States (Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont), to comply with Federal Energy Regulatory Commission (‘FERC’) rulings on this matter.

“The current contracts with the seven Neighboring States are due to expire on June 30, 2001 and the aggregate amounts sold thereunder are 188 MW of firm Niagara hydropower, 40 MW of peaking Niagara hydropower, 68 MW of firm St. Lawrence hydropower and 10 percent and 8.5 percent of interruptible energy from the Niagara and St. Lawrence projects, respectively.

DISCUSSION

“The Neighboring States are the only major hydropower customer group for which the power contracts are scheduled to expire in 2001, prior to the year 2007, and during the St. Lawrence relicensing process.

“Recognizing that a collaborative solution is preferable to litigation, in 1997 the Management Committee directed the staff to initiate negotiations with the Bargaining Agents under which the Authority would commit to a long-term extension of the current contractual arrangements (maintaining the existing aggregate Niagara and St. Lawrence allocations) and the Bargaining Agents would agree to support the Authority’s St. Lawrence relicensing application. Staff has negotiated the contracts included in Exhibit ‘4-B’ with Bargaining Agents representing New Jersey, Pennsylvania, Rhode Island, Vermont and Ohio. Massachusetts and Connecticut have not yet agreed to the proposed contract, but staff will continue to seek those states’ agreement to the form of agreement accepted by the other states.

“The proposed contracts expire on June 30, 2021 and, except for two provisions, would become effective upon the receipt of the new St. Lawrence license. The two excepted provisions described below become effective upon execution of the contract.

“The first provision that would become effective upon execution is a requirement that the Bargaining Agent submit an updated schedule of the resellers in the Bargaining Agent’s state that would receive the hydropower and the number of rural and domestic customers served by such resellers. The current apportionment of Niagara and St. Lawrence power among the Neighboring States is based on 1984 data on the number of rural and domestic customers of eligible resellers. Upon receipt of the updated information, the individual Neighboring State hydropower allocations would be subject to modification coincident with the effective date of the new agreements. The aggregate amounts of Niagara and St. Lawrence power made available to Neighboring States is not changed by this provision.

“The other provision that would become effective upon execution concerns hydropower rates. Specifically, that provision states that if the hydropower rates applicable to in-state Niagara preference customers are modified as a result of order, judgement or settlement, the rates applicable to the Bargaining Agents will be modified in a consistent manner, but only prospectively.

“While the existing Neighboring State power contracts expire on June 30, 2001, a provision therein allows for a month-to month extension upon mutual agreement, for a period of 28 months. The 28 month extension coincides with the expiration of the St. Lawrence license on October 31, 2003. Since the proposed new contracts would become effective upon the receipt of the new St. Lawrence license, it is necessary to implement the 28 month extension provision and possibly a further extension if the new license is delayed.

“The Bargaining Agents that have agreed to the proposed contracts have also agreed to execute a comprehensive licensing settlement agreement which, among other things, includes a proposed license article stipulating that the Neighboring States are entitled to eight and one-half percent of all classes of power and energy from the Project.

FINANCIAL INFORMATION

“As the proposed contracts constitute a continuation of existing arrangements, there are no financial implications associated therewith.

RECOMMENDATION

“The Director – Power Contracts and Billing recommends that the Trustees authorize the advertisement of a public hearing on the proposed contracts, to be held in the New York Office on December 15, 1999, or at a subsequent time and date authorized by the Chairman, including a separate hearing for the proposed contract with Massachusetts if that state agrees to the contract’s terms. 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.

“It is also recommended that, subject to the approval and execution of the proposed contracts, that the Senior Vice President – Marketing and Economic Development be authorized to execute letter agreements with the Bargaining Agents extending the existing power contracts to October 31, 2003, and thereafter, as required until the effective date of a new St. Lawrence license.

“The Senior Vice President – Marketing and Economic Development, 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.”

In response to questions from Trustee Miller, Mr. Peterson explained that the rates paid by these customers represent cost-based rates. In response to questions from Trustee Ciminelli concerning proposed modifications to the

existing arrangements, Mr. Peterson explained that although the aggregate totals will not change, the new contracts would enable the Authority to review the percentage of each state's individual allocations, based on up-to-date counts of their respective rural and domestic customers. In response to questions from Trustee DiMarco concerning the transmission arrangements for this power, Mr. Peterson explained that the Authority has transmission agreements to the state borders with several of the IOUs, and that some of the Neighboring States have their own agreements; however, when those agreements expire in 2001, transmission service will be provided under the ISO Open Access Transmission Tariff.

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

RESOLVED, That the Authority hereby authorizes the advertising of a public hearing on the terms of the proposed contracts for the sale of hydroelectric power and energy generated by the Authority substantially in the form attached hereto, to be held on December 15, 1999 in the New York Office, or at a subsequent time and date authorized by the Chairman, including separate hearings for proposed contracts with Massachusetts and Connecticut if those states agree to the contract's terms; and be it further;

RESOLVED, That the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to transmit copies of the 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 the Senior Vice President – Marketing and Economic Development be, and hereby is, authorized to execute letter agreements, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, with the Bargaining Agents that have agreed to the proposed contracts extending the Authority's existing power contracts with those Bargaining Agents to October 31, 2003 or the effective date of a new St. Lawrence project license, whichever is later, subject to the ultimate approval and execution of the proposed contracts.

NEIGHBORING STATE HYDROPOWER ALLOCATIONS
(KW)

State	Niagara <u>Firm</u>	<u>Peaking</u>	St. Lawrence <u>Firm</u>
Connecticut	12,800	2,700	5,400
Massachusetts	59,500	12,700	9,600
Rhode Island	700	100	1,600
Vermont	11,500	2,500	1,000
New Jersey	11,400	2,400	12,200
Pennsylvania	39,500	8,400	20,300
Ohio	<u>52,600</u>	<u>11,200</u>	<u>17,900</u>
	188,000	40,000	68,000

In addition to the amounts listed above, and in accordance ruling concerning Niagara sales to Neighboring States, the current and proposed contracts also provide that 10 percent of the Niagara interruptible energy and 8.5 percent of the St. Lawrence interruptible energy be made available in the aggregate to Neighboring States.

0819991/JJPACP

DRAFT
For Discussion Purposes Only
August 1999

POWER AUTHORITY
OF THE
STATE OF NEW YORK
1633 BROADWAY
NEW YORK, NY 10019

CONTRACT FOR THE SALE
OF HYDROPOWER AND ENERGY
TO NEIGHBORING STATES

Service Tariff No. 6A - Firm Hydroelectric Power and Energy
Service Tariff No. 7A - Peaking Hydroelectric Power and Energy
Service Tariff No. 7B - Non-Firm Hydroelectric Energy Service

Table of Contents

<u>Section</u>		<u>Page</u>
I	Definitions	2
II	Electric Service to be Provided	3
III	Availability of Non-Firm Hydroelectric Energy	5
IV	Rules, Regulations and Service Tariffs	5
V	Modification to Power and Energy Allocations	6
VI	Transmission and Delivery of Power and Energy	7
VII	Scheduling Procedures	8
VIII	Dispatching Agent	8
IX	Other Classes of Power and Energy	9
X	Conditions of Service	9
XI	Appointment of Customer Agent	10
XII	Term and Termination of Service	11
XIII	Rates	12
XIV	Notification	12
XV	Applicable Law	13
XVI	Successors and Assigns	13
XVII	Previous Contracts	13
XVIII	Acceptance and Approvals	14
XIX	Severability	14
XX	Effectiveness of Agreement	14
	Acknowledgements	

Service Tariff No. 6A - Firm Hydroelectric Power and Energy

Service Tariff No. 7A - Peaking Hydroelectric Power and Energy

Service Tariff No. 7B - Non-Firm Hydroelectric Energy Service

Appendix A Entity Listing

Appendix B Auer Settlement

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, NY 10019

AGREEMENT FOR THE SALE OF HYDROPOWER AND ENERGY

_____, which is the bargaining agent for the State of _____, hereby enters into this Agreement with the Power Authority of the State of New York (hereinafter called the "Parties"), for electric service as follows:

I Definitions

- (a) *The Authority* is the Power Authority of the State of New York.
- (b) *Contract Demand* will be the amounts set forth in Section II or such other amount as may be determined in accordance with the provisions of this Agreement.
- (c) *Customer* is the bargaining agent identified above.
- (d) *Electric Service* is any type of power and energy available to Customer in accordance with applicable Service Tariffs, Rules and other contract documents.
- (e) *Firm Hydroelectric Power and Energy* are power and associated energy which are intended to be available at all times except for limitations provided in this Agreement, the Rules, a Service Tariff or in other contract documents.
- (f) *Non-firm Hydroelectric Energy* is energy from the Authority's St. Lawrence or Niagara Project which is subject to interruption for extended periods because of decreased water flow or other system conditions.
- (g) *Neighboring State Customers* means Customer and all other neighboring state bargaining agents.
- (h) *Peaking Hydroelectric Power and Energy* are firm power and energy intended for use primarily in Customer's peak load periods and limited as to the energy to be supplied as set forth in this Agreement, the Rules, a Service Tariff or in other contract documents.
- (i) *Rules* are the applicable provisions of the Authority's Rules and Regulations for Power Service (Part 454 of Chapter X of Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York).
- (j) *Service Tariff* is a schedule establishing rates and other conditions for sale of electric service to Customer.

II Electric Service to be Provided

(a) The Authority agrees to provide Electric Service pursuant to the following service tariffs for power and/or energy to enable the Customer to receive its allocations from the St. Lawrence-FDR and the Niagara Projects, in the amounts set forth below:

Firm Hydroelectric Power and Energy Service pursuant to Service Tariff No. 6A.

Peaking Hydroelectric Power and Energy Service pursuant to Service Tariff No. 7A.

Non-Firm Hydroelectric Energy Service pursuant to Service Tariff No. 7B.

Contract Demands

Niagara Project		St. Lawrence-FDR Project
-----		-----
<u>Firm</u>	<u>Peaking</u>	<u>Firm</u>
-----		-----
(Kilowatts)		

(b) On or before October 1, 2000, each Customer shall provide the Authority and all other Neighboring State Customers with an updated Appendix A to this Agreement listing the appropriate neighboring state entities that expect to be ready, willing and able to receive such power upon the effective date of this Agreement. Customer shall prepare such updated Appendix A using data from calendar year 1998. Based upon the revised Appendix A, the foregoing Contract Demands shall be subject to revision by the Authority.

(c) The Contract Demands may be decreased by the Authority if the amount of firm power available for sale from either the Niagara or St. Lawrence-FDR Project or peaking power from the Niagara Project is reduced as required to comply with any ruling, order or decision of any regulatory or judicial body having jurisdiction, provided that in the event of such a reduction, the aggregate percentage of the reduced firm and peaking power allocated to Customers shall be ten percent (10%) of all Niagara Project firm and peaking power and eight and one-half percent (8.5%) of all St. Lawrence-FDR Project firm power.

(d) In the event the Authority changes the capability of either the Niagara or St. Lawrence-FDR Projects, the Authority will conduct a study to determine whether additional quantities or classes of power and/or energy can be marketed. If the Authority conducts a discrete program of changes or upgrades to either project, such as a program of upgrades to either project's generating units, the study referred to in the foregoing sentence shall be conducted at the completion of such program. If the

Authority determines that additional quantities or classes of power and/or energy are available for sale from such projects as a result of such change, the aggregate percentages of such additional classes of power and/or energy to be offered to Neighboring State Customers shall be ten percent (10%) from the Niagara Project and eight and one-half percent (8.5%) from St. Lawrence-FDR. Customer's share of any additional quantities or classes of power and/or energy, which it has no obligation to purchase, shall be based on its proportional share of the neighboring state allocation of Niagara or St. Lawrence-FDR power and energy, as applicable.

(e) In the event that the Authority makes available additional products from the Niagara and/or St. Lawrence-FDR Projects, the aggregate percentages of such additional products to be offered to Neighboring State Customers shall be ten percent (10.0%) from the Niagara Project and eight and one-half percent (8.5%) from the St. Lawrence-FDR Project. Customer's share of any additional products, which it has no obligation to purchase, shall be based on its proportional share of the neighboring state allocation of Niagara and/or St. Lawrence-FDR firm power, as applicable, provided that if any Neighboring State Customer chooses not to accept any portion of such additional products, the amount offered to the other Neighboring State Customers shall be proportionately increased.

III Availability of Non-Firm Hydroelectric Energy

Except as otherwise provided pursuant to this Agreement, ten percent (10%) of all Niagara and eight and one-half percent (8.5%) of all St. Lawrence-FDR Non-Firm Hydroelectric Energy shall be made available pursuant to Service Tariff No. 7B to the seven (7) Neighboring State Customers on a cumulative basis from July 1, 2001. Non-Firm Hydroelectric Energy from each project shall be offered to all Neighboring State Customers in proportion to their respective firm power allocations from the corresponding project (i.e., based on the project capacity existing as of the effective date of this Agreement, a particular state's Non-Firm Hydroelectric Energy allocation from Niagara will be equal to that state's Niagara firm power allocation (in kW) divided by 188,000 kW times the total Niagara Non-Firm Hydroelectric Energy available to all neighboring states). To the extent that there is a balance owing to Customer on June 30, 2001, or upon expiration of the prior contract, that balance shall be carried over and maintained as the balance as of July 1, 2001, under this Agreement.

The Authority will make available periodically but at least annually a tabulation showing cumulative comparisons between total actual Non-Firm Hydroelectric Energy sales to Neighboring State Customers and the amount of energy the Authority has contracted to make available.

IV Rules, Regulations and Service Tariffs

The Rules, Service Tariff No. 6A, Service Tariff No. 7A and Service Tariff No. 7B, as now in effect and/or such superseding tariffs or other tariffs as the Authority may later promulgate, all as such Rules and Service Tariffs may be later amended from time to time by the Authority, are hereby incorporated into this contract with the same force and effect as if herein set forth at length. In the event of any inconsistencies, conflicts or differences between the provisions of the Service Tariffs and the Rules, the provisions of the Service Tariffs shall govern. In the event of any inconsistencies, conflicts or differences between the provisions of this Agreement and the Service Tariffs, the provisions of this Agreement shall govern. The Authority will provide at least thirty (30) days prior written notice to Customer, but in no event less notice than that provided to similarly affected customers within New York State of any proposed change in the above Rules and Service Tariffs.

V Modification to Power and Energy Allocations

Appendix A, attached hereto contains, inter alia, a list of all entities on whose behalf Customer has contracted for power and energy, the number of rural and domestic (R&D) consumers served by such entities, the disposition of such power and energy resold by Customer to each such entity, each such entity's respective average monthly load factor for a twelve (12) month period to be designated by the Authority, and either (i) the overall weighted average coincident peak monthly load factor or (ii) alternate monthly load factor data or estimates, as approved by the Authority.

Customer may at any time on written notice to the Authority modify its Appendix A to redistribute its then existing allocation among authorized recipients in its state.

The quantities of power and energy referred to herein are established by the Authority as part of an allocation of power to New York's neighboring states in order to fulfill statutory and/or license obligations. If the Authority determines that Customer, or any preference entity represented by Customer listed on Appendix A, is or becomes unable or unwilling to receive any or all of the Niagara power and the energy allocated to it, such power and energy will be allocated by the Authority pro-rata among all Neighboring State Customers for use by the preference entities that are willing and able to receive such power and energy until the reason for such reallocation is resolved. If the Authority determines that Customer is, or becomes unable or unwilling to receive any or all of the St. Lawrence-FDR power and energy allocated to it, such power and energy will be allocated by the Authority pro-rata among all Neighboring State Customers for their use until the reason for such reallocation is

resolved. Customer must provide written notice to the Authority and all other Neighboring State Customers of such resolution. Upon acceptance of such notice by the Authority, any required changes in the allocations of power and energy among the Neighboring State Customers shall become effective the first day of the succeeding January or July, whichever comes first, but no earlier than ninety (90) days after the Authority's receipt of such notice.

VI Transmission and Delivery of Power and Energy

Customer understands that delivery of power and energy to the New York State border will be made over the transmission facilities under the control of the Authority and/or utility company(ies) with which the Authority has wheeling arrangements or, as applicable, the Independent System Operator (ISO) in New York. It is the Authority's responsibility to arrange for the transmission of the power and energy supplied hereunder to the New York State border. It is the Customer's responsibility to compensate the Authority for all costs associated with transmission to the New York State border.

In lieu of the Authority arranging transmission service to the New York State border, Customer may elect to do so on its own behalf. In that instance, Customer must provide the Authority with the requisite notice in order to cancel all preexisting wheeling arrangements subject to the terms of such arrangements and waive any rights it might have obligating the Authority to provide same.

Customer agrees that delivery of power and energy from the New York State border to consumers in Customer's state is the sole responsibility of Customer, and Customer shall make the necessary arrangements to accomplish said delivery.

Customer and the Authority recognize that the New York Power Pool is undergoing a restructuring process to establish an ISO. Certain provisions contained herein may need to be amended, or additional provisions added to conform service hereunder to the rules and regulations of the ISO, particularly with respect to scheduling, delivery and reliability. The Parties agree to negotiate in good faith any such revisions or additions to this Agreement. Customer and Authority also recognize that industry restructuring is underway in the neighboring states and that certain provisions to this Agreement may need to be amended, or additional provisions added, to maintain the relative benefits and burdens of this Agreement. They agree to negotiate in good faith to do so. Nothing in this Agreement shall limit either Party's right to submit the matter to the Federal Energy Regulatory Commission for resolution if such negotiations do not result in a mutually satisfactory resolution.

The Authority will, in its sole discretion, endeavor to accommodate Customer's request(s) to meet the requirements of other transmission and/or reliability organizations affecting the delivery of power and energy under this Agreement.

VII Scheduling Procedures

The Scheduling Procedures as provided in Service Tariff Nos. 6A, 7A and 7B shall be modified to reflect industry restructuring referenced in Section VI. The Authority shall develop the modified procedures for scheduling power and energy sold hereunder. Such procedures may be modified by the Authority from time to time upon thirty (30) days prior written notice to Customer and will be consistent with the requirements of the ISO in New York.

VIII Dispatching Agent

Customer may elect to designate _____ to act as dispatching agent for the purpose of administering the scheduling provisions of Service Tariff Nos. 6A, 7A, 7B for the term thereof and in the event the Authority requires Customer to schedule energy hereunder in general accordance with its system load pursuant to the Service Tariffs, Customer may substitute the _____ general load curve for scheduling provisions included therein.

IX Other Classes of Power and Energy

In the event that the Authority at any time determines that a class or classes of power and energy other than those sold pursuant to Service Tariff Nos. 6A, 7A and 7B is available for sale to Customer or that additional power and energy under those Service Tariffs is available for sale to Customer, including such additional quantities or types of power and/or energy which the Authority determines to be available to fulfill statutory and/or license obligations to neighboring states on account of any changes in rating of the Niagara or St. Lawrence-FDR Projects during the term of this Agreement, the Authority shall notify Customer, and Customer may purchase such power and energy hereunder at the rate schedule or schedules then in effect for such power and energy, in such amounts and subject to such terms and conditions as shall then be agreed upon between the Authority and Customer.

X Conditions of Service

Prior to commencement of service hereunder for the benefit of any entity listed on Appendix A, Customer shall provide to the Authority a copy of a written agreement pursuant to which each such entity agrees to be individually liable to the Authority, to the extent that service or benefits are furnished to such entity or to the system of such entity or to consumers served by such entity, for all the obligations and undertakings of Customer under this Agreement and under the Service Tariffs pursuant to which electric service is hereunder furnished. In the event Customer shall not have duly and promptly fulfilled its obligations and undertakings as set forth herein, Customer agrees that it will not release any entity from such individual liability to the Authority prior to the expiration of this Agreement without the prior written consent of the Authority. As indicated in the Special Provision concerning Resale of Power and Energy in Service Tariff Nos. 6A, 7A and 7B, Customer shall also indicate in Appendix A any entity designated therein which will sell any power and energy sold hereunder for resale and the entity(ies) to which such power and energy will be sold for resale. Any such sale for resale shall be made only within Customer's state and shall be subject to approval by the Authority and no such sale for resale shall be made at rates higher than those at which the power and energy was purchased from Customer.

Customer may request the Authority to deliver all or a portion of its power and energy allotment in any year to another neighboring state allottee provided that such other allottee shall instruct the Authority to deliver an equal amount of the same class of power and energy from its allotment to Customer at a specified time within twenty-four (24) months thereafter. The Authority shall endeavor to accommodate such temporary exchanges of power if practicable, provided that (i) the Authority has received written agreement from Customer and such other allottee to perform such temporary exchange of power, (ii) transmission arrangements have been made by the Customer, with the Authority's cooperation, and (iii) any incremental cost and expense incurred as a result of this temporary exchange of power will be borne by the Customer.

XI Appointment of Customer Agent

Upon reasonable prior written notice to the Authority, Customer shall have the right to delegate to an agent any or all duties under this Agreement and the Authority acknowledges that such duties may be performed by Customer's Agent. Such duties delegated to Customer's Agent may include the keeping of all records required by Authority, the payment of any or all amounts due to the Authority under this Agreement and any or all such other duties contained in this Agreement as may be specified by Customer; provided that the Customer may choose to assume and perform any or all of the duties previously delegated to Customer's Agent and provided further that nothing herein, including Customer's designation of such an agent, shall be deemed to be approval by the Authority of an assignment of any of Customer's duties and obligations under its contract with the Authority. Customer further reserves the right on reasonable prior written notice to the Authority to designate a different party as Customer's Agent at any time during the term of this Agreement.

XII Term and Termination of Service

Once initiated, service shall continue until the earliest of (a) termination by Customer with respect to all or part of its allocation upon ninety (90) days prior written notice, (b) termination by the Authority pursuant to the Rules upon required notice, or (c) June 30, 2021; provided however that the sale of power and energy from the Niagara Project beyond the expiration of the current Niagara Project license shall be subject to the renewal by the Federal Energy Regulatory Commission of such license on terms allowing the continuation of service hereunder. In the event that the Authority's Niagara Project license is not renewed, or that the terms of such renewal would not allow the continuation of service hereunder, this Agreement insofar as it provides for the sale of power and energy from such Project, shall terminate upon the expiration of the current Niagara Project license. In the event that the Authority's St. Lawrence-FDR Project license is not renewed or that the terms of such renewal would not allow the commencement or continuation of service hereunder, this Agreement, insofar as it provides for the sale of power and energy from such Project, shall not take effect and service will not commence hereunder.

The Authority may cancel service hereunder or modify the quantities of power and associated energy allocated to Customer (a) if such cancellation or modification is required to comply with any ruling, order or decision of any regulatory or judicial body of competent jurisdiction (including any licensing or re-licensing order or orders of the Federal Energy Regulatory Commission or its successor agency), or (b) as otherwise provided herein or in the Rules.

XIII Rates

Customer agrees to pay for hydroelectric power and energy sold to Customer hereunder at rates developed by the Authority in accordance with the principles set forth in the March 5, 1986 Settlement Agreement (Appendix B to this Agreement) settling Auer v. Dyson, No. 81-124 (Sup. Ct. Oswego Co.), Auer v. Power Authority, Index No. 11999-84 (Sup. Ct. N.Y. Co.) and Delaware County Electric Cooperative, Inc. v. Power Authority, 82 Civ. 7256 (S.D.N.Y.) and Customer shall not object to the principles set forth in such Settlement Agreement.

It is further agreed that if the rates for hydroelectric power and energy charged by the Authority to New York State public bodies and non-profit cooperatives entitled to receive preference and priority under the Niagara Redevelopment Act are modified as a result of a final, non-appealable order or judgment, or binding settlement, the rates charged under this Agreement will be modified in a consistent manner only prospectively as of the later of (i) the date of such order, judgment or settlement or (ii) the effective date of such rate modification. Further, the Parties agree that neither will seek any retroactive adjustment in rates under this Agreement or any predecessor agreement between them for the sale of preference power.

XIV Notification

Correspondence involving the administration of this Agreement shall be addressed as follows:

To: The Authority
Manager – Power Contracts
New York Power Authority
1633 Broadway
New York, NY 10019u

To: Customer

XV Applicable Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York to the extent that such laws are not inconsistent with the Niagara Redevelopment Act and the Niagara (Project No. 2216) and St. Lawrence-FDR (Project No. 2000) licenses.

If any term or provision of this Agreement shall be invalidated, declared unlawful or ineffective in whole or in part by an order of the Federal Energy Regulatory Commission or a court of competent jurisdiction, such order shall not be deemed to invalidate the remaining terms or provisions hereof.

XVI Successors and Assigns

This Agreement shall be binding upon, shall inure to the benefit of, and may be performed by, the legal successors and assigns of either Party hereto; provided, however, that no assignment by either Party or any successor or assignee of such Party of its rights and obligations hereunder shall be made or become effective without the prior written consent of the other Party in each case obtained, which consent shall not be unreasonably withheld.

XVII Previous Contracts

This Agreement shall constitute the sole and complete contract of the Parties hereto with respect to the matters herein set forth. This Agreement supersedes all previous contracts and communication between the Parties hereto, either oral or written, with reference to the subject matter of this Agreement and no modifications of this Agreement shall be binding upon the Parties hereto or either of them unless such modification is in writing and is signed by a duly authorized officer of each of them.

XVIII Acceptance and Approvals

Upon approval of the Governor of the State of New York pursuant to Section 1009 of the Power Authority Act and upon acceptance by the Authority, this Agreement, the provisions of which shall survive for the term hereof, together with the Service Tariffs and Rules both as they may be amended, shall constitute the contract between the Parties for electric service hereunder.

XIX Severability

If any provision of this Agreement is rendered void or unenforceable or otherwise modified by a court or agency of competent jurisdiction, the entire Agreement shall, at the option of any either Party whose interests are materially and adversely impacted by any such action, be void and unenforceable.

XX Effectiveness of Agreement

This Agreement shall take effect on the date that a new license for the St. Lawrence-FDR Project becomes effective.

Notwithstanding the foregoing, the Parties hereby agree that the obligation to provide an updated Appendix A as set forth in Paragraph (b) of Section II ("Electric Service to be Provided") and the provisions of Section XIII ("Rates") shall take effect upon the execution of this Agreement.

CUSTOMER

BY _____

Authorized Officer's Title

Date _____

(Seal)

Attest by: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY _____

Authorized Officer's Title

Date _____

(Seal)

Attest by: _____

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, NY 10019

Service Tariff No. 6A
Schedule of Rates for Firm Hydroelectric Power
and Energy Service

EFFECTIVE:

July 1, 2001

APPLICABLE:

To sale of hydroelectric firm power and energy to designated Customers located in neighboring states.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES:

Capacity Rate: \$1.00 per month per kilowatt of Billing Demand

Base Energy Rate: 4.92 mills per kilowatt-hour

The energy charge set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described below under "Adjustments."

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

DEFINITIONS:

Contract Demand: The Contract Demand during the Billing Period shall be the maximum firm hydroelectric kilowatts allocated to Customer pursuant to the Application for Electric Service for the Billing Period, as measured at Authority's Generating Station Switchyards.

Billing Demand: The Billing Demand shall be the Contract Demand.

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

ADJUSTMENTS:

1. For Transmission Losses

The demand and energy charges specified in this Service Tariff apply to amounts of power and energy supplied at Authority's Generating Station Switchyards. Where power and energy is delivered elsewhere, appropriate adjustments will be made to compensate for transmission losses.

2. For Flow Adjustment Computation (FAC)

The energy charges hereunder are subject to a credit or surcharge pursuant to an FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve (RSR) is greater than \$+ 25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recovery and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this service tariff during the succeeding rate year. The FAC would be inapplicable in any rate year succeeding a calendar year at the end of which the RSR is within the \$+ 25 million to \$-25 million range. If at the end of any calendar year the RSR is determined to exceed \$+ 25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If at the end of any calendar year the RSR is determined to exceed \$+ 25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to Customers during the succeeding rate year pursuant to the FAC.

SCHEDULING PROCEDURES:

1. Authority will advise Customer or its dispatching agent prior to the start of each month of the estimated quantity of energy expected to be made available during such month.
2. Authority may require that such energy be scheduled in general accordance with the individual system load curve requirements of Customer or its dispatching agent or as otherwise determined by Authority.
3. For energy which Customer desires to receive on any day, Customer or its dispatching agent shall file with Authority pursuant to procedures established by Authority, a schedule therefore in amounts by clock hours.
4. Subsequent to Authority approval of firm schedules for any day, Authority and Customer or its dispatching agent may agree on changes in such schedules subject to procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

SPECIAL PROVISIONS:

Special Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. 6A with regard to deliveries to Customer are as follows:

A. Adjustment of Rates

The rates contained in this Service Tariff may be revised from time to time on not less than thirty (30) days written notice to Customer.

B. Availability of Energy

Unless otherwise agreed upon by the parties, Authority shall normally provide in any Billing Period firm energy to Customer in an amount equal to the product of (A) the number of hours in such billing Period, (B) the Contract Demand applicable in such Billing Period and (C) the overall applicable monthly load factor, as shown on Appendix A, which shall be based on the weighted average monthly coincident peaks of the distributing utilities in such state or in the absence of such data on the basis of alternate data or estimates as approved by Authority. In the event that hydraulic conditions at Authority's hydroelectric generating stations require the Authority to reduce the amount of energy provided to Customer under this Service Tariff No. 6A to an amount below such normal level, reductions shall be applied to all Customers served under Service Tariff No. 6A in proportion to their relative allocations of firm power.

The offer of energy for delivery pursuant to Special Provision C shall fulfill Authority's obligations for purposes of Special Provision B whether or not the energy is taken by Customer.

C. Delivery and Metering

1. Delivery. Firm power and energy supplied hereunder (measured at the generating source) shall be made available by Authority and delivered to Customer's Transmission Agent(s) for Customer at the points and voltages of interconnection between the transmission system(s) of Authority, utility company(ies) with which Authority has wheeling arrangements, and/or as applicable, the Independent System Operator (ISO) in New York all referred to herein as "NY Transmission Providers", and Customer's Transmission Agent(s) at the New York State line or at such other points and voltages of interconnection of the transmission systems of NY Transmission Providers with other systems as shall be mutually agreed upon by NY Transmission Providers and Customer's Transmission Agent(s). For the purpose of this contract, power and energy shall be deemed to be offered at such points of interconnection when Authority is able to supply power and energy and NY Transmission Providers have adequate transmission capacity in service to transmit such power and energy to designated points of interconnection. If, despite such offer, there is a failure of delivery by Customer or Customer's Transmission Agents, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.
2. Power Factor. Each of the parties hereto will jointly plan and operate its power system, as defined in Special Provision G, for their mutual advantage so that the flow of reactive power on the power system of one party will not adversely affect the power system of the other party.
3. Metering. The firm power and energy delivered to Customer's point(s) of receipt shall be measured at or computed as though measured at the New York State border. Meter readings at such point(s) for Billing Periods shall

be provided to Authority by Customer's Transmission Agent(s) not later than the 5th of the following month. All deliveries to Customer hereunder as determined from meter readings, from schedules of deliveries and from other data, must be adjusted for losses in transmission and transformation to the equivalent amounts at transmission voltage at Authority's Generating Station Switchyards, unless otherwise required by the Independent System Operator (ISO) in New York.

D. Payment by Customer for Firm Power and Energy

1. Customer shall pay for firm power and energy during any Billing Period the sum of a) and b) below:

- a) The capacity rate per kilowatt for firm power specified in this Service Tariff No. 6A or any modification thereof applied to Customer's Billing Demand for the period: and
- b) The energy rate specified in this Service Tariff No. 6A or any modification thereof applied to the amount of firm energy delivered by Authority to Customer during such Billing Period as determined pursuant to Special Provision C-3.

2. Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to Morgan Guaranty Trust, 23 Wall Street, New York, New York for credit to Power Authority revenue account no. 050-18-776, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E. Transmission and Substation Charges

Customer will compensate Authority for making delivery of firm power and energy to Customer's Transmission Agent(s) by paying to Authority transmission and substation charges, including an adjustment for transmission losses, in the amount determined by Authority to be necessary to defray the cost of such delivery to Customer.

F. Resale of Firm Power and Energy

Customer agrees that in reselling power and energy purchased from Authority it 1) will do so pursuant to the appropriate laws of the State or Commonwealth in which Customer operates, 2) that it will do so without profit other than reasonable compensation for administrative and service costs, 3) that it will resell such power and energy only to the distributing entities designated in Appendix A of the Application for Electric Service filed in advance by Customer with Authority and maintained on a current basis, 4) that it will not permit such distributing entities to sell such power and energy for resale except as designated in Appendix A of the Application for Electric Service, 5) that it will require such distributing entities to resell the Power and energy without profit other than reasonable compensation (as allowed by the regulatory agencies authorized by law to regulate the rates and practices of the distributing entities) for use of facilities and for services furnished in the transmission and distribution of such power, and 6) that with respect to the sale and distribution of hydroelectricity it will comply with the provisions of the Niagara Redevelopment Act (P.L. 85-159, 16 U.S.C. §§ 836, 836a) the Niagara and St. Lawrence Project licenses and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.) to the extent such Power Authority Act is not

inconsistent with the Niagara Redevelopment Act. Solely for the purposes of this Provision F, Customer which resells power or energy at retail shall be considered to be a “distributing entity” to be designated in Appendix A.

Customer shall keep its books, accounts and records pertaining to the purchase, delivery and sale of Authority power according to procedures deemed necessary by Authority to ensure compliance with applicable statutes, licenses, the Rules and shall require its designated receiving entities to do likewise. It shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its designated receiving entities as identified in Appendix A to the Agreement to do likewise.

G. Construction, Operation and Maintenance of Customer’s Power System

For the purposes herein “Customer’s Power System” shall mean the power system (if any) of Customer and of any purchaser, transmitter or distributor designated by Customer to receive or handle the power contracted for herein, and for the purposes of this Special Provision G, Authority’s power system shall mean all facilities over which power and energy are delivered to Customer’s Transmission Agent(s), whether or not owned by Authority. Customer shall make its best efforts to require all such purchasers, transmitters, or distributors to construct, operate and maintain their power system(s) and/or electrical equipment (if any), in a manner which will not interfere with any service supplied from Authority’s power system to Customer. If after reasonable notice of an unsatisfactory condition on Customer’s Power System which interferes or may interfere with any service to Customer supplied from Authority’s power system, Customer fails or refuses to cause such changes to be made as may be necessary to eliminate such unsatisfactory condition, Authority may discontinue furnishing electric service to Customer so long as such interference exists. Such a discontinuance of electric service will not relieve Customer of liability for the Minimum Monthly Charge provided for herein during the period said electric service is so discontinued. Nothing in this paragraph shall be construed to render Authority liable for any claims, demands, costs, losses, causes of action, damages, or liability of whatsoever kind or nature arising out of or resulting from the construction, operation or maintenance of Customer’s Power System.

H. Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this tariff.

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, NY 10019

Service Tariff No. 7A

Schedule of Rates for Peaking Hydroelectric Power
and Energy Service

EFFECTIVE:

July 1, 2001

APPLICABLE:

To sale of hydroelectric peaking power and energy to designated Customers located in neighboring states.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES:

Capacity Rate: \$1.00 per month per kilowatt of Billing Demand

Base Energy Rate: 4.92 mills per kilowatt-hour

The energy charges set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described below under "Adjustments."

MINIMUM MONTHLY CHARGE:

The product of the Capacity Rate and the Billing Demand.

DEFINITIONS:

Contract Demand: The Contract Demand shall be the maximum firm hydroelectric kilowatts allocated to Customer pursuant to the Application for Electric Service for the Billing Period, as measured at Authority's Generation Station Switchyards.

Billing Demand: The Billing Demand shall be the Contract Demand.

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

Peaking Power & Peaking Energy: Peaking Power and Peaking Energy are firm power and energy intended for use primarily during peak load periods and limited as to the energy to be supplied.

ADJUSTMENTS:

1. For Transmission Losses

The demand and energy charges specified in this Service Tariff apply to amounts of power and energy supplied at Authority's Niagara Switchyard. Where power and energy are delivered elsewhere, appropriate adjustments will be made to compensate for transmission losses.

2. For Flow Adjustment Computation (FAC)

The energy charges hereunder are subject to a credit or surcharge pursuant to an FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve (RSR) is greater than \$+ 25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recover and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this service tariff during the succeeding rate year. The FAC would be inappropriate in any rate year succeeding a calendar year at the end of which the RSR is within the \$+ 25 million to \$-25 million range. If at the end of any calendar year the RSR is determined to exceed \$+ 25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to Customers during the succeeding rate year pursuant to the FAC

SCHEDULING PROCEDURES:

1. Authority will advise Customer or its dispatching agent prior to the start of each month of the estimated quantity of energy expected to be made available during such month.
2. Authority may require that such energy be scheduled in general accordance with the individual system load curve requirements of Customer or its dispatching agent or as otherwise determined by Authority.
3. For energy which Customer desires to receive on any day or for pumping power and energy which Customer desires to supply on any day, Customer or its dispatching agent shall file with Authority pursuant to procedures established by Authority, a schedule therefor in amounts by clock hours.
4. Subsequent to Authority approval of peaking schedules for any day, or for pumping schedules for any day, Authority and Customer or its dispatching agent may agree on changes in such schedules subject to procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

SPECIAL PROVISIONS:

Special Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. 7A with regard to deliveries to Customer are as follows:

A. Adjustment of Rates

The rates contained in this Service Tariff may be revised by Authority from time to time on not less than thirty (30) days written notice to Customer.

B. Availability of Energy

Authority shall normally supply Peaking Energy to Customer at 12.5 percent (12.5%) monthly load factor with no more than five kilowatt hours per kilowatt of Contract Demand supplied in any single calendar day, unless otherwise agreed upon by the parties. In the event that hydraulic conditions at Authority's hydroelectric generating stations require the Authority to reduce the amount of energy provided to Customer under this Service Tariff No. 7A to an amount below such normal level, reductions shall be applied to all Customers served under Service Tariff No. 7A in proportion to their relative allocations of peaking power. In the event Peaking Energy is supplied at less than 12.5 percent (12.5%) load factor, Customer may supply to Authority pumping power and energy in amounts which after adjustment for losses associated with use of the Authority's peaking facilities will increase the supply of firm energy hereunder to 12.5 percent (12.5%) monthly load factor.

In the event that Customer desires energy in excess of 12.5 percent (12.5%) monthly load factor, Customer may, with the consent of Authority, supply to Authority pumping power and energy in such amounts as Authority determines it can accept. Upon request by Customer, Authority may purchase pumping power and energy on behalf of Customer and at Customer's expense. The ratio of firm energy produced to pumping energy supplied shall be taken as 0.90, both as measured at Authority's Niagara Switchyard.

Pumping energy may be provided either at Authority's generating switchyard or at the point of interconnection with the New York Transmission Agents, at the Customer's option, subject to the existence of any necessary transmission agreements in New York State.

The offer of peaking energy for delivery pursuant to Special Provision C shall fulfill Authority's obligations for purposes of Special Provision B whether or not the energy is taken by Customer.

C. Delivery and Metering

1. Delivery. Peaking power and energy supplied hereunder (measured at the generating source) shall be made available by Authority and delivered to Customer's Transmission Agent(s) for Customer at the points and voltages of interconnection between the transmission system(s) of Authority, utility company(ies) with which Authority has wheeling arrangements, and/or, as applicable or the Independent System Operator (ISO) in New York all referred to herein as "NY Transmission Providers", and Customer's Transmission Agent(s) at the New York State line or at such other points and voltages of Interconnection of the transmission systems of NY Transmission Providers with other systems as shall be mutually agreed upon by NY Transmission Providers and Customer's Transmission Agent(s). For the purpose of this contract, power and energy shall be deemed to be offered at such points of interconnection

when Authority is able to supply power and energy and NY Transmission Providers have adequate transmission capacity in service to transmit such power and energy to designated points of interconnection. If, despite such offer, there is a failure of delivery by Customer or Customer's Transmission Agents, such failure shall not be subject to a billing adjustment pursuant to Section 454.6(d) of the Rules.

2. Power Factor. Each of the parties hereto will jointly plan and operate its power system, as defined in Special Provision G, for their mutual advantage so that the flow of reactive power on the power system of one party will not adversely affect the power system of the other party.
3. Metering. The peaking power and energy delivered to Customer's point(s) of receipt shall be measured at or computed as though measured at the New York State border. Meter readings at such point(s) for Billing Periods shall be provided to Authority by Customer's Transmission Agent(s) not later than the 5th of the following month. All deliveries to Customer hereunder as determined from meter readings, from schedules of deliveries and from other data, must be adjusted for losses in transmission and transformation to the equivalent amounts at transmission voltage at Authority's Niagara Station Switchyard, unless otherwise required by the New York Independent System Operator.

D. Payment by Customer for Peaking Power and Energy

1. Customer shall pay for peaking power and energy during any Billing Period the sum of a) and b) below:
 - a) The capacity rate per kilowatt for peaking power specified in this Service Tariff No. 7A or any modification thereof applied to Customer's Billing Demand for the period: and
 - b) (i) Except with respect to energy (adjusted for pumping losses) supplied to Authority by Customer for pumping, the energy rate specified in this Service Tariff No. 7A or any modification thereof applied to the total amount of peaking energy delivered by Authority to Customer during such Billing Period as determined pursuant to Special Provision C-3; and/or
 - (ii) The cost to Authority for energy supplied from other Authority sources or from other utilities to provide peaking energy during the Billing Period.
2. Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such a wire transfer shall be made to Morgan Guaranty Trust, 23 Wall Street, New York, New York for credit to Power Authority revenue account no. 050-18-776, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E. Transmission and Substation Charges

Customer will compensate Authority for making delivery of peaking power and energy to Customer's Transmission Agent(s) by paying to Authority transmission and substation charges, including an adjustment for transmission losses, in the amount determined by Authority to be necessary to defray the cost of such delivery to Customer.

F. Resale of Peaking Power and Energy

Customer agrees that in reselling power and energy purchased from Authority it 1) will do so pursuant to the appropriate laws of the State or Commonwealth in which Customer operates, 2) that it will do so without profit other than reasonable compensation for administrative and service costs, 3) that it will resell such power and energy only to the distributing entities designated in Appendix A of the Application for Electric Service filed in advance by Customer with Authority and maintained on a current basis, 4) that it will not permit such distributing entities to sell such power and energy for resale except as designated in Appendix A of the Application for Electric Service, 5) that it will require such distributing entities to resell the power and energy without profit other than reasonable compensation (as allowed by the regulatory agencies authorized by law to regulate the rates and practices of the distributing entities) for use of facilities and for services furnished in the transmission and distribution of such power, and 6) that with respect to the sale and distribution of hydroelectricity it will comply with the provisions of the Niagara Redevelopment Act (P.L. 85-159, 16 U.S.C. §§ 836,836a.) the Niagara Project license and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.) to the extent such Power Authority Act is not inconsistent with the Niagara Redevelopment Act. Solely for the purposes of this Provision F, a Customer which resells power or energy at retail shall be considered to be a “distributing entity” to be designated in Appendix A.

Customer shall keep its books, accounts and records pertaining to the purchase, delivery and sale of Authority power according to procedures deemed necessary by Authority to ensure compliance with applicable statutes, licenses, the Rules and shall require its designated receiving entities to do likewise. It shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its designated receiving entities as identified in Appendix A to the Agreement to do likewise.

G. Construction, Operation and Maintenance of Customer’s Power System

For the purposes herein “Customer’s Power System” shall mean the power system (if any) of Customer and of any purchaser, transmitter or distributor designated by Customer to receive or handle the power contracted for herein, and for the purposes of this Special Provision G, Authority’s power system shall mean all facilities over which power and energy are delivered to Customer’s Transmission Agent(s), whether or not owned by Authority. Customer shall make its best efforts to require all such purchasers, transmitters, or distributors to construct, operate and maintain their power system(s) and/or electrical equipment (if any), in a manner which will not interfere with any service supplied from Authority’s power system to Customer. If after reasonable notice of an unsatisfactory condition on Customer’s Power System which interferes or may interfere with any service to Customer supplied from Authority’s power system, Customer fails or refuses to cause such changes to be made as may be necessary to eliminate such unsatisfactory condition, Authority may discontinue furnishing electric service to Customer so long as such interference exists. Such a discontinuance of electric service will not relieve Customer of liability for the Minimum Monthly Charge provided for herein during the period said electric service is so discontinued. Nothing in this paragraph shall be construed to render Authority liable for any claims, demands, costs, losses, causes of action, damages, or liability of whatsoever kind or nature arising out of or resulting from the construction, operation or maintenance of Customer’s Power System.

H. Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this tariff.

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, NY 10019

Service Tariff No. 7B

Schedule of Rates for Non-Firm Hydroelectric
Energy Service

EFFECTIVE:

July 1, 2001

APPLICABLE:

To sale of hydroelectric non-firm energy to designated Customers located in neighboring states.

CHARACTER OF SERVICE:

Alternating current, 60 hertz, three-phase.

RATES:

Base Energy Rate: 4.92 mills per kilowatt-hour.

The energy charges set forth herein shall be subject to a monthly adjustment in accordance with a flow adjustment computation (FAC) as described below under "Adjustments."

MINIMUM MONTHLY CHARGE:

None.

DEFINITIONS:

Billing Period: Any period of approximately thirty (30) days, generally ending with the last day of each calendar month.

ADJUSTMENTS:

1. For Transmission Losses

The energy charges specified in this Service Tariff apply to amounts of energy supplied at Authority's Generating Station Switchyard. Where energy is delivered elsewhere, appropriate adjustment will be made to compensate for transmission losses.

2. For Flow Adjustment Computation (FAC)

The energy charges hereunder are subject to a credit or surcharge pursuant to an FAC in any rate year following a calendar year for which the Hydroelectric Project Rate Stabilization Reserve (RSR) is greater than \$+ 25 million, or less than \$-25 million, respectively. The RSR will be used to ensure rate stability and cost recover and its level will be determined and any credit or surcharge for the succeeding rate year will be calculated after the prior calendar

year's costs and generation levels are known. Any credit or surcharge will be applied on a uniform basis to the monthly billing statements rendered pursuant to this service tariff during the succeeding rate year. The FAC would be inappropriate in any rate year succeeding a calendar year at the end of which the RSR is within the \$+ 25 million to \$-25 million range. If at the end of any calendar year the RSR is determined to exceed \$+ 25 million, such excess amount will be credited pro-rata to Customers during the succeeding rate year pursuant to the FAC. If the RSR at the end of any calendar year is determined to be less than \$-25 million, the difference below \$-25 million will be surcharged pro-rata to Customers during the succeeding rate year pursuant to the FAC

SCHEULING PROCEDURES:

1. Authority will advise Customer or its dispatching agent prior to the start of each month of the estimated quantity of energy expected to be made available during such month.
2. Authority may require that such energy be scheduled in general accordance with the individual system load curve requirements of Customer or its dispatching agent or as otherwise determined by Authority.
3. For energy which Customer desires to receive on any day, Customer or its dispatching agent shall file with Authority pursuant to procedures established by Authority, a schedule therefor in amounts by clock hours.
4. Subsequent to Authority approval of non-firm schedules for any day, Authority and Customer or its dispatching agent may agree on changes in such schedules subject to procedures Authority shall establish such that an efficient dispatch of Authority facilities will be accomplished.

SPECIAL PROVISIONS:

Special Provisions for service supplementing or modifying the Rules and Regulations for Power Service and Service Tariff No. 7B with regard to deliveries to Customer are as follows:

A. Adjustment of Rates

The rates contained in this Service Tariff may be revised by Authority from time to time on not less than thirty (30) days written notice to Customer.

B. Availability of Energy

Non-firm energy will be subject to its availability as determined by Authority. Transmission of non-firm energy will be subject to availability of transmission capacity on the systems of Authority and its wheeling agents as determined pursuant to Special Provision C-1.

The offer of energy for delivery pursuant to Special Provision C shall fulfill Authority's obligations for purposes of Special Provision B whether or not the energy is taken by Customer.

C. Delivery and Metering

1. Delivery. Non-firm energy supplied hereunder (measured at the generating source) shall be made available by Authority and delivered to Customer's Transmission Agent(s) for Customer at the points and voltages of interconnection between the transmission system(s) of Authority, utility company(ies) with which Authority has wheeling arrangements, and/or as applicable, the Independent System Operator (ISO) in New York all referred to herein as "NY Transmission Providers", and Customer's Transmission Agent(s) at the New York State line or at such other points and voltages of interconnection of the transmission systems of NY Transmission Providers with other systems as shall be mutually agreed upon by NY Transmission Providers, and Customer's Transmission Agent(s). For the purpose of this contract, energy shall be deemed to be offered at such points of interconnection when Authority is able to supply such energy and NY Transmission Providers have adequate transmission capacity in service to transmit such power and energy to designated points of interconnection.
2. Power Factor. Each of the parties hereto will jointly plan and operate its power system, as defined in Special Provision G, for their mutual advantage so that the flow of reactive power on the power system of one party shall not adversely affect the power system of the other party.
3. Metering. The non-firm energy delivered to Customer's point(s) of receipt shall be measured at or computed as though measured at the New York State border. Meter readings at such point(s) for Billing Periods shall be provided to Authority by Customer's Transmission Agent(s) not later than the 5th of the following month. All deliveries to Customer hereunder as determined from meter readings, from schedules of deliveries and from other data, must be adjusted for losses in transmission and transformation to the equivalent amounts at transmission voltage at Authority's Generating Station Switchyards, unless otherwise required by the Independent System Operator (ISO) in New York.

D. Payment by Customer for Non-Firm Energy

1. Customer shall pay for non-firm energy during any Billing Period the energy rate specified in this Service Tariff No. 7B or any modification thereof applied to the amount of non-firm energy delivered by authority to Customer during such Billing Period as determined pursuant to Special Provision C-3.
2. Bills computed under this Service Tariff are due and payable by electronic wire transfer in accordance with the Rules. Such wire transfer shall be made to Morgan Guaranty Trust, 23 Wall Street, New York, New York for credit to Power Authority revenue account no. 050-18-776, unless otherwise indicated in writing by Authority. In the event that there is a dispute on any items of a bill rendered by Authority, Customer shall pay such bill and adjustments, if necessary, will be made thereafter.

E. Transmission and Substation Charges

Customer will compensate Authority for making delivery of non-firm energy to Customer's Transmission Agent(s) by paying to Authority transmission and substation charges, including an adjustment for transmission losses, in the amount determined by Authority to be necessary to defray the cost of such delivery to Customer including (a) the cost to authority of delivery of non-firm energy pursuant to any wheeling agreement(s) with utility company(ies) or the Independent System Operator (ISO) in New York together with applicable administrative expenses incurred by authority in connection therewith and (b) where non-firm energy is delivered either wholly or partially over facilities of Authority, Authority's applicable transmission charge(s).

F. Resale of Non-Firm Energy

Customer agrees that in reselling power and energy purchased from Authority it 1) will do so pursuant to the appropriate laws of the State or Commonwealth in which Customer operates, 2) that it will do so without profit other than reasonable compensation for administrative and service costs, 3) that it will resell such non-firm energy only to the distributing entities designated in Appendix A of the Application for Electric Service filed in advance by Customer with Authority and maintained on a current basis, 4) that it will not permit such distributing entities to sell such non-firm energy for resale except as designated in Appendix A of the Application for Electric Service, 5) that it will require such distributing entities to resell such non-firm energy without profit other than reasonable compensation (as allowed by the regulatory agencies authorized by law to regulate the rates and practices of the distributing agencies) for use of facilities and for services furnished in the transmission and distribution of such energy, and 6) that with respect to the sale and distribution of hydroelectricity it will comply with the provisions of the Niagara Redevelopment Act (P.L. 85-159, 16 U.S.C. §§ 836, 836a) the Niagara Project license and the New York Power Authority Act (N.Y. Pub. Auth. Law Section 1000 et seq.) to the extent such Power Authority Act is not inconsistent with the Niagara Redevelopment Act. Solely for the purposes of this Provision F, a Customer which resells power or energy at retail shall be considered to be a "distributing entity" to be designated in Appendix A.

Customer shall keep its books, accounts and records pertaining to the purchase, delivery and sale of Authority energy according to procedures deemed necessary by Authority to ensure compliance with applicable statutes, licenses and the Rules and shall require its designated

receiving entities to do likewise. It shall provide such information and permit such inspection of its books and records as Authority may reasonably request and shall require its designated receiving entities as identified in Appendix A of the Agreement to do likewise.

G. Construction, Operation and Maintenance of Customer's Power System

For the purposes herein "Customer's Power System" shall mean the power system (if any) of Customer and of any purchaser, transmitter or distributor designated by Customer to receive or handle the power contracted for herein, and for the purposes of this Special Provision G, Authority's power system shall mean all facilities over which non-firm energy is delivered to Customer's Transmission Agent(s), whether or not owned by Authority. Customer shall make its best efforts to require all such purchasers, transmitters, or distributors to construct, operate and maintain their power system(s) and/or electrical equipment (if any), in a manner which will not interfere with any service supplied from Authority's power system to Customer. If after reasonable notice of an unsatisfactory condition on Customer's Power System which interferes or may interfere with any service supplied to Customer from Authority's power system, Customer fails or refuses to cause such changes to be made as may be necessary to eliminate such unsatisfactory condition, Authority may discontinue furnishing electric service to Customer so long as such interference exists. Nothing in this paragraph shall be construed to render Authority liable for any claims, demands, costs, losses, causes of action, damages, or liability of whatsoever kind or nature arising out of or resulting from the construction, operation or maintenance of Customer's Power System.

H. Supplementary Provision

Sections 454.2 (c) and 454.5 of the Rules are inapplicable to this tariff.

5. Village of Angelica – Increase in Retail Rates - Notice of Adoption

The President submitted the following report:

SUMMARY

“The Board of the Village of Angelica, New York has requested the Trustees to approve revisions in the Village’s base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about \$ 55,000 or 16.5 percent. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Village Board has requested the proposed rate increase to provide revenues to meet Angelica Municipal Lighting Department’s additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1992, when the Trustees approved a service class rate redistribution, without changing the total system revenue. The previous rate increase was approved by the Trustees in 1989.

“The management of the Village of Angelica has planned additions to plant-in-service amounting to \$ 401,600. The capital program consists of a major upgrade of the Village’s substation capacity to 4,160 volts, replacement of line transformers, replacement of old poles and the purchase of a new digger truck. No major improvements or upgrades have been undertaken since the Village’s substation was built in 1948. The Village plans to debt finance \$ 390,000, and fund the remainder of the planned capital program from the rate increase and cash reserves.

“Angelica officials have requested the Authority to simplify the current rate structure by eliminating inverted and seasonal rates, in order to facilitate rate payer bill comparisons in a deregulated and competitive market.

“Under the Village’s new rate design, an average residential customer with usage of 750 kWh who currently pays \$27.60 a month, will pay \$35.14, or 4.7 cents per kWh. A small commercial customer with usage of 1,500 kWh currently paying \$82.10 a month, will pay \$100.10, or 6.7 cents per kWh after the increase. One of the Village’s large commercial customers who currently pays about \$1,270 a month, will pay \$1,506, or 6.0 cents per kWh after the increase.

“The proposed rate revisions are based upon a cost of service study requested by the Village and prepared by Authority staff.

DISCUSSION

“Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village’s proposed revisions in retail rates. Such notice was published on September 8, 1999 and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village of Angelica on August 2, 1999. There was no opposition to the proposed rates and the Village Board requested on August 9, 1999 that they be approved.

“Expense and revenue summaries, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘5-A’, ‘5-B’ and ‘5-C’, respectively.

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing & Regulation recommends that the attached schedule of rates for the Village of Angelica, New York, be approved, as requested by the Village, to take effect beginning with the first full billing period following this date.

“It is also recommended that the Trustees authorize the Executive Vice President, Secretary and General Counsel to file notice of adoption with the Secretary of State for publication in the State Register and to file such other notice as may be required by statute or regulation.

“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 proposed rates for electric service for the Village of Angelica, New York, as requested by such Village, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of final adoption with the Secretary of State for publication in the State Register and to file other notice as may be required by statute or regulation.

Village of Angelica

	Expense and Revenue Summary	
	<u>Average Annual(94-98)</u>	<u>Proposed ⁽¹⁾</u>
Purchase Power Expense (NYPA hydro and incremental)	\$ 147,883	\$ 147,024
Transmission Expense (Village owned facilities)	1,478	1,500
Distribution Expense (Village owned facilities)	40,109	49,200
Depreciation Expense (On all capital facilities and equipment)	25,016	45,820
General & Administrative ⁽²⁾ (Salaries, Insurance, Mgmt Services & Adm. Expenses)	76,440	91,200
Rate of Return – (Average 8.68%, Proposed 7.62%) (Includes debt service on current & planned debt, reserves, emergency & contingencies)	55,448	71,113
Miscellaneous Revenue Credit (e.g. Sale of used equipment, etc.)	<u>(18,118)</u>	<u>(20,000)</u>
Total Cost of Service	328,256	385,857
Revenue at Present Rates	328,256	<u>331,075</u>
Deficiency at Current Rates		54,782
Revenue at Proposed Rates		\$ 385,857
Increase % at Proposed Rates		16.5%

(1) Based on 5 years historical & projected data.

(2) Includes salary & wages at historical \$24,300 and forecast at \$32,000.

Village of Angelica
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential S.C. 1	\$ 210,933	\$ 244,615	16.0
Small Commercial S.C. 2	36,250	42,980	18.6
Large Commercial S.C. 3	75,118	88,610	18.0
Street Lighting S.C. 4	<u>8,774</u>	<u>9,652</u>	<u>10.0</u>
Total	\$ <u>331,075</u>	\$ <u>385,857</u>	<u>16.5</u>

Village of Angelica

Comparison of Present and Proposed Net Monthly Rates

Present Rates*

Proposed Rates*

<u>Non-Winter (May-Oct.)</u>	<u>Residential S.C. 1</u>	<u>Non-Winter (May-Oct)</u>
\$ 3.00	Customer Charge	N/A
.0328	Energy Charge, per kWh	N/A
<u>Winter (Nov-Apr)</u>		<u>Winter (Nov-Apr)</u>
\$ 3.00	Customer Charge	N/A
.0328	Energy Charge, per kWh	N/A
.0552	First 1,000 kWh	N/A
	Over 1,000 kWh	N/A
<u>All Year</u>		<u>All Year</u>
N/A	Customer Charge	\$ 3.50
N/A	Energy Charge, per kWh	.0422
	Customer Charge is Minimum charge	
<u>Non-Winter (May-Oct)</u>	<u>Small Commercial S.C. 2</u>	<u>Non-Winter (May-Oct)</u>
\$ 5.75	Non-Demand Charge Customers: Customer Charge	N/A
.0480	Energy Charge, per kWh	N/A

- Average annual purchase power adjustment (PPA) reflected in present and proposed rates.

Present Rates***Proposed Rates***Winter
(Nov-Apr)**Small Commercial S.C. 2 (Continued)**Winter
(Nov-Apr)

\$ 5.75

Customer Charge

N/A

.0567

Energy Charge, per kWh

N/A

All YearAll Year

N/A

Customer Charge

\$ 6.80

N/A

Energy Charge, per kWh
Customer Charge is Minimum charge

.0622

Large Commercial S.C. 3

\$ 6.20

Demand Charge Customers:
Demand Charge, per kW

\$ 7.30

.0253

Energy Charge, per kWh.

.0299

Demand Charge is Minimum charge

Street Lighting S.C. 4

\$ 2.75

Facilities Charge, per lamp, per month

\$ 3.05

.0244

Energy Charge, per kWh

.0264

Facilities Charge is Minimum charge

* Average annual purchase power adjustment (PPA) reflected in present and proposed rates.

6. Transfer of Expansion Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of Expansion Power for three existing customers being acquired or entering into a joint venture. As part of the transfers, each transferee will honor the associated job commitments.

BACKGROUND

“**Bar Technologies Inc.** (‘Bar Tech’) received a total allocation of 7,400 kW of Expansion Power, approved by the Trustees at their meetings of March 29, 1994 and June 28, 1994. Bar Tech requests the consent of the Authority to assign the allocated Expansion Power in connection with a corporate restructuring. The restructuring involves Bar Tech contributing all of its assets and liabilities to Republic Technologies International, LLC (‘RTI’).

“The substitution of RTI is not expected to change operations, personnel, facility contacts or the facility location. Bar Tech and RTI have agreed to honor the commitment to maintain 276 jobs.

“**Dunlop Tire Corporation** (‘DTC’) received a total allocation of 6,000 kW of Expansion Power, approved by the Trustees at their meetings of November 27, 1984 and August 29, 1988. DTC requests the consent of the Authority to assign the allocated Expansion Power in connection with a joint venture. This joint venture named, Goodyear Dunlop Tires North America, Ltd. involves DTC, the Goodyear Tire & Rubber Company (‘Goodyear’) and Sumitomo Rubber Industries, Ltd. (‘SRI’).

“It is the intent of the joint venture to assume the obligations under its commitments to Niagara Mohawk (‘NIMO’) and the Authority. At their meeting of September 28, 1999, the Trustees approved a Productivity Improvement change to the job commitment to 1,439 jobs. This will be honored by the joint venture.

“**TAM Ceramics, Inc.** (‘TAM’) received an allocation of 3,000 kW of Expansion Power, approved by the Trustees at their meeting of October 25, 1988. TAM requests that all rights and obligations be transferred to the new corporate name, Ferro Electronic Materials Inc. (‘Ferro’).

“At their meeting of September 30, 1997, the Trustees approved a job commitment change for Productivity Improvements. This change reduced the job commitment to 220 jobs. Ferro has indicated that the new ownership will meet all of the requirements stipulated in their contracts with respect to job retention.

DISCUSSION

“**Bar Tech:** The corporate restructuring is being undertaken pursuant to a Master Restructuring Agreement among Bar Tech and at least a half dozen other companies. The transactions by the Restructuring Agreement (including the contribution of assets and liabilities of Bar Tech) are part of a simultaneous combination of the Bar Tech steelmaking business with the steelmaking business of Republic Engineered Steels, Inc., and the bar steelmaking business of USS/KOBE Steel Company and recapitalization of the combined company.

“**Dunlop:** The joint venture is a limited liability company formed under the Ohio laws with a principal

place of business at 1144 East Market Street, Akron, Ohio. The joint venture is owned 75% by Goodyear and 25% by SRI. All existing contracts of Dunlop necessary to the operation of the business have been assigned to the joint venture, Goodyear Dunlop Tires North America, Ltd.

“**TAM:** On July 30, 1999, 100% of the common stock of TAM Ceramics, Inc., a Delaware Corporation, was sold by Cookson Investments Inc. to Ferro Corporation. On August 5, 1999, TAM Ceramics, Inc.’s name was changed to Ferro Electronic Materials, Inc.

“In accordance with Paragraph 21 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, NIMO and the ‘Customer’, 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 Manager – Business Power Allocations and Compliance and the Director - Business Marketing and Economic Development recommend that the Trustees approve the transfer of 7,400 kW of Expansion Power from Bar Technologies Inc. to Republic Technologies International, LLC; 6,000 kW of Expansion Power from Dunlop Tire Corporation to Goodyear Dunlop Tires North America, Ltd.; and 3,000 kW of Expansion Power from TAM Ceramics, Inc. to Ferro Electronic Materials, Inc.

“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 Bar Technologies Inc.’s Expansion Power allocation of 7,400 kW to Republic Technologies International, LLC; Dunlop Tire Corporation’s Expansion Power allocation of 6,000 kW to Goodyear Dunlop Tires North America, Ltd.; and TAM Ceramics, Inc.’s Expansion Power allocation of 3,000 kW to Ferro Electronic Materials, Inc. be, and hereby are, 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.

7. Nassau Public Utility Service Agency - Allocation of Industrial Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the allocation of 800 kW of industrial power to the Nassau Public Utility Service Agency (‘Nassau County’) for resale to Fortunoff.

BACKGROUND

“The Authority has reserved a total of 73,160 kW of industrial power for sale to downstate municipal distribution agencies (‘MDA’s’), including Nassau County, under Service Tariff 35. Of this amount, 5,000 kW is reserved for Nassau County. This power is resold to industrial consumers designated by the MDA’s and approved by the Authority. Nassau County has proposed the allocation of 800 kW to Fortunoff from this block of power.

DISCUSSION

“Fortunoff, a large, private retail jewelry and houseware products chain, has a long history and presence on Long Island. Primarily known for its five retail stores located throughout New York and New Jersey, the company also operates five other facilities, located throughout Nassau County, for back-office and data processing operations.

“Fortunoff has recently spent approximately \$3.0 million to renovate its Uniondale Corporate Headquarters and Data Processing Center which provides ongoing customer support, data processing, warehousing, and administrative services to the company’s direct retail operations.

“Electricity costs represent over five percent of Fortunoff’s cost of operation on Long Island. A reduction in energy costs would help Fortunoff remain competitive in New York State. The company expects to add 42 jobs to its current employment base of 223 jobs. The proposed ten-year allocation of 800 kW to the company’s back-office operations in Nassau County would save the company approximately \$40,000 annually over LIPA’s standard rates. Fortunoff is also receiving a 1,000 kW Power for Jobs allocation.

“The proposed allocation has been reviewed in accordance with Part 460 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1995)). The standard power service contract between a business and Nassau County provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by Nassau County as provided by Part 460.4 of the Authority’s Rules and Regulations and pursuant to the contract between the Authority and Nassau County.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance, and the Director – Business Marketing and Economic Development recommend that the Trustees approve the allocation of 800 kW of industrial power to Nassau County for resale to Fortunoff in the quantity specified herein.

“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.”

October 26, 1999

In response to questions from Trustee Miller, Mr. Yates confirmed that the proposed allocation would not be utilized in any of Fortunoff's retail operations, but exclusively at Fortunoff's office headquarters and several data processing facilities.

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

“RESOLVED, That the Authority hereby approves the allocation of 800 kW of industrial power to the Nassau Public Utility Service Agency for resale to Fortunoff, as is described in the foregoing report of the President, and substantially in accordance with the terms described in such memorandum; and be it further

“RESOLVED, That the contract for the resale of industrial power between the Nassau Public Utility Service Agency and Fortunoff is subject to approval by the Senior Vice President – Business Marketing and Economic Development; 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. Change in Power Allocation

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Chairman or President to reduce or withdraw the power allocation and job commitment for BASF Corporation (‘BASF’).

BACKGROUND

“In December 1997, BASF submitted an application for low cost power under the Power for Jobs program for its Rensselaer, New York manufacturing facility. The Economic Development Power Allocation Board reviewed the application and made a recommendation to the Authority’s Trustees to approve an allocation of 1,235 kW in return for a commitment to retain 236 jobs in New York State. The Trustees approved the allocation at their meeting of April 28, 1998. A Power for Jobs Service Agreement was executed on July 8, 1998 and delivery commenced on September 1, 1998.

DISCUSSION

“On or about June 23, 1999, press reports stated that BASF intended to close its Rensselaer plant by the end of the year 2000. In July 1999, a representative of the Authority’s Internal Audit Department visited BASF’s Rensselaer facility. The purpose of the visit was to examine the company’s job levels for 1998 and 1999. It was noted that ten employees were laid off in 1998, 21 were terminated through June 1999, and another 23 had been notified that they would be terminated in July 1999. In addition, three employees were told that they would be terminated in August 1999. Plant personnel confirmed that BASF Corporation would be closing the plant entirely by the end of the year 2000.

“Staff is exploring whether BASF’s announced plans to close its facility constitute an anticipatory breach of its Power for Jobs contract with the Authority. Because the situation is currently fluid, it is recommended that the Chairman or President be authorized to reduce or withdraw the power allocation and job commitment for BASF.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance and the Director - Business Marketing and Economic Development recommend that the Trustees authorize the Chairman to reduce or withdraw BASF’s allocation.

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, and 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 or President is hereby authorized to reduce or withdraw entirely the power allocation and job commitment of BASF Corporation and to direct that written notice to BASF Corporation be provided accordingly; 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 able to

October 26, 1999

effectuate the foregoing withdrawal or reduction of the allocation, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

9. Authorization of Prepayment Arrangements for Southeast New York ('SENY') Governmental Customers

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Chairman or President to enter into certain prepayment arrangements with the Authority’s SENY governmental customers.

BACKGROUND

“As a result of a SENY governmental customer inquiry, Staff is proposing that the Trustees authorize the Chairman or the President to enter into prepayment arrangements for SENY governmental customers where such arrangements are determined by such officer to be in the best interests of the Authority.

DISCUSSION

“Under such a prepayment arrangement, a customer would prepay its bill prior to the period in which the Authority is required to deliver electricity to the customer. The prepayment monies would be used as credits against bills rendered to the customer by the Authority for such customer purchases from the Authority. Under the arrangement, a customer would also be credited with earnings on the prepayment amounts until such amounts are used. The earnings would be based on appropriate Treasury bill or Treasury note rates, and the assumed earnings would also be used as a credit against the customers’ bills. Finally, the proposed prepayment arrangements for customers would not exceed 12 months measured from the month in which the first crediting, based on the prepayment amount, is to occur.

FISCAL INFORMATION

“The proposed prepayment arrangements would likely result in increased revenues to the Authority. The size of the increase would be dependent upon the amounts and duration of the particular arrangement involved.

RECOMMENDATION

“The Senior Vice President-Marketing and Economic Development recommends that the Trustees authorize prepayment arrangements with SENY governmental customers approved by the Chairman or the President, provided that such arrangements not extend beyond a 12-month period.

“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 the Chairman and the President and Chief Operating Officer are, and each hereby is, authorized to enter into agreements with SENY governmental customers relating to prepayments of amounts to be paid by such customers for power and energy purchased from the Authority over a succeeding 12-month period, with such agreements having such terms and conditions as the executing officer deems necessary or appropriate, consistent with the foregoing report of the President; and be it further

October 26, 1999

“RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Senior Vice President-Marketing and Economic Development 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, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further documents or other communications of any kind under the corporate seal of the Authority or otherwise, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, as he, she or they may deem necessary, advisable or appropriate to effectuate the intent of the foregoing resolutions.

10. St. Lawrence/FDR Power Project – Life Extension and Modernization – Award of Contract for Generation Control Systems to Voith-Hydro, Inc. and Expenditure Authorization

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the award of a contract in the amount of \$11,469,657 to Voith Hydro, Inc. for the delivery of 16 new Generation Control Systems (‘GCS’) and to approve the release of \$1,995,330 for design, development, testing, and furnishing the first GCS.

BACKGROUND

“At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost \$254,000,000 to renew the generation assets of the St. Lawrence/FDR Power Project (‘St. Lawrence’) and also authorized capital expenditures of \$2,211,000 to begin the engineering effort and to continue refurbishment tasks in progress. The Trustees were advised that the Life Extension and Modernization program would begin in 1998 and would require about 15 years to complete.

“At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of \$16.2 million for modernization of the first unit. Funding for the first GCS unit was included in this last authorization.

“Engineering, planning, and procurement activities have been proceeding as scheduled. Among the major milestones achieved to date are: completion of model testing and release of manufacturing for the prototype turbine; design, manufacturing and delivery of the first two transformers; and issuance of bids for major pieces of equipment.

DISCUSSION

“The St. Lawrence Project has operated reliably for more than 40 years with its original control systems. Many components of this system have reached the end of their useful life and need to be replaced in order to maintain plant reliability.

“A request for proposals (‘RFP’) was issued on June 1, 1999, describing the scope for replacing essentially all mechanical and electrical hardwired devices associated with the individual generating units, with proven and reliable computer-based technology. The RFP required the bidders to maintain a control system availability of 99.95 per cent, demonstrate their success in having applied computer based technology to other hydro plant automation projects, maximize the use of standard off-the-shelf hardware and software for ease of maintenance in the future, and demonstrate compliance with utility standards for communication and electrical protection.

“On August 3, 1999, proposals were received from seven bidders in response to public advertisement. The seven as-received prices are summarized below:

	<u>Bidder</u>	<u>Bid Type</u>	<u>Bid Price</u>
1.	Northeast Generation Services Co.	Non-Firm	\$25,458,640
2.	Systems Integrated	Non-Firm	\$18,519,594
3.	L&S Electric, Inc.	Firm	\$14,441,872
4.	Cutler-Hammer	Non-Firm	\$11,829,085
5.	Siemens Westinghouse Power Corp.	Non-Firm	\$10,897,596

6.	ABB Power Generation, Inc.	Non-Firm	\$10,651,122
7.	Voith Hydro, Inc.	Firm	\$10,297,959

“An Evaluation Committee of representatives from the St. Lawrence Project, Procurement, Engineering, and Project Management reviewed the bids, analyzed their technical adequacy, confirmed the price basis and met with the low bidder to obtain additional information.

Northeast Generation Services, Systems Integrated, Cutler-Hammer, and L&S

“The Committee carried out a general review of all bids to assess proposal completeness, general technical and commercial compliance, and to compare component prices. Based upon its review, the Committee determined that the high costs of the proposals submitted by Northeast Generation and Systems Integrated were sufficient to eliminate them from further consideration.

“A more detailed screening was carried out for the remaining bidders. As a result of this screening, the Committee concluded that the Cutler Hammer (‘C-H’) proposal was incomplete, that C-H lacked the necessary experience and capability to be considered a viable bidder and that its proposal should be eliminated from further consideration.

“L&S was found to have submitted a generally acceptable proposal, was considered to be qualified to perform the St. Lawrence work, and proposed a system configuration which had been successfully implemented in the past. As a result of its comparatively high price, however, L&S was also eliminated from further consideration.

“The remaining bidders were all judged to have the necessary experience in hydroelectric facility automation and to be generally qualified to carry out the work. The Committee prepared questions for each and met with one bidder to clarify technical, commercial, and schedule issues.

ABB

“ABB presented an acceptable level of detail with respect to the description of the system being proposed. However, this system is based upon a less-than-modern communication configuration with a proprietary protocol, and offered a limited level of redundancy. ABB did not comply with the specified surge withstand capability for the furnished equipment and it proposed compliance with a less rigorous standard. ABB also listed a significant number of commercial exceptions, and its proposal was the second highest of the remaining bidders.

“ABB agreed to provide a five-year warranty on hardware and software as required by the specification, but did not meet the Authority’s M/WBE requirement, and did not accept the Authority’s commercial terms.

Siemens

“Siemens presented an acceptable proposal and complied with the information requested by the RFP. As initially presented, its system would be supplied entirely by Siemens with a significant amount of the work to be performed in Germany. Siemens offered, as an option, components manufactured by the Woodward Governor Company for the governor work. Siemens could not meet the Authority specified design completion date necessary to support installation by Authority forces and its understanding of the governor oil system isolation capability was deficient. Its proposal was the third highest of the remaining bidders.

“Siemens agreed to provide a five-year warranty on hardware, but only a one-year warranty on software, did not meet the Authority’s M/WBE requirement, and did not accept the Authority’s commercial terms.

October 26, 1999

Voith Hydro, Inc.

“Voith’s proposal was acceptable, its system configuration closely matched the specification requirements, and its fixed price was the lowest submitted. Because Voith’s price was significantly lower than the other two remaining bidders, the Committee met with Voith to more closely assess the details of its proposal.

“Based upon Voith’s presentation and written responses, the Committee concluded that Voith met the work scope requirements, that it could meet the Authority’s schedule, and that it had a complete understanding of the required governor modifications. Price adjustments were made to all three bids to normalize for such items as additional field sensors. These adjustments did not change Voith's position in the ranking of the bidders.

1. Voith Hydro	\$11,413,401
2. ABB	\$13,120,637
3. Siemens-Westinghouse	\$13,864,957

“With the Voith proposal established as technically qualified and lowest evaluated, the Committee obtained pricing from Voith to furnish additional turbine bearing sensors not specified in the RFP, and deleted certain items such as custom cabinet enclosures for electrical components. As a result of these adjustments, Voith's proposal remained the lowest evaluated at \$11,469,657, with an amount of \$1,995,330 required for the first unit.

“Voith agreed to provide a five-year warranty on hardware and software, met the Authority’s M/WBE requirements, and listed two minor commercial exceptions, which are being resolved by Authority staff.

“Voith has a proven record in carrying out hydroplant automation and has recently completed several projects greater than or comparable in scope to St. Lawrence. Voith would use Scipar Inc. of Buffalo, NY to provide certain display graphics, electronic components, and communications infrastructure support. Scipar developed the Niagara SCADA system in the late 1980’s, performed well, and has supported that system to date.

“Voith recently announced that Voith and Siemens intend to merge their hydro power activities into a joint venture named ‘Voith Siemens Hydro’; this development is not expected to affect the St. Lawrence work and Authority management has received written assurances from Voith that there would be no impact on this contract from the joint venture.

“Accordingly, based upon Voith Hydro's low price and technically acceptable proposal, the Trustees are requested to approve the award of the contract for replacement of 16 Generation Control Systems to Voith Hydro. The Trustees are also requested to release funding for the first Generation Control System and associated work.

FISCAL INFORMATION

“Payments will be made from the Capital Fund.

RECOMMENDATION

“The Regional Manager – Northern New York, the Vice President and Chief Engineer- Power Generation, the Vice President – Procurement, and the Vice President – Project Management recommend that the Trustees approve the award of a contract in the amount of \$11,469,657 and approve release of \$1,995,330 to Voith Hydro for the first Generation Control System and associated work.

“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.”

In response to questions from Trustee Miller concerning the extent of post-bid adjustments, Mr. Crouch explained that Authority staff had determined to add the acquisition of thrust-bearing instrumentation, as well as deleting certain other equipment from the scope of the award.

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

RESOLVED, 1) That approval is hereby granted to award a contract to Voith Hydro, Inc. in the amount listed below, and to commit funds for Generation Control Systems and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project, in the amount listed below:

<u>Capital</u>	<u>Contract Approval</u>
Voith Hydro, Inc. Contract No. Q-02-2333	
Total Contract Award Amount	\$11,469,657
Current Commitment Authorization Request	<u>1,995,330</u>
Balance of Contract	<u>\$9,474,327</u>

RESOLVED, 2) That the terms of the contract should be reviewed as to form by the Executive Vice President, Secretary and General Counsel.

11. Proposed Schedule of Trustees' Meetings in 2000 and Amendment of Article III, Section 3 of the Authority's By-Laws

The Executive Vice President, Secretary and General Counsel submitted the following report:

"The following schedule of regular meetings for the Authority for year 2000 is recommended:

<u>Date</u>	<u>Location</u>	<u>Time</u>
January 25, 2000 (Tuesday)	NYO	11:00 a.m.
February 29, 2000 (Tuesday)	Albany	11:00 a.m.
March 28, 2000 (Tuesday)	Albany	11:00 a.m.
April 18, 2000 (Tuesday)	Albany	11:00 a.m.
May 23, 2000 (Tuesday)	Albany	11:00 a.m.
June 27, 2000 (Tuesday)	Blenheim-Gilboa	11:00 a.m.
July 25, 2000 (Tuesday)	Albany	11:00 a.m.
September 26, 2000 (Tuesday)	Albany	11:00 a.m.
October 31, 2000 (Tuesday)	Albany	11:00 a.m.
November 28 th , 2000 (Tuesday)	NYC	11:00 a.m.
December 19 th , 2000 (Tuesday)	WPO	11:00 a.m.

"It is further recommended that the Trustees adopt a modification to Article III, Section 3 of the Authority's By-Laws to provide that regular meetings of the Trustees shall be held pursuant to a schedule which shall be adopted annually for that purpose. A comparison of the current language and the proposed language is set forth in exhibit '11-A' attached hereto.

RECOMMENDATION

"The President and Chief Operating Officer and I support the proposed modification to Article III, Section 3 of the Authority's By-Laws and the proposed schedule for the Authority's regular Trustees' Meetings for the year 2000 as set forth in the foregoing report."

The attached resolution, as recommended by the Executive Vice President, Secretary and General Counsel, was unanimously adopted.

RESOLVED, That Article III, Section 3 of the Authority's By-Laws is hereby modified and amended to read as follows:

ARTICLE III.

Trustees' Meetings

Section 3. Regular Meetings. Regular meetings of the Trustees shall be held in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chairman in consultation with the Trustees.

AND BE IT FURTHER RESOLVED, That the schedule of regular Trustees' Meetings for the year 2000, as set forth in the attached memorandum of the Executive Vice President, Secretary and General Counsel, is hereby approved.

Article III of the By-Laws Revisions

[] = Deletions

_____ = New Material

ARTICLE III.

Trustees Meetings

Section 3. **Regular Meetings.** Regular meetings of the Trustees shall be held [on the last Tuesday of each month or on such other day in such month as the] in accordance with a schedule adopted annually by the Trustees for that purpose and may be changed from time to time within that year by the Chairman in consultation with the Trustees.

**12. Proposed 500 MW Combined Cycle Facility –
Licensing, Engineering, Procurement and Construction
Funding and Contract Award – General Electric Company**

The Executive Vice President – Project Operations submitted the following report:

SUMMARY

“The Trustees are requested to approve additional funding of \$23.0 million for licensing, engineering, and procurement of a 500 MW Combined Cycle Facility at the Poletti Plant site, and to approve the award of a contract to General Electric Company for engineering and procurement of the ‘Power Island’ components of the 500 MW Combined Cycle Plant in the amount of \$191,389,000.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services costing in excess of \$3 million, as well as those to be rendered for a period in excess of one year.

“The New York State Independent System Operator (‘ISO’) will have the authority, subject to FERC approval, to determine installed capacity requirements for electricity providers serving customers in New York State. In addition to continuation of the current New York Power Pool requirement that a load-serving entity provide installed capacity equal to 118% of its total load, electricity providers serving some areas of the state will be subject to additional installed local capacity requirements. New York City is one such ‘load pocket’ where an additional installed reserve requirement has been instituted under ISO rules for suppliers other than the Authority.

“The Settlement Agreement in the Con Edison Competitive Opportunities case (Public Service Commission Case No. 96-E-0897) established an 80% ‘in-city’ installed capacity requirement for all suppliers except the Authority. That rule has since been incorporated into the ISO tariff, but still does not apply to the Authority. Further, the rule may only be in effect during the term of the Con Edison settlement agreement which ends in 2002. The approved ISO tariff includes a penalty payment for insufficient reserve capacity of approximately \$150,000/MW/year. In order to avoid this penalty, if an in-city generation requirement applicable to the Authority is adopted by the ISO and approved by FERC¹, the Authority would have to construct generation, purchase capacity from other in-city generators and/or implement a customer load management program. The Con Edison Settlement Agreement provides that until April 1, 2002, Con Edison will reimburse the Authority's reasonable costs of acquiring any additional capacity required to meet any in-city capacity requirement. Beyond April 1, 2002, the Authority will be responsible for all such costs necessary to meet any such requirement. It is not clear when a general locational installed capacity requirement for New York City applicable to the Authority would become effective and it might be implemented in phases. In the long term, however, assuming that the ISO adopts the 80% requirement as to the Authority, it is approved by FERC and we retain our current in-city customer base, the Authority would have to acquire some 500 MW of additional in-city capacity.

“Staff evaluation of various options for such an in-city capacity requirement determined that the most cost-effective option would be to construct a 500 MW combined cycle power plant at the Poletti site. The proposed combined cycle plant would have the highest efficiency and state-of-the-art air emission control technologies. Operation of such a plant would significantly reduce air emissions since use of existing plants will

¹ We would of course participate in any such proceeding.

be reduced. Staff has estimated the constructed cost of the 500 MW Combined Cycle Plant, with two gas turbines and one steam turbine with all its ancillaries, to be \$375 million. The estimate includes a provision of natural gas as a primary fuel and low sulfur distillate fuel oil as a back-up fuel and a closed cycle cooling tower.

“Given the long lead time for licensing and construction, and assuming an in-city capacity requirement will be established, it is necessary to initiate licensing and engineering efforts now to preserve this option for meeting such a requirement. Accordingly, at their meeting of March 30, 1999, the Trustees approved award of a contract to Burns and Roe Enterprises, Inc. (‘B&R’) for preliminary engineering and licensing for the 500 MW Combined Cycle project. As a part of the contract, B&R completed the preparation of a technical specification for the 500 MW Combined Cycle Plant.

“The Authority also engaged the services of an energy consultant to develop a Preliminary Fuel Plan for the 500 MW Combined Cycle Power Plant. The consultant recommends that the Authority purchase firm, natural gas supplies under short-term contracts at spot market, indexed prices, on a New York City-Gate delivered basis. The use of market based, indexed pricing would enable the Authority to purchase gas supplies competitively at prevailing market prices. In order to protect against precipitously rising gas prices and further enhance the Authority's competitiveness, the Authority would have the ability to use financial hedging instruments, as authorized by the Trustees at their meeting of September 30, 1997. In addition, the Authority's ability to burn oil as an alternate fuel (in both the Combined Cycle Power Plant and the Poletti Plant) would provide a ‘natural’ hedge against rising gas prices, by permitting the use of oil in lieu of natural gas.

“The consultant also stated that adequate natural gas supplies and interstate pipeline capacity will be available for delivery to the New York City-Gate over the long term. Sufficient local gas transportation capacity (from the City-Gate to the burner-tip) is also expected to be available in the future for the Authority and similarly situated generators served by Con Edison.

“Based on the above information, the bus bar cost for the 500 MW Combined Cycle Plant would be significantly lower than that of any existing facilities and competitive with any proposed generation located in New York City.

“A Pre-Application Report on the project has been prepared and applications to the Siting Board on Electric Generation and the Environment under Article X of the Public Service Law and to applicable state and federal agencies will be filed. No construction activities at the site will be undertaken prior to completion of the environmental analyses of the proposed activities and the receipt, and acceptance by the Authority, of all required licenses and approvals.

DISCUSSION

“In June 1999, a Request for Proposal (‘RFP’) was issued for engineering, procurement, and construction of the ‘Power Island’ components of the 500 MW Combined Cycle Plant at the Charles Poletti Site. The scope of the ‘Power Island’ components consists of two gas turbines with a corresponding heat recovery steam generator (‘HRSG’), a steam turbine, cooling tower, condenser and all necessary mechanical and electrical ancillaries to operate the plant. The ‘Power Island’ would be interconnected to the existing infrastructure at the site such as natural gas, fuel oil, cooling water and city water lines. The engineering and construction of these interconnections, which are not in the scope of the Power Island RFP, would be performed by the Authority's staff.

“On September 23, 1999, three proposals were received from the following bidders:

- General Electric Co. (‘GE’)
- Siemens-Westinghouse (‘Siemens’)
- Stone & Webster Engineering Corp. (‘SWEC’)

“None of the three bidders conformed entirely to the scope of work delineated in the RFP. The common theme of discrepancy was the reluctance of the bidders to take risks in the construction phase of the work. The earliest date quoted by the bidders for delivery of the gas turbines is February 2003. Since construction will start no earlier than May 2001, it was decided to delete construction from the scope of the proposed contract and seek separate bids for construction at a later date.

“An Evaluation Committee with representatives from Project Management, Engineering, Procurement (Contract Administration), and Poletti Plant staff analyzed the bids. B&R evaluated the bids independently and recommended the contract be awarded to GE.

General Electric Corp.

“GE's bid included all ‘Power Island’ equipment. The bid also included a complete engineering package for mechanical and electrical work but did not include construction. GE's bid price is \$206,389,000 and the delivery date for the gas turbine is February 2003.

Siemens Westinghouse

“Siemens quoted only the major components of the ‘Power Island’, i.e., the gas turbines, steam turbine, condenser, and heat recovery steam generator. The heat recovery steam generator does not include a selective catalytic reduction (‘SCR’) module for NOx reduction nor does the bid give any guarantee on emissions. Siemens did not indicate a firm price for the scope of their supplies but provided budgetary estimates of \$125,000,000.

“Siemen’s offer was considered unresponsive, as it indicated only a budgetary price for a limited scope of supply (gas turbines, heat recovery steam generator and steam turbine only) without any performance or emission guarantees. Since the Siemens bid was not firm and its proposed scope of supply was limited, it was not given any further consideration.

Stone & Webster Engineering Corp.

“SWEC bid an estimated price for the complete EPC package. The gas turbines and steam turbine offered are from GE, the same class as offered in GE's bid. S&W's bid for the construction phase is an estimated price.

“The technical quality of the major components (gas turbines and steam turbine with their ancillaries) offered by all three bidders is acceptable. However, SWEC's price of \$422,000,000 is in excess of the Authority's estimate. Further, it is not a firm price, but an estimated price. Hence the SWEC bid was not given any further consideration.

“Authority staff reviewed the bid with GE and negotiated a reduction in price of \$15,000,000. The negotiated bid price is \$191,389,000 and is within the Authority's estimate. Therefore, the Evaluation Team recommends that the contract for engineering, design, and procurement of the ‘Power Island’ equipment for the 500 MW Combined Cycle Plant be awarded to General Electric for a total price of \$191,389,000.

“In order to support a commercial operation date, it is necessary to reserve a slot in the manufacturing queue for the gas turbines now. This will require a non-refundable deposit of \$9.25 million to GE. Staff recommends that approval for the deposit be given by the Trustees. Since the amount authorized for expenditure in 1999 is \$7.5 million, and the amount that is estimated to be expended in 1999, including the non-refundable deposit, is \$10.5 million, staff recommends the expenditures for 1999 be increased by \$3.0 million.

Expenditures for the year 2000 are estimated at \$20.0 million dollars, which will be for licensing and engineering services. Based on the delivery schedule submitted by General Electric, there will be no fabrication in the year 2000.

FISCAL INFORMATION

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Project Management and the Senior Vice President – Corporate Planning recommend that the Trustees authorize an increase in capital funding of \$3.0 million dollars for 1999 and \$20.0 million dollars for 2000 for engineering and procurement of a 500 MW Combined Cycle Plant at the Poletti site and approve payment of a deposit in the amount of \$9.25 million dollars to General Electric Company. It is further recommended that the Trustees approve the award of a contract to the General Electric Co. in the amount of \$191,389,000 for the detailed engineering service and procurement and delivery of the ‘Power Island’ components of the 500 MW Combined Cycle Plant.

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

12a. Motion to Conduct Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions concerning the medical, financial, credit or employment history of a particular person or corporation.”

Upon motion duly made and seconded, an executive session was held.

12b. Motion to Resume Meeting in Open Session

“Mr. Chairman, I move that the Authority resume the meeting in open session.” Upon motion made and seconded, the meeting resumed in open session.

Upon motion duly made and seconded, the meeting was resumed in open session.

Mr. Blabey stated that each of the bids received had been thoroughly scrutinized by Authority staff and independently reviewed by the Authority’s consultant. In view of the fact that two of the bids were insufficiently responsive, and the fact that General Electric’s bid was the lowest, staff’s recommendation is the contract should be awarded to GE. Staff further recommended that the Trustees authorize the payment of the non-refundable deposit of \$9.5 million so as to ensure a slot in the manufacturing queue for gas turbines.

The attached resolution, as recommended by the Executive Vice President – Project Operations, was unanimously adopted.

RESOLVED, That capital funding in the amount of \$23 million is hereby authorized in accordance with the Authority's Expenditure Authorization Procedure in connection with licensing, engineering, and procurement of a 500 MW Combined Cycle Power Plant at the Charles A. Poletti Plant site:

<u>Capital</u>	<u>Current Estimate</u>	<u>Previous Authorization</u>	<u>Current Request</u>
Licensing, Engineering,/Design, Procurement and Construction of 500 MW Combined Cycle Plant including a non-refundable deposit	<u>\$375,000,000</u>	<u>\$7,500,000</u>	<u>\$23,000,000</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is granted to enter into a contract with the General Electric Co. in the amount \$191,389,000 for engineering, procurement, and delivery of the "Power Island" components for the 500 MW combined cycle plant at the Charles A. Poletti Plant site, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

<u>Capital</u>	<u>Contract Approval Amount</u>	<u>Projected Closing Date</u>
General Electric Corporation	<u>\$ 191,389,000</u>	12-31-2004

13. Next Meeting

“The regular meeting of the Trustees will be held on **Monday, November 22, 1999, at the Albany Office at 11:30 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

NXMTGOCT

Closing

Upon motion made and seconded, the meeting was closed at 12:30 p.m.

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