

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

July 25, 2000

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Clark Energy Center at 11:00 a.m.

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

Eugene W. Zeltmann	President and Chief Operating Officer
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
Kenneth H. Haase	Senior Vice President - Transmission
James Knubel	Senior Vice President and Chief Financial Officer
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Daniel Berical	Vice President – Policy & Governmental Affairs
Robert J. Deasy	Vice President – Appraisal and Compliance Regulatory Affairs
William Josiger	Vice President – Special Activities
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
James H. Yates	Vice President – Business Marketing & Economic Development
Joseph J. Carline	Assistant General Counsel
James Jr. McCarthy	Regional Manager – Central New York
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Deputy Policy Development
William Ernsthaf	Principal Attorney
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
John Hamor	Director – Intergovernmental Relations
Shalom Zelingher	Director – Research & Technology Development
Craigh D. Banner	Manager Municipal & Cooperative Regulation Accounting
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Vernardine E. Quan-Soon	Senior Assistant Secretary
Barbara Vahue	Assistant Secretary
Angela D. Graves	Assistant Secretary

Chairman Rappleyea presided over the meeting. Deputy General Counsel kept the Minutes.

Opening Remarks of Chairman Rappleya

Chairman Rappleya welcomed former Vice Chairman George Ingalls who had retired from the Authority in 1992 and in whose honor the George L. Ingalls Pumped – Generating Plant was named.

Approval of the Minutes

The minutes of the Regular Meeting held on June 27, 2000 were approved.

2. **Financial Report for the Six Months Ended June 30, 2000**

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

At President Zeltmann's request, Mr. Krauss briefed the Trustees on the work of the "transition team" which is handling issues relating to the sale of the Authority's nuclear facilities to Entergy. Mr. Krauss provided a chart showing the master transition schedule and reported that all areas are progressing in a timely fashion. In response to questions from Trustee McCullough, Mr. Krauss explained that Entergy is responsible for all issues pertaining to local property taxes.

Mr. Krauss further reported that the annual fall "open enrollment period" for benefits would be conducted jointly by the Authority and Entergy for the nuclear employees. He added that the Authority has signed a lease for space in the ATT building which will be subleased to Entergy for a minimum of two years, and that the actual move of personnel will take place either before or after the closing, depending upon completion of necessary wiring and equipment transfer. In response to questions from Trustee Miller, Mr. Krauss explained that the master schedule is a joint Entergy-NYPA document and thus reflects Entergy's input regarding the progress of the transition to date.

4. Allocation of 1,700 kW Expansion Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of available Expansion Power, totaling 1,700 kW, to three industrial companies: MacNeil Polymers, Inc.; Praxair, Inc.; and Quebecor World Buffalo, Inc.

BACKGROUND

“Under Section 1005 (13) of the Public Authorities Law (‘PAL’), the Authority may contract to allocate or reallocate directly or by sale for resale, 250 MW of firm hydroelectric power as ‘Expansion Power’ to businesses within the State located within 30 miles of the Niagara Power Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987, shall continue to be allocated in such county.

“Each application for an Expansion Power allocation must be evaluated under criteria which shall include, but need not be limited to, those set forth in PAL Section 1005 (13) (a).

DISCUSSION

“In accordance with the applicable requirements of the PAL, the Authority placed advertisements in three western New York newspapers seeking industrial manufacturing customers who would expand and meet the criteria to receive an Expansion Power allocation. Five inquiries were received. Of these, three companies subsequently filed applications.

“Authority staff reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Three companies are being recommended to receive Expansion Power allocations.

“Staff recommends that the available Expansion Power be allocated among three companies, as set forth in Exhibit ‘4-A’, attached hereto. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation, and additional employment and capital investment information. These projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment. They are projected to result in the creation of 278 jobs.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance and the Vice President - Major Account Marketing and Economic Development recommend that the Trustees approve the allocation of 1,700 kW of Expansion Power to: MacNeil Polymers, Inc.; Praxair, Inc.; and Quebecor World Buffalo Inc. in such quantities as set forth in Exhibit ‘4-A’.

“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.

July 25, 2000

RESOLVED, That the allocation of 1,700 kW of Expansion Power to: MacNeil Polymers, Inc.; Praxair Inc.; and Quebecor World Buffalo Inc. be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

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

5. Quarterly Review of Power For Jobs Employment Commitments

The President submitted the following report:

SUMMARY

“Each quarter, Authority staff initiates a review of all Power for Jobs (‘PFJ’) power allocations that have an anniversary within the quarter being reported upon against agreed-upon job commitments. The anniversary date is the date the company began receiving power under the program. This quarterly review covers companies that took down power during the third and fourth quarters of 1998. In the third and fourth quarters of 1998, the Authority had a total of 107 customers first receiving power in the PFJ program. This review covers a total of 115 contracts with 107 customers. The review shows that 95 of the 115 contracts are in compliance with performance commitments. There are 20 contracts with 20 customers who are not in compliance with employment commitments.

“The contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

“It is recommended that the Trustees reduce the power allocation and job commitment for one company, reduce the job commitments for two companies, grant termination authority for one company, and approve the continuation of current power allocations to 16 companies that were below their job commitment levels.

BACKGROUND

“The 115 contracts reviewed by staff represent overall power allocations of 79,702 MW and total employment commitments of 61,559 jobs. In the aggregate, the 107 customers reported actual employment of 62,390 positions. This represents over 101% (101.34%) of the job commitments total for PFJ customers reporting on their anniversary, with power first received in the third and fourth quarters of 1998. Notwithstanding, there are 20 customers whose actual job levels are below the minimum threshold.

DISCUSSION

“Of the 20 companies which are below committed employment levels, staff recommends that three companies have their power allocations and/or job commitments reduced for the reasons discussed in Section I and I-A, below. Staff recommends that 16 companies be allowed to continue their current power allocations and job commitments as discussed in Section III, below. Lastly, Staff recommends that one company's power allocation be terminated as discussed in Section II. A summary of all contracts discussed in this memorandum is provided as Exhibit ‘5-A’.

Section I.

Allocations and Job Commitments to Be Reduced

Carton-Craft Corporation, Buffalo, Erie County

Allocation: 300 kW

Jobs Commitment: 248 jobs first year, 266 jobs second year, and 281 jobs third year.

Background: Carton-Craft Corporation was founded in 1946 and is the lead developer, designer and manufacturer of children's board books and juvenile novelty items. Last year saw increased competition from foreign competitors, and anticipated growth never materialized for Carton-Craft. Probably no growth will occur this year. More automated equipment might be installed which may or may not increase employment levels. The company's packaging business is expanding but will not result in an increase any jobs this year. For the past year, Carton-Craft Corporation averaged 126.42 jobs, 50.98% of its commitment.

Recommendation: Staff recommends that the Trustees authorize the reduction of the contractually-agreed allocation and job commitment for Carton-Craft Corporation. The company's allocation will be reduced by 150 kW with 150 kW remaining. The job commitment will be reduced by 90 jobs, with 126 jobs as a base and creation of 32 jobs in year one, 18 jobs in year two and 15 jobs in year three, resulting in – 158 jobs first year, 176 jobs second year, and 191 jobs third year.

Section I-A.

Job Commitments to Be Reduced

Blythedale Children's Hospital, Valhalla, Westchester County

Allocation: 150 kW

Jobs Commitment: 565 jobs first year, 570 jobs second year, and 575 jobs third year

Background: Blythedale Children's Hospital provides pediatric care for children up to 19 years of age; and specializes in respiratory/ventilator care and brain trauma care. When Blythedale calculated the number employees it had at the time of application (550), it did so without consideration of the full time equivalent ('FTE') job counting method. Upon re-examination, Blythedale realized that it had only a 331.03 jobs FTE at the time of application. By the end of 1999, Blythedale actually had increased the number of FTEs to 349.89 jobs, an increase of almost 19 jobs over the starting number of FTE jobs. For the past year, Blythedale averaged 333.50 jobs, 59.03% of its commitment.

Recommendation: Staff recommends that the Trustees authorize the reduction of Blythedale Children's Hospital's base job commitment by 219 positions with 331 base jobs remaining and the creation of 15 jobs in year one, 5 jobs in year two and 5 jobs in year three, resulting in 346 jobs first year, 351 jobs second year, and 356 jobs third year.

SEPP Group, Binghamton, Broome County

Allocation: 80 kW

Jobs Commitment: 13 jobs

Background: SEPP Group, a private not-for-profit housing development agency since 1968, provides quality affordable housing in the Southern Tier. SEPP manages three housing projects in NYS. SEPP mistakenly provided an incorrect job count at the time of its application. The correct FTE count for SEPP should be an average of 7.5 employees. For the past year SEPP Group averaged 7.5 employees, 57.69% of its commitment.

Recommendation: Staff recommends that the Trustees authorize the reduction of SEPP Group's job commitment by 6 employees, with a 7 employee commitment remaining.

Section II.

Allocations Requesting Special Trustee Authorization

CNB International, Inc., Buffalo, Erie County

Allocation: 1000 kW

Jobs Commitment: 338 jobs

Background: CNB International, Inc. was founded in 1879 and is the largest manufacturer of metal forming equipment in North America. CNB is going out of business. In the short term, CNB expects to have 15 employees, but should close business by the end of 2000. An orderly liquidation is currently proceeding. For the past year CNB International, Inc. averaged 135.33 jobs, 40.04% of its commitment.

Recommendation: Staff recommends that the Trustees authorize notice for the full take-back of the contractually-agreed allocation as soon as practicable.

Section III.

Allocations to Continue With No Change

Alken Industries Inc., Ronkonkoma, Suffolk County

Allocation: 125 kW

Jobs Commitment: 52 jobs first year, 54 jobs second year, and 57 jobs third year

Background: Alken Industries Inc., in business since 1964, manufactures aircraft fittings, parts and assemblies. Its customers are the major aircraft manufacturers, as well as the Department of Defense. Production rates at many of Alken's customers slowed in 1999. Alken's backlog of business has enabled the company to let go only a few employees. Business is expected to grow in the next few months, and the hiring process should begin in three to four months. For the past year, Alken Industries, Inc. averaged 45.17 jobs, 86.86% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Amherst Tool and Automation Co., Inc., Amherst, Erie County

Allocation: 170 kW

Jobs Commitment: 38 base jobs and 3 jobs created by end of third year

Background: Amherst Tool and Automation Co., Inc. was founded in 1957 and is a precision tool, die, gauge, fixture and specialty machinery manufacturer. Last year sales dropped 50 – 60 percent due to a drop in volume of a major customer. Though two positions were lost last year, sales have risen since the 1999 4th Quarter. Two positions were added within two months of the end of the last reporting period. The forecast for growth over the next two years is buttressed by a sizable increase of incoming orders and a backlog of work. Amherst anticipates having over 35 employees by the end of 2000.

For the past year, Amherst Tool and Automation Co., Inc. averaged 29.33 jobs, 77.18% of its commitment. The Authority will monitor the situation over the next six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Bomax, Inc., Watertown, Jefferson County

Allocation: 400 kW

Jobs Commitment: 114 jobs first year, 134 jobs second year, 154 jobs third year

Background: Bomax, Inc., operating since 1961, manufactures and supplies motors and other parts to various customers. Bomax's biggest customer unexpectedly redesigned its product and no longer required the motor Bomax had manufactured for it. Bomax has aggressively sought out new business, which has resulted in growth, as well as received a contract to produce another item for the same customer that redesigned the aforementioned product. The production of the new item supports ten jobs. By December 1999, Bomax increased employment to 105 FTEs and by May 2000 it was up to 114 FTEs. For the past year Bomax, Inc. averaged 70.25 jobs, 61.62% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Emerson Power Transmission, Corp., Ithaca, Tompkins County

Allocation: 1400 kW

Jobs Commitment: 544 jobs

Background: Emerson Power Transmission has been located in Ithaca since 1906 and manufactures industrial chains, clutches and bearings for the power transmission industry. An upturn is expected for the second half of 2000. For the past year Emerson averaged 467.83 jobs, 86.00% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Engelhard Corporation, Peekskill, Westchester County

Allocation: 1500 kW

Jobs Commitment: 470 jobs first year, 522 jobs second year, and 522 jobs third year

Background: Engelhard Corporation located in Westchester since 1946, performs research and manufactures pigments for the auto, cosmetics, packaging and coating industries. For the past year Engelhard averaged 418.00 jobs, 88.93% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Fermer Precision, Ilion, Herkimer County

Allocation: 200 kW

Jobs Commitment: 121 jobs first year, 136 jobs second year, and 142 jobs third year

Background: Fermer Precision provides machining applications for the metal and plastics industry, specializing in parts for firearms, brakes and gears. Fermer is having trouble hiring the seven or eight workers it currently needs due to lack of qualified job applicants. Last year, Fermer purchased new equipment and added 4000 square feet to their facility in anticipation of new contracts and the resulting need for new employees. For the past year Fermer Precision averaged 105.75 jobs, 87.39% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Flower City Printing, Inc., Rochester, Monroe County

Allocation: 1150 kW

Jobs Commitment: 196 jobs first year, 227 jobs second year, and 267 jobs third year

Background: Flower City Printing, Inc., founded in 1971, is a premier packaging and commercial printer that produces commercial printing, such as catalogues, for consumer oriented manufacturing companies. Last year, Flower City was in the midst of moving their two plants and only incrementally received their Power for Jobs allocation. Now that the allocation is complete and the plants are up and running the employment commitment made should be achieved. By March 2000 employment was at 196 persons, with an average of 192 persons for the 1st Quarter 2000. For the past year Flower City Printing, Inc. averaged 162.92 jobs, 83.12% of its commitment. The Authority will monitor the situation and check back with the company over the next six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Higbee Inc., Syracuse, Onondaga County

Allocation: 100 kW

Jobs Commitment: 64 base jobs and 4 jobs created by the end of third year

Background: Higbee Inc., founded in 1932 makes gaskets and sealing products using a die cutting process, as well as, distributes o-rings, extruded and molded parts. In 1999 Higbee received a large contract from Briggs and Stratton, a manufacturer of engine parts. The company ramped up for the contract but then had to curtail its hiring when Briggs and Stratton abruptly decreased the order. Higbee expects added business this summer, requiring the addition of new workers. For the past year Higbee Inc. averaged 59.50 jobs, 87.50% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

IEC Electronics Corporation, Newark, Wayne County

Allocation: 1500 kW

Jobs Commitment: 1000 jobs

Background: IEC Electronics Corporation in business since 1966, assembles electronic printed circuit boards; serving computer, telecommunications and industrial companies. Due to increased competition from low cost competitors, IEC's business has had a downturn. By February 2000 IEC reported 898 employees. For the past year IEC averaged 881.33 jobs, 88.13% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Levonian Brothers, Inc., Troy, Rensselaer County

Allocation: 350 kW

Jobs Commitment: 87 jobs first year, 104 jobs second year and 121 jobs third year

Background: Levonian Brothers, Inc. has been in business since 1947 and is a meat distributor, as well as, a manufacturer of meat products. The business recently added 15 employees and is expecting more growth in providing deli and ready-to-eat meat products to groceries. For the past year Levonian Brothers, Inc. averaged 74.75 jobs, 85.92% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Mill Services, Inc., Cobleskill, Schoharie County

Allocation: 300 kW

Jobs Commitment: 48 jobs first year, 58 jobs second year, and 68 jobs third year

Background: Mill Services, Inc. formed in 1997 is a full service mill shop; manufacturing fingerjointed boards, mouldings, casings and jambs. Last year the business was hurt by foreign imports. However, due to the quality of the products being superior to those imports, business has improved and the job outlook is good. By March 2000, Mill employed 37 employees with plans to hire 10 more employees by the summer. For the past year Mill Services, Inc. averaged 30.58 jobs, 63.71% of its commitment. The Authority will monitor their situation over the next six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Orbit International Corporation, Hauppauge, Suffolk County

Allocation: 292 kW

Jobs Commitment: 130 jobs

Background: Orbit International Corporation has been in business since 1957 and at its current location since 1982. Orbit manufactures AC and DC power supplies, ups, keyboards, trackballs and displays. Orbit's business slowed considerably in 1999 due to a downturn in the defense industry, as its major customers are Raytheon and Lockheed. Orbit is trying to grow non-defense business. The company has cut costs drastically including a salary reduction for management. Orbit hired back 10 of the 30 employees laid off last year. For the past year Orbit International Corporation averaged 107.42 jobs, 82.63% of its commitment. The Authority will monitor their situation over the next six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Richards Machine Tool Co., Inc., Lancaster, Erie County

Allocation: 60 kW

Jobs Commitment: 26 base jobs and 3 jobs created by the end of third year

Background: Richards Machine Tool Co., Inc. was founded in 1973 and is a precision machine shop that manufactures many items out of various materials. Richards' main customer went into Chapter 11, which froze up a third of their receivables; almost resulting in the closing of their own company. American Axle hired most of Richards' skilled labor (as well as, from other plants in the area) away leaving mostly unskilled workers as the only labor pool to hire new employees. Though work is slow, Richards is expanding its market area and is growing. They will hire new workers as soon as they can find skilled machinists, but the economy doesn't support enough growth to support 29 workers. The Power for Jobs program allowed them to maintain their current headcount. For the past year Richards Machine Tool Co., Inc. averaged 23.17 jobs, 89.12% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Snyder Industries, Inc., North Tonawanda, Niagara County

Allocation: 500 kW

Jobs Commitment: 96 jobs first year, 101 jobs second year, and 106 jobs third year

Background: Snyder Industries, Inc. has been operating since 1971 and is a major original equipment manufacturer (OEM) for the underground mining industry. In June 1999 Snyder's major customer filed for Chapter 11 protection, which hurt demand for Snyder's equipment. However, Snyder believes that their customer will be successful in its reorganization; bringing the customer's mining division to the forefront. This should result in growth for Snyder. Business has increased a bit for Snyder and employment is on the rise. If the reorganization of Snyder's major customer is unsuccessful, this could cause Snyder to go out of business. Snyder is actively seeking other business opportunities. For the past year Snyder Industries, Inc. averaged 84.50 jobs, 88.02% of its commitment. The Authority will check their job numbers at the end of the year and not take back power until there is more clarity as to what will happen with business.

Recommendation: Staff recommends that the Trustees take no action at this time.

Welch Allyn, Inc., Skaneateles, Onondaga County

Allocation: 2000 kW

Jobs Commitment: 1331 jobs base and 84 jobs created by the end of the third year

Background: Welch Allyn, Inc., has manufactured medical diagnostic equipment since 1915. While growth that was anticipated has not materialized yet, the growth of jobs as agreed and anticipated in the contract remain unchanged. For the past year Welch Allyn, Inc. averaged 1245.83 jobs, 88.04% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Westchester Chapter NYS ARC, Inc., White Plains, Westchester County

Allocation: 375 kW

Jobs Commitment: 629 jobs

Background: Westchester Chapter NYS ARC, Inc. provides a comprehensive array of services to people with mental retardation and developmental disabilities residing in Westchester County, including: residential placement, day programs, education, advocacy, case management, guardianship and recreation. The staff level will grow this year due to expansion of facilities and a government initiative. For the past year Westchester Chapter NYS ARC, Inc. averaged 564.42 jobs, 89.73% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance and the Vice President – Major Account Marketing and Economic Development recommend that the Trustees approve reductions (including full take back of an allocation) in power allocations and/or job commitments for four companies as outlined in this item; that the Trustees defer action with regard to 16 companies addressed above in this item. In addition, it is recommended that the Trustees authorize the Manager – Business Power Allocations and Compliance to provide written notice to those companies whose power allocations and/or job commitments are being reduced or fully taken back.

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

July 25, 2000

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

RESOLVED, That the Authority hereby approves the reduction of power allocations and/or job commitments (including full take back of an allocation) to four companies; defers action with respect to the 16 other companies identified in the report; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance hereby is authorized to provide written notice to these companies whose allocations and job commitments are being reduced or fully taken back.

6. Suffolk County Electrical Agency - Allocations of Industrial Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of 5,000 kW of Industrial Power to the Suffolk County Electrical Agency (‘SCEA’) for resale to the four companies listed in Exhibit ‘6-A’, attached hereto.

BACKGROUND

“The Authority has reserved a total of 73,160 kW of Industrial Power for sale to municipal distribution agencies (‘MDA’s’), including Suffolk County, under Service Tariff 35. Of this amount, 5,000 kW is reserved for Suffolk County. This power is resold to business customers designated by the MDA’s and approved by the Authority. In the past, the SCEA had awarded allocations to four companies: Advanced Interconnection Technology (‘AIT’), Ellanef Manufacturing Corporation (‘Ellanef’); Newsday; and Sage Enterprises, Inc. (‘Sage’). In November 1998, a newly appointed SCEA Board decided to reevaluate the processes and procedures used to award industrial power allocations. The Board members insisted that the bidding process for industrial power be opened up to all businesses in the County. The SCEA subsequently announced a formal request for applications in April 1999. Ellanef, Newsday, and Sage were invited to reapply for power, as were all other qualified businesses. (AIT did not participate in this process, as it had moved operations to an out-of-state facility and subsequently cancelled its power contract.)

“In the interim, the wheeling agreement between Long Island Power Authority (‘LIPA’) and the SCEA was terminated as of January 1, 1999. In an effort to bridge the delivery of power, the Authority drafted a temporary delivery agreement. The Authority and the SCEA understood that this month-to-month delivery arrangement would be enforced until the SCEA could identify new customers and LIPA and Suffolk County could come to agreement on a new wheeling arrangement. As a result of its competitive bidding process, the SCEA awarded the following allocations in November, 1999:

Ellanef Manufacturing Corporation	1,600 kW
Newsday	1,900 kW
Reuters Information Technology, Inc.	1,000 kW
Sage Enterprises, Inc.	500 kW

Also in November 1999, LIPA and the SCEA reached a new delivery agreement. Going forward, customer contracts will be limited to three-year terms.

DISCUSSION

“Ellanef, located in Bohemia, manufactures aerospace machined parts and assemblies, as well as mainframe computer and aircraft landing gear. At their meeting of May 23, 1995, the Trustees approved a 1,000 kW allocation of industrial power to Ellanef. Following its competitive bidding process last year, the SCEA has proposed that Ellanef be awarded a 1,600 kW allocation for an additional three years in exchange for 195 existing jobs. The resulting jobs/MW ratio will be 122 jobs/MW. It is estimated that Ellanef will save about \$195,000 annually over LIPA’s standard rates.

“Newsday is a subsidiary of the Times Mirror Company, which owns several other publications in the Northeast. The newspaper operates a large data center in Melville that serves its regional publications. In the past, Newsday received 2,200 of industrial power from the SCEA. The SCEA is now recommending a reduction in Newsday’s allocation to 1,900 kW for a term of three years in exchange for the retention of 2,550 jobs. The new jobs/MW ratio will be 1,324 jobs/MW and the company expects to save approximately \$225,000 per year over LIPA’s standard rates.

“Reuters Information Technology, Inc. (‘Reuters’), located in Hauppauge, supplies global financial markets and news media with a wide range of news products. Among the company’s products and services: real-time financial data, collective investment data, numerical and graphical databases, and news pictures. The company reaches over 521,000 users in 52,800 locations and extensively uses the Internet for wide distribution of news and information. The SCEA has proposed that Reuters be awarded a 1,000 kW allocation of industrial power in exchange for the retention of 407 jobs with a resulting ratio of 406 jobs/MW. Reuters’ annual savings are estimated to be \$170,000/year over LIPA’s standard rates.

“Sage, located in Hauppauge, provides in-flight refrigerated food products to most of the commercial airports in the northeastern United States. At their meeting of January 25, 1994, the Trustees approved a 400 kW allocation to Sage. The SCEA has proposed that the allocation be increased to 500 kW in exchange for the retention of 52 jobs resulting in a ratio of 104 jobs/MW. It is estimated that Sage will save \$70,000 annually over LIPA’s standard rates.

“The proposed allocations have 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 (1988)). The standard power service contract between a business and SCEA 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 SCEA, as provided by Part 460.4 of the Authority's Rules and Regulations, and pursuant to the contract between the Authority and SCEA.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance and the Vice President - Major Accounts Marketing and Economic Development recommend that the Trustees approve the allocation of power to Suffolk County for resale to four companies in the quantities tabulated in Exhibit ‘6-A’, and as described 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”.

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

RESOLVED, That the Authority hereby approves the allocation of 5,000 kW of Industrial Power to the Suffolk County Electrical Agency for resale to Newsday, Inc., Ellanef Manufacturing Corporation, Sage Enterprises, Inc., and Reuters Information Technology, Inc., in such quantities, as are described in Exhibit ‘6-A’ of the foregoing report of the President, and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That each of the contracts for the resale of industrial power between the Suffolk County Electrical Agency and the companies designated in Exhibit ‘6-A’, is subject to approval by the Senior Vice President - Marketing and Economic Development; and be it further

July 25, 2000

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

**7. New York City Public Utility Service –
Allocations of Industrial Power**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the allocations of 1,800 kW of Industrial Power to the New York City Public Utility Service Agency (‘NYCPUS’) for resale to two companies.

BACKGROUND

“The Authority has reserved a total of 73,160 kW of Industrial Power for sale to municipal distribution agencies (‘MDA’s’), including NYCPUS, under Service Tariff 35. Of this amount, 50,000 kW is reserved for NYCPUS. This power is resold to business customers designated by the MDA’s and approved by the Authority. NYCPUS has proposed the allocation of 1,000 kW to Elmhurst Dairy, Inc., doing business as Honeywell Farms, and 800 kW to Crystal Windows and Door Systems, Ltd. (‘Crystal Windows’) from this block of power.

DISCUSSION

“Honeywell Farms is a dairy products company located in Jamaica, Queens. In consideration of an allocation of 1,000 kW of Industrial power, the company will commit to maintain its current employment level of 162 at its New York City operations and expend at least \$1.5 million for machinery and equipment at its Jamaica facilities. Honeywell Farms is a participant in New York City’s Industrial and Commercial Incentive Program, which includes property tax exemptions and Energy Cost Saving Program benefits. With a 62% load factor, the proposed ten-year allocation, which expires June 30, 2010, would save Honeywell Farms approximately \$105,000 annually over Con Edison’s standard rates.

“Crystal Windows, a manufacturer of vinyl and aluminum windows and doors, has proposed a \$10.8 million expansion project that entails the construction of a new 145,000 square foot manufacturing and office facility in College Point, Queens. In addition to the requested Industrial Power allocation of 800 kW, New York City has offered Crystal Windows several other development incentives, including a property tax exemption on the proposed capital improvements, and Energy Cost Savings Program (‘ECSP’) benefits, which can be utilized in conjunction with Industrial Power. Crystal Windows would commit to retain 170 jobs at its Queens location through June 30, 2010 and to hire an additional 75 people during the next three years, which would produce a total ratio of 306 jobs per megawatt. With a 50% load factor, Crystal Windows would save approximately \$55,000 annually over Con Edison’s standard rates before application of ECSP discounts.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance, and the Vice President of Major Account Marketing & Economic Development recommend that the Trustees approve the allocations of Industrial power to NYCPUS for resale to Honeywell Farms and Crystal Windows in the quantities, as described 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”.

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

RESOLVED, That the Authority hereby approves the allocation of 1,800 kW of Industrial power to the New York City Public Utility Service for resale to Honeywell Farms and Crystal Windows in such quantities, as are 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 contracts for the resale of Industrial power between the New York City Public Utility Service and Honeywell Farms and Crystal Windows is subject to approval by the Senior Vice President – Marketing and Economic Development; and be it further

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

8. Village of Solvay – Increase in Retail Rates - Notice of Adoption

The President submitted the following report:

SUMMARY

“The Board of the Village of Solvay, 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 \$635,000 or 8.9%. The Authority’s energy and power rates would not change.

BACKGROUND

“The Village Board has requested the proposed rate increase to meet Solvay Municipal Lighting Department’s future financial needs. The additional revenue will help the Village fund forecasted increases in operational, maintenance, and debt service expenses resulting from Solvay Paper Board’s expansion of its operations. Further, the additional demand for power will force the electric department to purchase incremental power every month of the year. Current rates have been in effect since 1986.

“The management of the Village of Solvay has planned additions to plant-in-service amounting to \$4.3 million. The capital program includes \$4 million for the construction of a new substation to serve Solvay Paper Board. The remainder \$300,000 is planned for a major upgrade of the existing distribution substation equipment, purchase of consumer meters and line transformers, and replacement of old poles. Solvay Paper Board has agreed to pay 75% the new substation costs, and the Village plans to debt-finance the remainder of the capital program by issuing a Serial Bond.

“Solvay officials have requested the Authority to modify the current rate structure. Under the Village’s new rate design, an average residential and small commercial customer will continue to pay about 3.1 and 2.7 cents per kWh, respectively. Small industrial and school customers are presently paying 1.9 cents per kWh, and will pay 2.1 cents per kWh after the increase. A new large industrial class has been created. This customer class currently pays 1.7 cents per kWh, and will pay 2.0 cents per kWh after the rate 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 June 7, 2000 and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village of Solvay on December 1, 1999. There was no opposition to the proposed rates and the Village Board has requested that they be approved.

“Expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘8-A’, ‘8-B’, and ‘8-C’, respectively.

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing and Regulation recommends that the attached schedule of rates for the Village of Solvay, 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 Solvay, 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 such other notice as is required by statute or regulation.

9. PLAN OF FINANCE

Mr. Clemente explained to the Trustees that although staff had originally envisioned recommending a series of actions for the Trustees' consideration at this meeting, the only authorization to be sought presently would relate to a new subordinated bond issuance. Mr. Clemente added that additional finance issues might be submitted to the Trustees either at their regularly scheduled September 26th meeting, or at a special meeting, which could be convened on call of the Chairman.

The Chairman asked George W. Collins, the Treasurer of the Authority, to present the plan of finance to the Trustees. Mr. Collins advised the Trustees that there were two basic components of the financing plan - a fixed rate component and a variable rate component, and the fixed rate component was proposed to be swapped to a variable rate by a fixed-to-floating interest rate swap agreement. Mr. Collins then advised that, while resolutions implementing the entire plan were set forth before the Trustees, the fixed rate component and the attendant fixed-to-floating interest rate swap agreement were being presented as informational items only. Approval was requested for the variable rate component only. Mr. Collins then invited John Miller of Public Financial Management, Inc. ("PFM"), the Authority's financial advisor, to make a presentation relating to the Authority's proposed plan of finance. Mr. Miller advised the Trustees that the proposed plan of finance, if adopted by the Trustees, would consist of the following six components:

1. conversion of approximately \$68,100,000 principal amount of Authority's Series 2 Commercial Paper Notes (the "Series 2 CP") to variable rate demand obligations by the refunding of such Series 2 CP with proceeds of tax-exempt subordinate lien revenue bonds;
2. conversion of approximately \$61,250,000 principal amount of the Authority's Series 1 Commercial Paper Notes (the "Series 1 CP") to auction rate securities by the refunding of such Series 1 CP with proceeds of tax-exempt subordinate lien revenue bonds;
3. financing of certain costs associated with the expansion of the Polleti plant site with proceeds of tax-exempt subordinate lien revenue bonds structured as variable rate bonds, initially bearing interest at an auction rate;
4. conversion of approximately \$216,200,000 principal amount of the Authority's Series 4 Commercial Paper Notes (the "Series 4 CP") to fixed rate bonds by the refunding of such Series 4 CP with proceeds of additional tax-exempt senior lien revenue bonds issued under the Authority's General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998 (the "General Resolution");
5. financing of certain capital costs in connection with the upgrading and relicensing of the Niagara Project and the reimbursement of certain information technology expenditures made by the Authority, with proceeds of additional tax-exempt fixed rate senior lien revenue bonds issued under the General Resolution; and
6. termination of existing floating-to-fixed rate swaps, entered into by the Authority in connection with bonds that would be issued to redeem the Series 4 CP, and issuance of synthetic variable rate debt by means of fixed-to-floating rate swap agreements in connection with the issuance of additional fixed rate senior lien revenue bonds described in clauses (4) and (5) of this paragraph. Whether the Authority would receive or pay a termination fee in connection with the termination of the swaps would be determined by market prices on the date of termination.

Following Mr. Miller's presentation, Mr. Collins stated that the Authority's staff is recommending to the Trustees to consider at this meeting only the first three components of the plan of finance and to defer consideration of the other three components of the plan of finance until the next regular meeting of the Authority.

Mr. Ernsthaft then briefed the Trustees on the various resolutions before them relating to the Series 1-4 Subordinate Bonds, which were proposed for immediate action. Mr. Ernsthaft then summarized such Subordinate Bond Resolutions as follows:

- (1) Adoption of new General Subordinate Resolution Authorizing Subordinate Revenue Bonds.
- (2) Adoption of the First Supplemental Subordinate Resolution authorizing the issuance of four series of Subordinate Revenue Bonds.
- (3) Authorizing the execution of bond purchase agreements relating to the Subordinate Bonds with an underwriter designated for each series of Subordinate Bonds, as specified in the Resolution.
- (4) Authorizing the issuance of an Official Statement relating to the Subordinate Bonds.
- (5) Appointing The Bank of New York as the new Trustee/Paying Agent/Registrar and Tender Agent under the new General Subordinate Resolution.
- (6) Authorizing any amendments to the existing 1999 Revolving Credit Agreement necessary to effectuate the issuance of the Series 1 Subordinate Bonds.
- (7) Authorizing the execution of a Continuing Disclosure Agreement relating to the Series 2-4 Subordinate Bonds.
- (8) Authorizing the execution of a Tender Agency Agreement with The Bank of New York.
- (9) Appointment of PaineWebber as Remarketing Agent for the Series 1 Subordinate Bonds, and authorizing the execution of a Remarketing Agreement with such firm.
- (10) Authorizing the execution of an Auction Agreement with the Trustee under the General Subordinate Resolution and The Bank of New York, as Auction Agent.
- (11) Appointment of Goldman, Sachs, Salomon Smith Barney and Merrill Lynch as Broker-Dealers for each series of the Series 2-4 Subordinate Bonds and authorization of Broker-Dealer Agreements with such firms.
- (12) Authorizing the selection of a bond insurer to provide municipal bond insurance for the Series 2-4 Subordinate Bonds.
- (13) Authorizing the Chairman and the President to terminate, if necessary, the existing Remarketing Agent, Tender Agent and the Auction Agent, and appoint new Agents.
- (14) A resolution authorizing the use over the next two years of up to an additional \$200 million to be withdrawn from the Operating Fund under the Authority's General Resolution to purchase the Authority's bonds in the open market or to provide for the payment and defeasance thereof and to retire outstanding Authority commercial paper.
- (15) A resolution authorizing the execution of agreements with Hawkins, Delafield & Wood, Nixon Peabody, and Danforth Rogers for legal services, in connection with the bond issuance.
- (16) The resolutions also provide the Chairman and other designated officers with the authority to take any actions necessary or advisable to effectuate the proposed issuance and to make any further changes to the bond financing resolutions and documents necessary or advisable to effectuate the contemplated issuance. Mr. Ernsthaft concluded by noting that the above-described resolutions were ready for adoption, and could be adopted collectively as one resolution.

Trustee Ciminelli stated that he would support the proposed resolutions with the understanding that the only matter being authorized by the Trustees at this time is the subordinate bond issuance. Mr. Clemente confirmed that Trustee Ciminelli's understanding was correct.

ADOPTION OF GENERAL SUBORDINATE RESOLUTION AUTHORIZING SUBORDINATE REVENUE BONDS AND AUTHORIZATION OF SERIES 1, 2, 3 AND 4 SUBORDINATE REVENUE BONDS

The Chairman stated that a matter to be presented at the meeting was consideration of the advisability of adopting the General Subordinate Resolution Authorizing Subordinate Revenue Bonds and the First Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 1, Series 2, Series 3 and Series 4, which authorize the issuance of up to \$220 million of Subordinate Revenue Bonds (hereinafter collectively referred to as the "Series 1-4 Subordinate Revenue Bonds") of the Authority to refund Series 1 CP and Series 2 CP and to reimburse the Authority for expenditures made to fund the licensing, design and engineering of, and the fabrication of turbines for, a proposed 500-MW combined-cycle generation unit at the Authority's Poletti plant site, to fund additional licensing, design, engineering and turbine fabrication costs for the project and to pay certain financing costs during construction associated with such project.

On motion duly made and seconded, the following resolutions, together with such changes, insertions, deletions and amendments thereto as the Chairman of the Authority may approve, which shall be deemed to be part of such resolutions as adopted, were unanimously adopted:

- (1) General Subordinate Resolution Authorizing Subordinate Revenue Bonds (attached hereto as Exhibit 1 and hereinafter referred to as the "General Subordinate Resolution")
- (2) First Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 1, Series 2, Series 3 and Series 4 (attached hereto as Exhibit 2 and hereinafter referred to as the "First Supplemental Subordinate Resolution")

CONTRACTS OF PURCHASE AND OFFICIAL STATEMENT

The Chairman presented a copy of forms of Contracts of Purchase proposed to be entered into with PaineWebber Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, providing for the sale of the Series 1-4 Subordinate Revenue Bonds to said firms. He also presented a draft form of the Official Statement relating to the Series 1-4 Subordinate Revenue Bonds (attached hereto as Exhibit 3). Said proposed Contracts of Purchase and draft form of Official Statement for the Series 1-4 Subordinate Revenue Bonds were considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLUTION AS TO EXECUTION AND DELIVERY OF
CONTRACTS OF PURCHASE, OFFICIAL STATEMENT,
TENDER AGENCY AGREEMENT, REMARKETING AGREEMENT,
AUCTION AGREEMENT, BROKER-DEALER AGREEMENTS,
AND AGREEMENTS FOR BOND AND SPECIAL COUNSEL SERVICES**

RESOLVED, that all the Series 1, the Series 2, the Series 3 and Series 4 Subordinate Revenue Bonds, shall be sold to PaineWebber Incorporated, Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the "Series 1-4 Underwriters"), respectively, at such prices, with accrued interest on such Series 1-4 Subordinate Revenue Bonds from the date of said Series 1-4 Subordinate Revenue Bonds to the date of delivery and payment for said Bonds, as the Chairman may accept and as will be in compliance with the requirements of the First Supplemental Subordinate Resolution, pursuant to one

or more Contracts of Purchase, each in substantially the form of the Contracts of Purchase relating to the Series 1-4 Subordinate Revenue Bonds submitted at this meeting (attached hereto as Exhibit 4), as such Contracts may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

FURTHER RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute one or more proposed Contracts of Purchase substantially in the forms submitted at this meeting, providing for the sale of the Series 1-4 Subordinate Revenue Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, or Treasurer may approve, subject to the requirements of the First Supplemental Subordinate Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contracts of Purchase upon execution thereof; and

FURTHER RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized to make such changes, insertions, deletions, amendments and supplements, to or from the draft form of the Official Statement relating to the Series 1-4 Subordinate Revenue Bonds as may be approved by such officer, and upon the completion of any such modifications, such officer is authorized to execute such certificates as may be requested by the Series 1-4 Underwriters to certify on behalf of the Authority that such Official Statement is "deemed final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by the Rule, and the distribution of the Official Statement relating to the Series 1-4 Subordinate Revenue Bonds of the Authority is hereby approved to all interested persons in connection with the sale of such Bonds; and

FURTHER RESOLVED, that the Chairman be, and hereby is, authorized to adopt and execute on behalf of the Authority one or more Official Statements of the Authority relating to its Series 1-4 Subordinate Revenue Bonds, in such form and substance as the Chairman deems necessary or desirable, and the delivery of said Official Statements to the purchasers of said Series 1-4 Subordinate Revenue Bonds is hereby authorized, and the Authority hereby authorizes said Official Statements and the information contained therein to be used in connection with the sale of the Authority's Series 1-4 Subordinate Revenue Bonds; and

FURTHER RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to obtain a municipal bond insurance policy for the Series 2, the Series 3 and the Series 4 Subordinate Revenue Bonds covering scheduled payments of principal and interest on such Bonds, including mandatory sinking fund redemption payments; and

FURTHER RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized on behalf of the Authority to execute (i) a Tender Agency Agreement with The Bank of New York, as tender agent for the Series 1-4 Subordinate Revenue Bonds (the "Tender Agent"), in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 5), (ii) a Remarketing Agreement with PaineWebber Incorporated, as remarketing agent for the Series 1 Subordinate Revenue Bonds (the "Remarketing Agent"), in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 6), (iii) an Auction Agreement with The Bank of New York, as the trustee (the "Trustee"), and The Bank of New York, as auction agent (the "Auction Agent") for the Series 2, Series 3 and Series 4 Subordinate Revenue Bonds (the "Auction Rate Bonds"), in substantially the form of the draft of such agreement submitted at this meeting (attached hereto as Exhibit 7), (iv) a Broker-Dealer Agreement with the Auction Agent and Goldman, Sachs & Co., Salomon Smith Barney Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated, respectively, as broker-dealers for each series of Auction Rate Bonds (the "Broker-Dealers"), each in substantially the form of the draft of such agreements submitted at this meeting (attached hereto as Exhibit 8), and (v) each of the agreements referred to in clauses (i) through (iv) of this paragraph with a Tender Agent, Remarketing Agent, Auction Agent or Broker-Dealer, as the case may be, appointed pursuant to this resolution or the First

Supplemental Subordinate Resolution with respect to any series of Series 1-4 Subordinate Revenue Bonds, with such changes, insertions, deletions, amendments and supplements as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval; and

FURTHER RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, Treasurer, and Secretary be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those actions, certificates, agreements and other documents described in the Resolutions, the Contracts of Purchase and the other documents approved today or required in connection with the obtaining of a municipal bond insurance policy, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful issuance and delivery of the Series 1-4 Subordinate Revenue Bonds, (ii) implement any action permitted to be taken by the Authority under the Resolutions, the Contracts of Purchase and the other documents approved today following the issuance of the Series 1-4 Subordinate Revenue Bonds, and (iii) effectuate the purposes of the transactions and documents approved today; provided, however, that no action shall be undertaken pursuant to this paragraph to change the interest rate determination method applicable for any series of Series 1-4 Subordinate Revenue Bonds, to authorize any amendments to the First Supplemental Subordinate Resolution, to change the length of the auction period for any series of the Series 1-4 Subordinate Revenue Bonds, to change the day of the week on which auctions are held for any series of the Series 1-4 Subordinate Revenue Bonds, to amend the auction procedures for any series of the Series 1-4 Subordinate Revenue Bonds, to direct the Trustee to appoint or remove the Auction Agent for any series of the Series 1-4 Subordinate Revenue Bonds, or to optionally redeem Series 1-4 Subordinate Revenue Bonds unless the Chairman or the President and Chief Operating Officer shall have determined that such action is necessary or advisable; and

FURTHER RESOLVED, that the General Counsel be, and hereby is, authorized on behalf of the Authority to execute letter agreements between the Authority and the law firm of Hawkins, Delafield & Wood, for the provision by such firm of bond counsel services to the Authority, with the law firm of Nixon Peabody LLP for the provision by such firm of special counsel services to the Authority, and with Danforth Rogers for the provision of legal services, all in connection with the Series 1-4 Subordinate Revenue Bonds and the related transactions authorized hereby, with such agreements having such terms and conditions as the General Counsel may approve.

**APPOINTMENT OF TRUSTEE AND TENDER AGENT UNDER GENERAL
SUBORDINATE RESOLUTION**

RESOLVED, that The Bank of New York is hereby appointed as Trustee, Registrar, Paying Agent and Tender Agent under the General Subordinate Resolution; and

FURTHER RESOLVED, that the Chairman and President and Chief Operating Officer be, and each of them hereby is, authorized to remove the Tender Agent and to appoint a successor Tender Agent.

**APPOINTMENT OF REMARKETING AGENT AND BROKER-DEALERS UNDER FIRST
SUPPLEMENTAL SUBORDINATE RESOLUTION**

RESOLVED, that PaineWebber Incorporated is hereby appointed as Remarketing Agent for the Series 1 Subordinate Revenue Bonds; and

FURTHER RESOLVED, that the Chairman and the President and Chief Operating Officer be, and each of them hereby is, authorized to appoint and remove the Remarketing Agents for the Series 1-4 Subordinate Revenue Bonds; and

FURTHER RESOLVED, that Goldman, Sachs & Co., Salomon Smith Barney Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are hereby appointed as Broker Dealers for each series of Series 1-4 Subordinate Revenue Bonds; and

FURTHER RESOLVED, that the Chairman and President and Chief Operating Officer be, and each of them hereby is, authorized to appoint and remove the Broker-Dealers for the Series 1-4 Subordinate Revenue Bonds.

AUTHORIZING AMENDMENTS TO REVOLVING CREDIT AGREEMENT

RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized to enter into such amendments to the Revolving Credit Agreement as defined in the First Supplemental Subordinate Resolution, as are necessary or advisable to effectuate the contemplated issuance of the Series 1 Subordinate Revenue Bonds.

AUTHORIZATION OF CONTINUING DISCLOSURE AGREEMENTS

RESOLVED, that the Chairman, President and Chief Operating Officer, Senior Vice President and Chief Financial Officer and Treasurer be, and each of them hereby is, authorized to execute a Continuing Disclosure Agreement between the Authority and The Bank of New York, as Trustee under the General Subordinate Resolution, in substantially the form set forth in Appendix E to Part 1 of the draft Official Statement issued in connection with the sale of the Auction Rate Bonds, each with such changes, insertions, deletions, and supplements, as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval.

**AUTHORIZATION OF USE OF OPERATING FUND MONIES
FOR PURCHASE OF SERIES 1998 BONDS AND RETIREMENT
OF COMMERCIAL PAPER NOTES**

RESOLVED, that the Treasurer be, and hereby is, hereby authorized, in accordance with Section 503(1)(e) of the General Resolution and after taking into account any reserves established pursuant to Section 503(2) of the General Resolution, to use in 2000 and 2001 up to an aggregate amount of \$200 million of monies in the Operating Fund for the purpose of purchasing in the open market Series 1998 Bonds or to provide for the payment and defeasance thereof and for the payment of Commercial Paper Notes of the Authority, provided, however, that as a condition to such withdrawal, the Treasurer shall have determined and shall certify that the monies to be withdrawn are not then needed for any of the purposes specified in Section 503(1)(a), (b), or (c) of the General Resolution.

**INFORMATIONAL MATERIAL RELATING TO
SERIES 2000 A REVENUE BONDS
AND QUALIFIED SWAP AGREEMENTS**

The Chairman stated that in connection with the other three components of the Authority's plan of finance, which would be considered at the next regular meeting of the Authority, the Authority's staff has enclosed for informational purposes of the Trustees drafts of resolutions (attached hereto as Exhibit 9) of the Authority (i) adopting a Second Supplemental Resolution Authorizing Series 2000 A Revenue Bonds, which authorizes the issuance of additional senior lien revenue bonds under the General Resolution, in an aggregate principal amount not to exceed \$300 million (hereinafter referred to as the "2000 A Senior Lien Bonds"), in order (a) to refund Series 4 CP, (b) to pay certain capital costs in connection with the upgrading and relicensing of the Niagara Project, (c) to reimburse the Authority for certain information technology system

expenditures made by the Authority in connection with its "Year 2000" readiness program, and (d) to pay certain costs and expenses associated with the issuance of the 2000 A Senior Lien Bonds, (ii) adopting documents and authorizing certain officers of the Authority to execute agreements and certificates that such officers may deem necessary or advisable in order to consummate the lawful issuance of the 2000 A Senior Lien Bonds, including the agreement providing for the sale of the 2000 A Senior Lien Bonds to certain investment banking firms, (iii) authorizing certain officers of the Authority to terminate the floating-to-fixed rate swap agreements entered into by the Authority in order to manage risk on the bonds that would be issued to redeem Series 4 CP, and (iv) authorizing certain officers of the Authority to enter into "Qualified Swap" agreements, as defined in the General Resolution, in the form of fixed-to-floating rate swap agreement in connection with the issuance of 2000 A Senior Lien Bonds.

The Chairman stated that the recommended issuance of the 2000 A Senior Lien Bonds and fixed-to-floating interest rate swap in connection therewith may be considered at the next regular meeting of the Authority.

EXHIBITS

- Exhibit 1: *General Subordinate Resolution Authorizing Subordinate Revenue Bonds*
- Exhibit 2: *First Supplemental Subordinate Resolution Authorizing Subordinate Revenue Bonds, Series 1, Series 2, Series 3 and Series 4*
- Exhibit 3: *Draft of Official Statement for the Series 1-4 Subordinate Revenue Bonds*
- Exhibit 4: *Drafts of Contracts of Purchase relating to the Series 1-4 Subordinate Revenue Bonds*
- Exhibit 5: *Draft of Tender Agency Agreement relating to the Series 1-4 Subordinate Revenue Bonds*
- Exhibit 6: *Draft of Remarketing Agreement relating to the Series 1 Subordinate Revenue Bonds*
- Exhibit 7: *Draft of Auction Agreement relating to the Series 2, the Series 3 and the Series 4 Subordinate Revenue Bonds*
- Exhibit 8: *Form of Broker-Dealer Agreement relating to the Series 2, the Series 3 and the Series 4 Subordinate Revenue Bonds*
- Exhibit 9: *Drafts of resolutions authorizing the issuance of the 2000 A Senior Lien Bonds and fixed-to-floating interest rate swap in connection therewith*

10. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday, September 26, 2000, at the Albany Office at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was closed at 12:15 p.m.

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

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