

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

**November 28, 2000**

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Minutes of the regular meeting of the Power Authority of the State of New York held at the New York State Dormitory Authority 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

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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
H. Kenneth Haase	Senior Vice President - Transmission
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel – Power and Transmission
Gerald Goldstein	Assistant General Counsel – Regulation and Contract
William Ernsthaf	Principal Attorney
Steve Kass	Attorney
Angelo Esposito	Director – Energy Services Division
William V. Slade	Director – Environmental Programs
James H. Yates	Director – Business Marketing & Economic Development
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
James F. Pasquale	Manager Business – Power Allocations and Compliance
Joseph Leary	Senior Communications Specialist
Barbara Vahue	Assistant Secretary And Secretary to the Executive Committee
Bonnie Fahey	Executive Administrative Assistant
Anne Wagner-Findeisen	Deputy Secretary
Angela D. Graves	Assistant Secretary
Alice F. Simon	Assistant Secretary
Betty C. Fennell	Assistant Secretary

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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 October 31, 2000 were approved.

**2. Financial Report for the Ten Months Ended October 31, 2000**

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

#### **4. Power Allocations Under the Power for Jobs Program**

The President submitted the following report:

##### SUMMARY

“The Trustees are requested to approve 52 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit ‘4-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’). The Trustees are also requested to approve job commitment revisions, name changes and allocation modifications as detailed below.

##### BACKGROUND

“In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The Power for Jobs program originally made available 400 megawatts (‘MW’) of power; 200 provided from the Authority’s James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 MW of power available and have accelerated the distribution of the power. 267 MW were made available in Year 1.

“In May 2000, legislation was passed which authorized another 300 MW of power to be allocated under the Power for Jobs program. Up to 75 MW may be recommended for allocations to small businesses and not-for-profit corporations. The additional megawatts, described in the statute as ‘phase four’ of the program shall be allocated in three rounds: 100 MW by October 1, 2000, 100 MW by February 1, 2001 and 100 MW by July 1, 2001. In addition to applicants who have not received a previous allocation under the program, those who received allocations in Year One (December 1997-November 1998) are also eligible for allocations in ‘phase four’. Year One allocations totaled 267 MW. However, some allocations were returned unused or recaptured due to failure to meet job commitments. As a result, there are approximately 260 MW in allocations to some 320 customers who would be eligible to apply for ‘phase four’ power.

“Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through September 2000, the Trustee’s approved allocations to 646 businesses under the Power for Jobs program.

##### DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. 52 applications were deemed highly qualified and presented to the EDPAB for its review on October 18, 2000. All remaining applications are still under review and will be considered at a later date.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees *[approve]* the allocations to the 52 businesses listed in Exhibit “4-A”. Collectively, these organizations have agreed to create or retain over 27,870 jobs in New York State in exchange for allocations totaling 40.039 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit “A”. The basis for EDPAB’s recommendations is also included in Exhibit “A”.

“The Trustees are also requested to approve job commitment revisions to the 3 companies listed in Exhibit ‘4-B’, name changes and allocation transfers to the two companies detailed below and a modification to power allocations awarded to International Business Machines Corporation.

“The Trustees had approved the companies listed in Exhibit ‘4-B’ for a Power for Jobs allocation. Their allocation was based on their commitment to retain or create jobs as indicated in the application they submitted to the Trustees. Subsequent to Trustee approval but before entering into contract with the Power Authority, the companies have requested that their job commitment be revised to more accurately reflect their existing employment levels. The revisions are mainly due to confusion in accounting for part time and seasonal employees. The job number changes are insignificant in total and do not require changes to the amount of the allocation.

At their meeting of February 29, 2000, the Trustees approved a 2,000 kW allocation to Corning Pressware. Subsequent to the meeting, the company announced a new name. The company will now be known as World Kitchen. The job commitment will not be affected. At their meeting of March 30, 1999, the Trustees approved a 1,000 kW allocation to Dovatron International. Subsequent to the meeting, the company merged with Flextronics International. Their job commitment has been affected by the merger and was addressed in Exhibit ‘4-A’. The members of the Board are requested to approve the name changes and related transfer of power.

“In addition, the Trustees are requested to approve a modification to the existing power allocation to International Business Machines Corporation (IBM). At their meeting of January 27, 1998, the Trustees originally approved allocations to two IBM facilities. A 2,400 kW allocation was approved for their Mt. Pleasant facility and a 400 kW allocation was approved for a location at 44 South Broadway in White Plains. IBM committed 1,013 jobs at the Mt. Pleasant facility and 482 jobs at the White Plains location. The Mt. Pleasant facility has subsequently been closed and service has not yet commenced at the White Plains location. We are requesting that the Trustees authorize the transfer of the 2,800 kW to an IBM location in Rochester. IBM will commit the same number of jobs (1,495) at this location.

#### RECOMMENDATION

“The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit ‘4-A’. The Trustees are also requested to approve the job commitment revisions, name changes and allocation modifications as detailed above.

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

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

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 40.039 MW of allocations of Power for Jobs power to the companies listed in Exhibit “4-A” and also recommended that the Authority approve certain job commitment revisions, name changes and allocation modifications;**

**NOW THEREFORE BE IT RESOLVED That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit “4-A” (the “Customers”), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and the Authority also approves job commitment revisions, name changes and allocation modifications as submitted to this meeting; and be it further**

**RESOLVED, That a total of 40.039 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority’s Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further**

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

**5. Allocation of Economic Development Power – Dielectric Laboratories**

The President submitted the following report:

**SUMMARY**

“The Trustees are requested to approve an allocation of 600 kW of Economic Development Power (‘EDP’) to Dielectric Laboratories (‘DLI’).

**BACKGROUND**

“At their meeting of September 28, 1998, the Trustees approved an allocation of 400 kW of Power for Jobs Power to DLI for job retention purposes for a term of three years. On September 26, 2000, the Trustees extended the allocation for an additional three years.

“At its meeting of November 28, 2000, the Economic Development Power Allocation Board (“EDPAB”) recommended to the Authority an additional allocation of 600 kW of EDP to DLI for business expansion purposes. The Authority will sell the power to the Niagara Mohawk Power Corporation (“NIMO”) for resale to DLI.

**DISCUSSION**

“DLI is a supplier of high- frequency electronic components essential to the global build-out of optical networking and wireless communications infrastructures. The company's marketplace is dynamic and, rapidly growing , with major customers on three continents. DLI has expansion plans in place to meet the increasing demand for its product lines. The company's anticipated capital investment will amount to \$15-\$18 million over the next three years, along with the creation of 195 jobs during the same time period. An allocation of EDP will allow DLI to invest in New York State, while sharpening its competitive edge and securing the future of its employees as well as that of the surrounding communities.

“The additional allocation of 600 kW of EDP would retain 299 jobs and create 195 at a total ratio of 823 jobs per megawatt. DLI would save an estimated \$135,000 annually over NIMO’s standard rates. The Madison County Industrial Development Corporation supports the proposed ten – year allocation of business expansion power.

**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 600 kW of Economic Development Power to DLI.

“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 with the recommendation.”

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

**WHEREAS, the Economic Development Power Allocation Board has recommended an allocation of Economic Development Power to Dielectric Laboratories in the amount of 600 kW;**

**NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves an allocation of 600 kW of Economic Development Power to Dielectric Laboratories, substantially in accordance with the terms described in the foregoing memorandum from 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 negotiate and to execute, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, any and all documents necessary or desirable to effectuate the foregoing.**

**6. Amendments of Article 1, Section 1 and Article 4, Section 6 (E) of the By-laws and Designation of Employees to Accept Service of Process**

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

**SUMMARY**

“The Trustees are requested to amend Article 1, Section 1 and Article 4, Section 6 (E) of the Authority’s By-laws to designate the Albany Office as the Authority’s ‘principal office’ and to permit the Executive Vice President, Secretary and General Counsel to designate Authority employees authorized to accept service of process. The Trustees are further requested to authorize the Executive Vice President, Secretary and General Counsel to amend the Authority’s Rules and Regulations to reflect the fact that the New York City swing office will not be the Authority’s principal place of business.

**BACKGROUND**

“Pursuant to § 505(a) of the New York Civil Practice Law and Rules (‘CPLR’), the venue (the location) where any action involving a public authority can be tried shall be in the county in which the Authority has its principal office or where it has facilities involved in the action. Currently, under Article 1, Section 1 of the By-laws, the New York City office is designated as the Authority’s ‘principal office. Historically, this designation has operated to render the Authority subject to suit in the Manhattan state and federal courts. In light of the Authority closing down its large New York City office and creating a small executive wing office within the City, the need arises to update the By-laws to reflect this situation.

“In addition, CPLR § 311(1) expressly allows for a corporation or governmental subdivision to designate appropriate parties to accept service of process. To date, however, the By-laws do not provide for the designation of Authority employees who are eligible to accept service of process. There is a need to make such a provision in order to provide for the orderly processing of lawsuits which may be served on officers located at various Authority facilities.

“Finally an issue arises in connection with the Authority’s Rules and Regulations which the Trustees have adopted over the years and which are published as Parts 450 *et seq.* of Title 21 of the New York Compilation of Codes, Rules & Regulations (‘NYCRR’). Such rules pertain to miscellaneous aspects of the Authority’s business including, but not limited to, Procedures with Respect to Resale of Power; Minimum Heating and Insulation Standards; Public Access to Records and Prompt Payment Policy. A number of these regulations specify the Authority’s New York City office address. These regulations also need to be updated to reflect the move to White Plains.

**DISCUSSION**

“In view of the fact that the Albany office is where the Chairman and Chief Executive Officer, the President and Chief Operating Officer, and the Executive Vice President, Secretary and General Counsel conduct their business, it is appropriate to designate the Albany office as the Authority’s principal office for venue purposes under CPLR § 505(a).

“Similarly, it is also appropriate to allow the Executive Vice President, Secretary and General Counsel to designate those employees authorized to accept service of process in order to eliminate existing confusion and, in the process, maintain control of the litigation process.

“Lastly, it is appropriate for the Executive Vice President, Secretary and General Counsel to implement such technical amendments to the Authority’s Rules and Regulations as will accurately provide the public with notice as to which office addresses of the Authority house the personnel primarily responsible for effectuating the provisions of the regulations.

**FISCAL INFORMATION**

“There is no fiscal impact on the Authority.

**RECOMMENDATION**

“It is recommended that the Trustees amend Article 1, Section 1 of the Authority’s By-laws to designate the Albany Office as the Authority’s Principal Office and amend Article 4, Section 6(E) to authorize the Executive Vice President, Secretary and General Counsel to designate those employees of the Authority that may accept service of process, consistent with Exhibit ‘A’ attached hereto.

“It is further recommended that the Executive Vice President, Secretary and General Counsel be authorized to execute such technical amendments to the Authority’s Rules and Regulations as may be necessary or desirable and to publish such notices to that effect as may be required by statute or regulation.

“The President and Chief Operating Officer concurs in the recommendation.”

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

**RESOLVED, That Article 1, Section 1 and Article 4, Section 6(E) of the Authority’s By-laws, last amended at the meeting of October 26, 1999, be amended, respectively, to provide that the Principal Office of the Authority shall be its Albany Office and to authorize the Executive Vice President, Secretary and General Counsel to designate those employees of the Authority who shall be eligible to accept service of process on the Authority’s behalf; and be it further**

**RESOLVED, That the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to execute such technical amendments to the Authority’s Rules and Regulations as may be necessary or desirable to reflect the recent relocation of personnel to the White Plains Office, and to publish such notices as may be required by statute or regulation to effectuate the foregoing.**

**7. Fraser Substation Static VAR Compensator ("SVC")  
Agreement And Expenditure Authorization**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize an expenditure of up to \$4.7 million for the repair of a Static VAR Compensator (‘SVC’) situated at New York State Electric and Gas Corporation’s (‘NYSEG’) Fraser Substation.

“Under a proposed agreement with NYSEG, the New York Power Authority (the ‘Authority’) will purchase the existing SVC for \$1.00 and NYSEG will undertake repairs at the Authority’s expense. Such repairs are estimated to cost approximately \$3.7 million. In addition to the \$3.7 million to be paid to NYSEG, the Authority’s staff estimates that the repair and restoration project will cost an additional \$1,000,000 for the Authority’s engineering, project management, construction support, spare parts, indirect expenditures and contingencies.

“This project will restore approximately 35 Megawatts (‘MW’) of transmission capability to the Central-East transmission interface between Utica and Albany. The Fraser SVC provides voltage control which results in increased security and reliability of the New York State Transmission System.

BACKGROUND

“The SVC was installed as part of the Authority’s Marcy - South project and began commercial operation in 1988. The primary purpose of the SVC was to provide a post-contingency system stability benefit to the New York State electric system which, at that time, was stability limited. The cost of the SVC was approximately \$18 million. Under the terms of the Marcy-South Facilities agreement with NYSEG, the Authority reimbursed NYSEG for the initial cost as well as O&M expenses associated with the SVC for a 10 year period which ended April, 1999.

“Additions and changes to the New York State electric system during 1989 – 1994 provided an increase in the system’s stability limits, resulting in the system becoming voltage limited. As determined by the New York Power Pool (‘NYPP’) in 1995, the system voltage limits are reduced when equipment is removed from service. The reduction or penalty associated with the outage of the Fraser SVC is approximately 35 MW to the Central-East interface voltage limit. This penalty was re-verified by the NYPP in 1998.

“In May, 2000 the Fraser SVC controller equipment suffered a total failure, rendering it inoperable. Significant economic congestion has occurred and is expected to continue to occur across the Central-East interface. Restoring the SVC to service will reduce the level of congestion, thereby providing economic benefit to load, including the Authority customers, throughout New York State.

“After the SVC failed, NYSEG informed the NYISO they would not repair the device. Since the return of the SVC to service would help maintain an economic and reliable supply of energy to the New York Power System, consistent with the Authority’s mission, the Authority offered to purchase the SVC, subject to Trustee approval. NYSEG agreed to an arrangement under which the Authority would purchase the SVC for \$1.00 and NYSEG would make necessary repairs to bring the SVC back in service. The Authority would pay NYSEG for such repairs. The target in-service date is June 2001.

“Subsequent to the installation and successful testing of the SVC, NYSEG will operate and maintain the facilities at the Authority’s cost. O&M costs will be on a time and material basis. Such O&M costs will be reflected in the Authority’s yearly O&M Budget for Transmission and are expected to be \$20,000/month.

DISCUSSION

“After the SVC failed, the Authority’s staff determined that the SVC controller and its associated equipment, namely the thyristor valves and cooling system, should be replaced. The original supplier of the SVC system is no longer in business and spare parts are not available. Another vendor can supply a replacement controller, but cannot guarantee that the controller will properly interface to the existing valves and cooling system.

“The Fraser SVC is a first generation FACTS device. SVC control and thyristor valve technology has advanced significantly in the last ten years and is being integrated in the Authority’s Marcy CSC Project, which is a fourth generation FACTS device. A completely new and improved SVC controller, thyristor valves and cooling system can be installed with a five year warranty. Spare parts should be available from an established vendor.

“Under the proposed agreement, NYSEG would solicit and evaluate proposals from qualified contractors, and would oversee the project work. Installation would be performed by contractors and NYSEG personnel. The Authority would review and approve all procurement awards, and monitor the design, manufacturing and on-site installation activities.

FISCAL INFORMATION

“Payments associated with this project will be made from the Capital Fund. The total cost to the Authority is estimated at \$4,700,000. This cost covers purchases, design and engineering, equipment, procurement, spare parts, construction and Authority direct/indirect expenditures.

RECOMMENDATION

“The Vice President and Chief Engineer, and the Senior Vice President – Transmission recommend that the Trustees authorize the Executive Vice President – Project Operations to enter into an agreement with NYSEG for the purchase, project work, operations and maintenance of the SVC and related facilities in the Fraser Substation on the terms outlined above, and to execute such other agreements or documents as are necessary or desirable to effectuate the foregoing.

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

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

**RESOLVED, That capital expenditures for the Fraser SVC Project are hereby approved to be committed in accordance with the Authority’s Expenditure Authorization Procedures in the amounts and for the purposes listed below:**

<u>Capital</u>	<u>Expenditure Authorization</u>
Purchase, design, engineering, construction management, equipment procurement, installation and spare parts, and Authority direct/indirect expenditures	\$4,700,000
Total project cost	\$4,700,000

**AND BE IT FURTHER RESOLVED, That the Executive Vice President - Project Operations is authorized, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to execute a) an agreement on behalf of the Authority with NYSEG for the purchase, project work, operations and maintenance of the SVC facilities at the NYSEG's Fraser Substation, and b) such other agreements or documents as are necessary or desirable to effectuate the foregoing.**

8. **Motion to Conduct Executive Session**

Mr. Chairman , I move that an Executive Session be held in connection with the proposed acquisition of real property.

**9. Generation Real Estate  
Authorization and Delegation**

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

SUMMARY

“The Trustees are requested to authorize the acquisition in fee simple by purchase, eminent domain, or transfer of jurisdiction of several sites located in New York City and Suffolk County including any permanent or temporary easements necessary for the construction, operation, and maintenance of these sites for the In-City Generation Project.

“Further, the Trustees are requested, based upon the enclosed Environmental Assessment and the recommendation of the Director of the Environmental Division, to approve the attached Resolution ratifying, approving and adopting (1) the determination that the siting, construction and operation of the 10 Generator Units referred to in the Environmental Assessment will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; (2) the issuance of a Negative Declaration with respect to such actions; and (3) the issuance of a Positive Declaration for the Staten Island site.

BACKGROUND

“There is a need for immediate action to add new generating capacity in southeastern New York for summer 2001 and thereafter. Immediate action is needed to assure adequate electrical supply during summer 2001 and to help protect and preserve human life, health, property, and natural resources in light of the potential shortfall next summer in generating capacity in the southeastern New York metropolitan area. This need for immediate action results from the fact that growth of demand for electric power and energy is outstripping the supply. In order to meet the in-City and statewide generation requirements established by the New York Independent System Operator and the New York State Reliability Council, at least 450 megawatts of new generating capacity must be developed within the in-City service territory of the Consolidated Edison Company of New York, Inc. and the adjacent area of Long Island by June 1, 2001. Both the Staff of the Department of Public Service and the New York Independent System Operator support and urge this addition of new generating capacity in southeastern New York to meet reliability needs during summer 2001. The pertinent facts concerning this capacity shortfall are detailed in a memorandum to the Trustees, dated August 28, 2000, seeking authorization to enter into procurement contracts for the GE LM6000 natural gas turbines (‘Generator Units’) that will be used for this Project. The maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires emergency action.

“The timely installation of the Generator Units necessary to provide the added capacity for summer 2001 requires that the sites for the Generator Units be acquired by the Authority on an emergency basis to permit the timely completion of engineering and construction preparations. Equipment for the first of the Generator Units is scheduled to be delivered in January 2001, with the balance of the equipment to be delivered shortly thereafter.

“By their action of August 29, 2000, the Trustees approved the negotiation of and entry into procurement contracts for the acquisition of up to 520 MW of generation to meet the in-City and statewide system reliability requirements. The Authority has purchased from GE Packaged Power, Inc. (‘GEPP’) the eleven Generator Units to provide this capacity.

“In the August 28, 2000 memorandum to the Trustees concerning this Project, the Trustees were informed that the sites for installation of the Generator Units had not been determined.

## DISCUSSION

“Authority staff has identified and reviewed several dozen potential sites throughout the New York City area. Central to the usability of these sites is proximity to natural gas and electric interconnections. The sites must be approximately 1.5 to 2 acres each to accommodate the generation units and must be located either in New York City or Suffolk County in order to meet system reliability requirements. Some of the sites are anticipated to contain facilities with two Generator Units because there are insufficient sites for one Generator Unit that meet the selection criteria. In such cases, actual output will not exceed 79.9 MW. The Authority must acquire a real estate interest in the sites finally selected, including but not limited to any temporary or permanent easements necessary for the development of each site. Sites which meet the Authority’s criteria for siting these new facilities are identified in Exhibit ‘9-A’.

“The real estate interests in the sites for the generating facilities must be acquired in sufficient time to permit the installation of the Generator Units by June 1, 2001. The installation schedule requires immediate acquisition of the sites on an emergency basis in accordance with Article 2 of the Eminent Domain Procedure Law.

“Since the Trustee resolution of August 29, 2000 authorizing the purchase of up to 11 Generator Units in order to meet the New York City metropolitan area’s urgent energy needs for next summer, the Authority’s staff, in consultation with its outside engineering and environmental consultants, has carried out an extensive investigation of appropriate sites for placement of the Generator Units. That investigation has identified six sites (two in the Bronx, two in Brooklyn, one in Queens and one in Suffolk County) that the Authority staff has determined are appropriate for siting a total of 10 of the Generator Units. The staff has also identified an additional site (on Staten Island in New York City) for a possible 11<sup>th</sup> Generator Unit.

“The first six sites, which are the subject of this Trustee Item, were selected based on detailed analyses of the availability of gas and electrical connections, on a desire not to concentrate the sites in any one borough, and on a detailed Environmental Assessment which the Authority has carried out, as “lead agency” under the State Environmental Quality Review Act (‘SEQRA’), of the potential environmental impacts of constructing and operating the 10 Generator Units at the proposed sites. Pursuant to 21 NYCRR 461, the Director of the Environmental Division has determined, based on that Environmental Assessment, that the proposed siting, construction and operation of the 10 Generator Units (a Type I action under SEQRA) will not have a significant adverse impact on the environment and thus will not require the preparation of an environmental impact statement under SEQRA. The Director has also advised that the possible 11th Generator Unit at the Staten Island site may have the potential for significant environmental impacts, and that preparation of an environmental impact statement is therefore appropriate before a decision can be made as to whether or not to proceed with that site. Such a separate analysis, through a full environmental impact statement, of the potential environmental impacts of the possible 11<sup>th</sup> Generator Unit, will not be less protective of the environment and will provide additional opportunity for public comment on those potential impacts, while permitting the Authority to proceed on the expedited basis required to forestall emergency conditions in the metropolitan area next summer with the 10 Generator Units found to have no significant adverse environmental impacts.

“The Authority has also filed applications with the New York State Department of Environmental Conservation (‘NYSDEC’) to construct and operate the 10 Generator Units referred to above. NYSDEC has tentatively determined that these applications meet applicable air quality requirements and has scheduled public hearings for December 14 in each of the affected counties on the applications and the draft permits.

## FISCAL INFORMATION

“Payment for any acquisition will be made from the Authority’s Capital Fund. The estimated aggregate value of the sites identified in Exhibit ‘9-A’ is \$25 to \$32 million.

## RECOMMENDATION

“The Project Manager, the Vice President - Contracts and Real Estate and the Vice President - Project Management recommend that the Trustees authorize the Chairman and Chief Executive Officer to acquire any and all of the proposed sites identified on Exhibit “9-A”, either by purchase, eminent domain, or transfer of jurisdiction, and further delegate to the Chairman and Chief Executive Officer the authority to approve the payments to be made for the acquisition of the sites so selected and approved.

“The Executive Vice President, Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, and I concur in this recommendation.”

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

**RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary and essential to acquire in fee simple by purchase, eminent domain, or transfer of jurisdiction the**

real property on which to site, construct and operate the Generator Units sites and any permanent or temporary easements or other real estate interests which are necessary and essential for the development of each site and hereby finds and determines that such real property is required for a public use; and hereby determines that such real property is absolutely necessary for the construction, maintenance, and operation of the In-City Generation Project; and hereby further finds that the absence of adequate electric generating capacity in the City of New York and Suffolk County creates an emergency situation in which the public interest will be endangered by any delay caused by the public hearing requirement of Article 2 of the Eminent Domain Procedure Law; and be it further

RESOLVED, that the Authority hereby confirms that it is the “Lead Agency” under the State Environmental Quality Review Act and ratifies, approves and adopts a determination that (1) the siting, construction and operation of the 10 Generator Units at the sites referred to in the Authority’s Environmental Assessment for this proposed action will not have a significant adverse effect on the environment and (2) an environmental impact statement need not be prepared in connection with such proposed action. The Director of the Environmental Division is directed to prepare, file and publish a Negative Declaration for the proposed action in accordance with the requirements of the State Environmental Quality Review Act.

RESOLVED, that the Authority hereby issues a Positive Declaration with respect to the proposed siting, construction and operation of a possible additional Generator Unit at the Fox Hills site on Staten Island and directs the Director of the Environmental Division to prepare an environmental impact statement for such action in accordance with the requirements of the State Environmental Quality Review Act.

RESOLVED, That the Chairman and Chief Executive Officer be, and hereby is, authorized to acquire any and all of the sites identified in Exhibit “9-A” by purchase, eminent domain, or transfer of jurisdiction in order to site, construct and operate ten Generator Units to meet electric power needs in the New York City and Suffolk County and is hereby authorized to approve the payments to be made for the acquisition of the sites so selected and approved; and be it further

RESOLVED, That the President and Chief Operating Officer, the Vice President and Chief Engineer - Power Generation, or the Vice President - Project Management be, and hereby are, authorized and directed to execute on behalf of the Authority such certificates, requests, and directions as are necessary for the acquisition of such real property; subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

November 28, 2000

**RESOLVED, That the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, or the Director of Real Estate of the Authority be, and hereby are, authorized on behalf of the Authority to execute any and all other agreements, leases, indentures, papers or instruments which may be deemed necessary or advisable to ensure that the foregoing is carried out, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof.**

10. **Motion to Resume in Open Session**

Mr. Chairman , I move to resume in Open Session.

**11. Approval of Preliminary Official Statement and Official Statements and Authorization of Issuance of Federally Taxable Subordinate Bonds**

The President submitted the following report:

**SUMMARY**

“The Trustees are requested (1) to approve the issuance of a Preliminary Official Statement and Official Statements in connection with the Authority’s issuance of its Series 2000 A Revenue Bonds (the ‘2000 A Bonds’) and Series 5-13 Subordinate Revenue Bonds, and (2) to authorize the Chairman to approve the issuance of one or more Series of the Series 5-8 Subordinate Revenue Bonds as Federally taxable bonds, in an aggregate principal amount not to exceed \$100 million.

**DISCUSSION**

“At their meeting on October 31, 2000, the Trustees authorized the issuance of the 2000 A Bonds and the Series 5-13 Subordinate Revenue Bonds. In connection with the sale of these Bonds, it is necessary for the Authority to issue a Preliminary Official Statement and a final Official Statement for the 2000 A Bonds and an Official Statement for the Series 5-13 Subordinate Revenue Bonds.

“The Trustees are requested to approve the issuance of a Preliminary Official Statement and a final Official Statement in connection with the sale of the 2000 A Bonds, in the form set forth in Exhibit “11-A” hereto, and the issuance of an Official Statement in connection with the sale of the Series 5-13 Subordinate Revenue Bonds, in the form set forth in Exhibit “11-B” hereto, each with such modifications as may be approved by the Chairman, the President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer, or the Treasurer.

“In regard to the Series 5-13 Subordinate Revenue Bonds, due to uncertainty concerning the use of the output of the electric generating unit or units planned for construction in the service territory of the Long Island Power Authority, it is necessary for a portion of the Series 5-8 Subordinate Revenue Bonds to be issued as Federally taxable bonds. If circumstances permit, these bonds may in the future be retired with tax exempt commercial paper, or they may be retired with the use of internal funds.

“Consequently, the Trustees are requested to authorize the Chairman to approve the issuance of one or more Series of Series 5-8 Subordinate Revenue Bonds as Federally taxable bonds, in an aggregate principal amount not to exceed \$100 million.

**RECOMMENDATION**

“The Treasurer recommends that the Trustees (1) approve the issuance of a Preliminary Official Statement and a final Official Statement in connection with the sale of the 2000 A Bonds, in the form attached hereto as Exhibit A and the issuance of an Official Statement in connection with the sale of the Series 5-13 Subordinate Revenue Bonds, in the form attached hereto as Exhibit “11-B”, each with such modifications as may be approved by the officers specified above, and (2) authorize the Chairman to approve the issuance of one or more Series, of the Series 5-8 Subordinate Revenue Bonds as Federally taxable bonds, in an aggregate principal amount not to exceed \$100 million.

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

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

**RESOLVED**, that the Chairman, President and Chief Operating Officer, 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 Preliminary Official Statement relating to the 2000 A Bonds set forth in Exhibit "11-A" hereto, 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 underwriters purchasing such Bonds to certify on behalf of the Authority that such Preliminary 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 Preliminary Official Statement relating to the 2000 A Bonds of the Authority is hereby approved to all interested persons in connection with the sale of such Bonds; and be it further

**RESOLVED**, that the Chairman be, and hereby is, authorized to adopt and execute on behalf of the Authority a final Official Statement of the Authority relating to its 2000 A Bonds, in such form and substance as the Chairman deems necessary or desirable, and the delivery of said final Official Statement to the purchasers of said 2000 A Bonds is hereby authorized, and the Authority hereby authorizes said final Official Statement and the information contained therein to be used in connection with the sale of the Authority's 2000 A Bonds; and be it 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 5-13 Subordinate Revenue Bonds set forth in Exhibit B hereto, 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 underwriters purchasing such Bonds 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 5-13 Subordinate Revenue Bonds of the Authority is hereby approved to all interested persons in connection with the sale of such Bonds; and be it 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 5-13 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 5-13 Subordinate Revenue Bonds is hereby authorized, and the Authority hereby authorizes said Official Statement and the information contained therein to be used in connection with the sale of the Authority's Series 5-13 Subordinate Revenue Bonds, and be it further

**RESOLVED**, that the Chairman is hereby authorized to approve the issuance of one or more Series of the Series 5-8 Subordinate Revenue Bonds as Federally taxable bonds, in an aggregate principal amount not to exceed \$100 million; and be it further

**RESOLVED**, that the Chairman, the President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Treasurer and all other officers of the Authority be, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolutions.

**12. Agreements in Support of Sale of Nuclear Plants –  
Additional Expenditure Authorization**

The President submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize additional expenditures in the aggregate amount of \$850,000 for financial and legal services to be rendered in connection with the delayed sale of the Authority’s two nuclear plants. The Trustees are also requested to authorize the Chairman and President to allocate such funding to previously authorized contracts in their discretion, as services are performed, and to increase the respective compensation ceilings of such contracts as necessary for such work.

**BACKGROUND**

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

“The Authority’s Expenditure Authorization Procedures require Trustees’ approval when a personal services contract exceeds a cumulative change order value of \$500,000.

**DISCUSSION**

“At their meeting of March 28, 2000, the Trustees authorized the continuation of the previously authorized agreements between the Authority and the firms engaged by the Authority for the provision of financial and legal services in connection with the sale by the Authority of the James A. FitzPatrick and Indian Point 3 Nuclear Power Plants, scheduled for closing on September 7, 2000, and, pursuant to such agreements, also authorized the Chairman and President to increase the contract amounts as necessary in their discretion for such work, in an aggregate amount not to exceed \$2 million, such amount to be withdrawn from the Operating Fund and reimbursed from the proceeds of the sale.

“As the Trustees have been periodically updated, the sale of the Nuclear Plants could not proceed in the absence of NRC approval, which was issued November 3, 2000. Also under the terms of the PSA with Entergy, it was necessary for JAF’s refueling outage to attain completion and achieve 85% capacity. That capacity was attained November 20<sup>th</sup>. In view of this additional 2 1/2 months of mobilization, it is currently estimated that an additional aggregate amount not to exceed \$850,000 will be required for the continuation of such services to be rendered.

**FISCAL INFORMATION**

“Payment will be made from the Authority’s Operating Fund and will be reimbursed from the proceeds of any such sale.

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President and Controller, and the Vice President – Procurement and Real Estate, recommend that pursuant to the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve additional expenditures of \$850,000, to supplement the previously authorized \$2,000,000, for services in support of the sale of the Authority’s nuclear plants.

“It is also recommended that the Trustees authorize the President and Chairman to allocate in their discretion such funding to previously authorized contracts for such services as services are required and performed, and to increase the compensation ceiling of the contracts with Holland & Knight LLP and Hawkins Delafield & Wood, as well as with any other firm(s) that may be engaged by the Authority for the provision of such services, as may be required, for the aforementioned purposes.

“The Senior Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Human Resources, 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 pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, additional expenditures be, and hereby are, approved as recommended in the attached memorandum of the President, in the aggregate amount and for the purposes listed below; and, be it further**

**RESOLVED, That the Chairman and President are, and each hereby is, authorized in their discretion to allocate such funding to previously authorized contracts for such services, and to increase the compensation ceiling of the contracts with firm(s) engaged by the Authority for the provision of such services, as may be required.**

O & M

Financial and Legal Services in support of the Sale of the Authority’s nuclear plants:

<b>Holland &amp; Knight LLP</b> (4500014922)	\$1,650,000
Hawkins Delafield & Wood (CZ 7116)	\$3,362,000*
Previous Additional Authorization (to support nuclear-related/sale matters)	\$2,000,000
Current Request (to support same)	<u>\$ 850,000</u>
<b>TOTAL APPROVED</b>	<u><b>\$2,850,000</b></u>
<b>ADDITIONAL FUNDING</b>	

\*Current multi-year contract amount, which includes funding for other non-nuclear/sale matters, commenced in 1999.

13. **Amendment to Investment Guidelines**

SUMMARY

“The Trustees are requested to amend the Authority’s Investment Guidelines by expanding the scope of Authorized Investments to include investment in municipal obligations of any state or any political subdivision or agency thereof, which are rated in any of the three highest long-term rating categories or the highest short-term rating category by a rating agency.

DISCUSSION

“At their meeting of April 18, 2000, the Trustees approved the current version of the Guidelines for the Investment of Funds (the ‘Guidelines’). It is the Authority’s goal to maximize yield on investments while minimizing risk. Section IV of the Guidelines, Authorized Investments, identifies the types of investments permitted in accordance with the General Resolution Authorizing Revenue Obligations (the ‘Resolution’).

“After careful review and consideration, the staff has determined that significant benefit will be derived by expanding the scope of the Guidelines to allow investment in municipal obligations rated in any of the three highest long term rating categories by a rating agency or the highest short term rating category by a rating agency. This amendment would make available significant investment opportunities with minimal risk.

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the amendment to the Guidelines as discussed above.

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

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

**RESOLVED, That the Investment Guidelines be amended as follows:**

**Paragraph IV, Authorized Investments, Section A.4, shall be amended to read as follows:**

**Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories, as such term is defined in the Authority’s General Resolution Authorizing Revenue Obligations (the Resolution”), or the highest short-term Rating Category by a Rating Agency, as such term is defined in the Resolution.**

**14. Next Meeting**

The regular meeting of the Trustees will be held on **Tuesday, December 19, 2000** at the **Albany Office at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

15. **Closing**

Upon closing made and seconded, the meeting was closed at 12:20 PM

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

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