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

**June 26, 2001**

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Minutes of the regular meeting of the Power Authority of the State of New York held at the White Plains Office at 11:00 a.m.

| | |
|---|---|
| Present: | Joseph J. Seymour, Chairman |
| | Louis P. Ciminelli, Vice Chairman |
| | Gerard D. DiMarco, Trustee |
| | Frank S. McCullough, Jr., Trustee |
| | Trustee Timothy S. Carey was excused from attendance |

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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 |
| Louise M. Morman | Senior Vice President – Marketing and Economic Development |
| H. Kenneth Haase | Senior Vice President - Transmission |
| Michael A Petralia | Senior Vice President – Public and Governmental Affairs |
| 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 |
| Woodrow W. Crouch | Vice President – Project Management |
| Robert J. Deasy | Vice President – Power Contracts and Resource Management |
| John M. Hoff | Vice President – Procurement and Real Estate |
| Dennis Eccleston | Acting Vice President and Chief Information Officer |
| Charles I. Lipsky | Vice President and Chief Engineer |
| James H. Yates | Vice President - Major Account Marketing & Economic Development |
| George W. Collins | Treasurer |
| Michael Brady | Deputy Treasurer |
| Carmine J. Clemente | Deputy General Counsel |
| Stephen P. Shoenholz | Deputy Vice President of Public Affairs |
| Michael Brady | Deputy Treasurer |
| Gary Paslow | Executive Director - Policy Development |
| Joseph J. Carline | Assistant General Counsel |
| William Ernsthaft | Assistant General Counsel |
| Chris de Graffenried | Director – Pricing and Forecasting |
| Angelo S. Esposito | Director – Energy Services |
| John B. Hamor | Director – International Governmental Relations |
| Douglas M. Kerr | Director – Marketing Planning |
| Helle L. Maide | Director – Major Accounts Governmental |
| Keith G. Silliman | Director – Niagara Relicensing |
| William V. Slade | Director – Environmental Division |
| John Grzan | Senior Project Manager |
| Wayne Gowen | LAN Administrator |
| Aileen Kern | Special Assistant to Chairman |
| Leticia Remauro | Administrative Assistant to Trustee Carey |
| Bonnie Fahey | Executive Administrative Assistant |
| Kathleen Wood | Secretary to Chairman |
| Anne Wagner-Findeisen | Deputy Secretary |
| Betty C. Fennell | Assistant Secretary |
| Angela D. Graves | Assistant Secretary - Legal Affairs |
| Andrew Mclaughlin | Assistant Secretary - Legal Affairs |
| Alice F. Simon | Assistant Secretary |

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

1. <u>Approval of the Minutes</u>

The minutes of the open meeting of May 22, 2001 and the minutes of the Executive Session were duly adopted.

2. Financial Report for the Five Months Ended May 31, 2001

***In response to questions from Chairman Seymour as to the level of the cost of power, Mr. Bellis explained that the Authority is buying and selling more energy under the ISO regime and increasing ancillary service charges both of which are leading to an increase in the cost of power.***

***In response to further questions from Vice Chairman Ciminelli concerning recent levels of the Great Lakes as they affect the Authority's hydro production, Mr. Hiney explained that in general, lake levels are currently two feet below normal. He further explained that due to significant rainfall, Lake Erie has been improving, but it will be at least a year before any effect on hydro production will be felt. The average production over the years has been in the vicinity to 14 billion kwH per year; however, last year was only 10 billion kWh.***

3. Report from the President and Chief Operating Officer

***At President Zeltmann's request, Mr. Crouch submitted an updated Construction Progress Report describing the activities and status of the Power Now! Generation Project since the last meeting. Mr. Crouch reported that the Hellgate and Harlem River Yard sites are complete, and the Brentwood and 23rd Street sites are near completion. In addition, Hellgate, Harlem River, 23rd Street, Vernon Blvd, and Brentwood have all been energized and, Hellgate, Harlem River, and Vernon Blvd. have been placed on the grid.***
***Brentwood and 23rd Street will be put on the grid this week. Mr. Crouch informed the Trustees that Consolidated Edison's assistance to the Power Now! Project has been invaluable.***

***The Chairman stressed that Brentwood is an important component of the Project, and he urged Mr. Crouch to use all means possible for prompt connection to the grid.***

***Mr. Crouch further reported that the North 1st & Grand site, where everything is installed for one unit, has fallen slightly behind schedule. The stack assembly and erection will commence next week. This site is expected to be in service the first week in August. He also reported that final testing at Pouch Terminal is expected to take place within several weeks. Mr. Crouch also noted that a 24-hour reliability run was commissioned on the Harlem Riversite; when fully complete, this unit can be dispatched.***

***The Chairman made mention of his recent meeting with Gene McGrath, CEO of Con Edison, who complimented the Authority's Project Management staff for their unstinting efforts. Mr. Crouch responded that John Grzan is a major driving force behind the success of this project. The Chairman reiterated the Trustees' thanks to both Messrs. Crouch and Grzan.***

***President Zeltmann then requested that Mr. Collins update the Trustees on the evolution and implementation of a Risk Management Program, which would assist Authority staff in minimizing our financial exposure in the continuously volatile energy transaction markets and in dealing with the volatility of the ISO itself. Mr. Collins explained that the Authority has retained Pace Global Energy Services ("Pace") to consult and design the necessary tools and measures. An integral part of this initiative will be the hiring of a Chief Risk Officer ("CRO") and one other specialist; these experts will evaluate and recommend the setting of boundaries to define the quantum of risk that the Authority is willing to tolerate. The next step will be to set up the procedures and protocols necessary to ensure adherence to those boundaries. Ultimately, there will be a Risk Management Division, which will assist in the administration of the program.***

***Mr. Collins then introduced Mr. Gettings of the Pace firm who summarized the following principal points for the Trustees: Risk Management comprises the quantifying, mitigating, as well as advantageous positioning by NYPA with respect to the likely consequences which arise from volatile economic variables, such as: power prices, fuel costs, and load and dispatch volumes, so as to define and pinpoint what degree of uncertainty is acceptable to NYPA and how best to protect against risk, while maximizing favorable market conditions as they arise. Mr. Gettings described the principal elements necessary for the rigorous design of a Risk Management Process at NYPA, and the need for continuous management and periodic reviews and audits. He also described the probable internal working relationships between the personnel responsible for energy transactions (i.e., sales, procurement and hedging); the role of the future CRO; and the compliance assurance responsibilities of the Controller's Office.***

***In response to questions from Chairman Seymour, Mr. Gettings explained that NYPA staff always has available the information necessary to quantify the "worst-case-scenario" on a given day, such as a plant going out, in the day-ahead market. For example, if Poletti were to be unavailable on a particular day, the cost to NYPA could be $20 million. Mr. Gettings stressed that this type of calculation is performed repeatedly and on a continuous basis by the Risk Management function.***

***Vice Chairman Ciminelli asked whether counterparties' credit-worthiness is factored in as part of the Risk Management process. Mr. Gettings responded in the affirmative, noting that credit issues are normally dealt with in the contingency category since the determination calls for deciding the degree of risk with each counterparty that NYPA would be willing to assume.***

***In response to questions from Chairman Seymour about the projected cost of the Risk Management program, Mr. Collins explained that he is in the process of putting together a budget; however, the essential concept is that the program will pay for itself indirectly via increased net revenues. Mr. Collins noted that CROs are generally highly compensated in the industry. Chairman Seymour noted that the need for this type of program is self-evident.***

4. Power Allocations Under the Power for Jobs Program

The following report was submitted by the President:

SUMMARY

"The Trustees are requested to approve 70 allocations of available power under the Power for Jobs program to the businesses listed in Exhibits '4-A' and '4-B' 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, a name change 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 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. Two hundred sixty-seven MW were made available in Year One.

"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 MW, 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 250 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 April 2001, the Trustee's approved allocations to 961 businesses under the Power for Jobs program, of which 289 were to businesses who had their allocations extended for three years under 'phase four' of the 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. Seventy applications were deemed highly qualified and were presented to the EDPAB for its review on June 26, 2001.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees *{approve}* the allocations to the 70 businesses listed in Exhibits '4-A' and '4-B'. Exhibit '4-A' lists those businesses that were recommended to have their existing allocation extended under phase four of the program, while those businesses listed in Exhibit '4-B' are being recommended for new allocations. Collectively, these organizations have agreed to create or retain over 41,800 jobs in New York State in exchange for allocations totaling 46.919 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 the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

'The Trustees are also requested to approve job commitment revisions to the three companies listed in Exhibit '4-C', a name change, and a modification to power allocations awarded to International Business Machines ('IBM') Corporation and Graphic Controls Corporation.

"The Trustees had approved companies listed in Exhibit '4-C' 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 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 August 26, 1998, the Trustees approved a 750 kW allocation to Allied Signal Laminate Systems. Subsequent to this meeting the company was acquired by Isola Laminate Systems ('Isola'), a division of Rutgers Corporation. Isola has taken ownership of all assets and liabilities for the Laminate Systems plant located in Hoosick Falls and has requested continued participation in the Power for Jobs program.

"In addition, the Trustees are requested to approve modifications to the existing power allocations to IBM and Graphic Controls.

"At their meeting of January 26, 1998, the Trustees originally approved allocations to two IBM facilities. A 600 kW allocation was recommended for the company's 33 Maiden Lane facility, and a 750 kW allocation was recommended for its facility located at 590 Madison Avenue in New York City. IBM committed 368 jobs at its 33 Maiden Lane facility and 719 jobs at its 590 Madison Avenue location. It is requested that the Trustees approve the transfer of both allocations, totaling 1,350 kW, to IBM's 299 Long Meadow Road facility located in Sterling Forest. IBM will commit the same combined total number of jobs (1,087) at its Sterling Forest location as was previously committed at both New York City facilities,.

"At their meeting of January 19, 2000, the Trustees approved a 600 kW allocation to Graphic Controls located at 189 Van Rensselaer Street, Buffalo. Subsequent to this recommendation the company was acquired by Tyco Industries and relocated to its newly constructed manufacturing facility at 400 Exchange Street, Buffalo. The new facility is located one and one-half blocks away from its previous location and is more efficient in terms of its manufacturing capabilities and employee workflow design. The company has reaffirmed its commitment to retain 300 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 allocations of power under the Power for Jobs program to the companies listed in Exhibits '4-A' and '4-B'. The Trustees are also requested to approve the job commitment revisions, name change, and allocation modifications as detailed above.

"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."

*Trustee McCullough stated that he would abstain from voting on that portion of the proposed resolution which pertains to Quandi's Food Service Distributors.*

The following resolution, as recommended by the President, was adopted by a vote of four in favor and one abstention, as noted.

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 46.919 MW of allocations of Power for Jobs power to the companies listed in Exhibits “4-A” and “4-B” and certain job commitment revisions, a name change, 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 Exhibits “4-A” and “4-B” (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. The Authority also approves job commitment revisions, a name change, and allocation modifications as submitted to this meeting; and be it further**

**RESOLVED, That a total of 46.919 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.**

**New York Power Authority** **Exhibit '4-A'**
**Power for Jobs - New Allocations** **June 26, 2001**

| Exhibit | Company | City | IOU | kW | Jobs | Jobs/mW | Type |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 1 | 92nd St. YM-YWHA | New York | Con Ed | 200 | 238 | 1,190 | NFP |
| 2 | Alvin J. Bart | Brooklyn | Con Ed | 700 | 171 | 244 | Large |
| 3 | Kinray, Inc. | Whitestone | Con Ed | 450 | 242 | 538 | Large |
| 4 | Whitney Museum of American Art | New York | Con Ed | 400 | 203 | 508 | NFP |
| | **Consolidated Edison** | **Sub-Total** | **4** | **1,750** | 854 | 488 | |
| | | | | | | | |
| 5 | JP Morgan Chase | Uniondale | **Lipa** | **3,700** | 3,000 | 811 | Large |
| | | | | | | | |
| 6 | **BakeMark (Federal Bakers Supply)** | Buffalo | Nimo | **160** | **132** | 825 | Small |
| 7 | Chapin Watermatics | Watertown | Nimo | 400 | 82 | 205 | Large |
| | **Niagara Mohawk** | **Sub-Total** | **2** | **560** | 214 | 382 | |

| **Summary Data** | **Number** | **kW** | **Jobs** | **Jobs/mW** |
|---|---|---|---|---|
| | | | | |
| **Large Business** | **4** | **5,250** | **3,495** | **666** |
| **Small Business** | **1** | **160** | **132** | **825** |
| **Not for Profit** | **2** | **600** | **441** | **735** |
| | | | | |
| **Total** | **7** | **6,010** | **4,068** | **677** |

**New York Power Authority** **Exhibit '4-B'**

**Power for Jobs - New Allocations** **June 26, 2001**

| Exhibit | Company | City | IOU | kW | Jobs | Jobs /mW | Type of Business |
|---|---|---|---|---|---|---|---|
| 1 | Blue Ridge Farms, Inc | Brooklyn | Con Ed | 1,000 | 602 | 602 | Large |
| 2 | Citi Group | New York | Con Ed | 5,000 | 1,500 | 300 | Large |
| 3 | Dab-O-Matic Corporation | Mount Vernon | Con Ed | 175 | 129 | 737 | Small |
| 4 | Kingsbrook Medical Center | Brooklyn | Con Ed | 1,200 | 1,865 | 1,554 | NFP |
| 5 | Liz Clairborne, Inc. | New York | Con Ed | 1,500 | 906 | 604 | Large |
| 6 | New York University | New York | Con Ed | 1,700 | 6,128 | 3,605 | NFP |
| 7 | NYU Medical Center | New York | Con Ed | 4,000 | 7,998 | 2,000 | NFP |
| 8 | Oakdale Knitting Mills | Ridgewood | Con Ed | 100 | 130 | 1,300 | Small |
| 9 | Pace University | Briarcliff Manor | Con Ed | 1,000 | 2,875 | 2,875 | NFP |
| 10 | San-Mar Laboratories | Elmsford | Con Ed | 250 | 331 | 1,324 | Large |
| 11 | Star Corrugated Box Co. | Maspeth | Con Ed | 600 | 267 | 445 | Large |
| 12 | Stella D'Oro Biscuit Co. | Bronx | Con Ed | 500 | 345 | 690 | Large |
| 13 | Streamline Plastics | Bronx | Con Ed | 200 | 67 | 335 | Large |
| | **Consolidated Edison** | **Sub-Total** | **13** | **17,225** | **23,143** | **1,344** | |
| | | | | | | | |
| 14 | Augros | Ronkonkoma | LIPA | 500 | 150 | 300 | Large |
| 15 | Bruce's Bakery | Great Neck | LIPA | 75 | 54 | 720 | Small |
| 16 | Calico Cottage | Amityville | LIPA | 100 | 51 | 510 | Small |
| 17 | Chocolate Inn | Lynbrook | LIPA | 100 | 121 | 1,210 | Small |
| 18 | Graphic Image, Inc. | Melville | LIPA | 75 | 82 | 1,093 | Small |
| 19 | ICO Manufacturing, Inc. | West Babylon | LIPA | 75 | 85 | 1,133 | Small |
| 20 | Sleepy's Warehouse | Bethpage | LIPA | 300 | 415 | 1,383 | Large |
| 21 | Ullman Company | Hauppauge | LIPA | 400 | 127 | 318 | Large |
| | **Long Island Power Authority** | **Sub-Total** | **8** | **1,625** | **1,085** | **668** | |
| | | | | | | | |
| 22 | Aimtronics | Ogdensburg | Nimo | 600 | 410 | 683 | Large |
| 23 | Bartell Machinery | Rome | Nimo | 200 | 127 | 635 | Small |
| 24 | Bassett Hospital of Schoharie County | Cobleskill | Nimo | 100 | 213 | 2,130 | NFP |
| 25 | Bestway Enterprises | Cortland | Nimo | 75 | 46 | 613 | Small |
| 26 | Bison Products Company, Inc. | Buffalo | Nimo | 150 | 44 | 293 | Small |
| 27 | Canton-Potsdam Hospital | Potsdam | Nimo | 150 | 450 | 3,000 | NFP |
| 28 | Carrier Corporation | Syracuse | Nimo | 1,500 | 948 | 632 | Large |
| 29 | Chapin Manufacturing | Batavia | Nimo | 500 | 237 | 474 | Large |
| 30 | Dodge-Graphic Press, Inc. | Utica | Nimo | 300 | 100 | 333 | Large |
| 31 | ECR International | Dunkirk | Nimo | 250 | 131 | 524 | Large |
| 32 | Egli Machine | Sydney | Nimo | 25 | 34 | 1,360 | Small |
| 33 | EnviroMaster International Corp | Rome | Nimo | 100 | 107 | 1,070 | Small |
| 34 | Fairpoint Communication Solutions | Albany | Nimo | 250 | 360 | 1,440 | Small |
| 35 | Fibermark (Rexam DSI) | Lowville | Nimo | 400 | 130 | 325 | Large |
| 36 | Gaylord Brothers | Liverpool | Nimo | 600 | 328 | 547 | Large |
| 37 | Glens Falls Lehigh Cement Co. | Glens Falls | Nimo | 1,000 | 120 | 120 | Large |
| 38 | Hudson RCI | Argyle | Nimo | 500 | 271 | 542 | Large |
| 39 | Kendall Argyle | Argyle | Nimo | 400 | 278 | 695 | Large |
| 40 | Metweld | Altamont | Nimo | 200 | 121 | 605 | Small |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 41 | Nathan Littauer Hospital | Groversville | Nimo | 400 | 629 | 1,573 | NFP |
| 42 | New Monarch Machine Tool | Cortland | Nimo | 420 | 121 | 288 | Large |
| 43 | ORC Plastics | Phoenix | Nimo | 125 | 181 | 1,448 | Small |
| 44 | Pepsi Bottling Group | Latham | Nimo | 1,200 | 362 | 302 | Large |
| 45 | Quandt's Food Service Distributors | Amsterdam | Nimo | 180 | 124 | 689 | Small |
| 46 | Remarketing Services of America | Amherst | Nimo | 100 | 635 | 6,350 | Small |
| 47 | Renssalaer Polytechnic Institute | Troy | Nimo | 1,675 | 1,938 | 1,157 | NFP |
| 48 | Reunion Industries (dba ORC Plastics 3) | Oneida | Nimo | 400 | 97 | 243 | Large |
| 49 | Saulsbury Fire Equipment Co. | Preble | Nimo | 175 | 269 | 1,537 | Small |
| 50 | Staroba Plastic & Metal Products | Lackawanna | Nimo | 700 | 186 | 266 | Large |
| 51 | Utica Corp | Whitesboro | Nimo | 1,200 | 395 | 329 | Large |
| 52 | Ventre Packaging Co., Inc. | Syracuse | Nimo | 74 | 22 | 297 | Small |
| | **Niagara Mohawk** | **Sub-Total** | **31** | **13,949** | **9,414** | **675** | |
| | | | | | | | |
| 53 | BSU Inc. | Ithaca | Nyseg | 100 | 80 | 800 | Small |
| 54 | Candlelight Cabinetry | Lockport | Nyseg | 400 | 200 | 500 | Large |
| 55 | Certain Teed | Buffalo | Nyseg | 500 | 221 | 442 | Large |
| 56 | Delaware Valley Hospital | Walton | Nyseg | 100 | 147 | 1,470 | NFP |
| 57 | Emhart Glass Mfg. | Elmira | Nyseg | 125 | 186 | 1,488 | Small |
| 58 | TS Pink Corp | Oneonta | Nyseg | 35 | 40 | 1,143 | Small |
| 59 | Vibratech | Alden | Nyseg | 300 | 101 | 337 | Large |
| 60 | Ward Lumber Co. | Jay | Nyseg | 500 | 89 | 178 | Large |
| 61 | World Warehouse and Distribution | Champlain | Nyseg | 150 | 208 | 1,387 | Small |
| | **New York State Electric & Gas** | **Sub-Total** | **9** | **2,210** | **1,272** | **576** | |
| | | | | | | | |
| 62 | Delphi Automotive Systems | Rochester | Rg&e | 5,000 | 2,622 | 524 | Large |
| 63 | Rochester Photonics | Rochester | Rg&e | 900 | 235 | 261 | Large |
| | **Rochester Gas & Electric** | **Sub-Total** | **2** | **5,900** | **2,857** | **484** | |

| **Summary Data** | **Number** | **kW** | **Jobs** | **Jobs/mW** |
|---|---|---|---|---|
| | | | | |
| **Large Business** | **31** | **27,820** | **12,292** | **442** |
| **Small Business** | **23** | **2,764** | **3,236** | **1,171** |
| **Not for Profit** | **9** | **10,325** | **22,243** | **2,154** |
| | | | | |
| **Total** | **63** | **40,909** | **37,771** | **923** |

**Power for Jobs**
**Schools/Hospitals with Pending Applications**

**Schools**

| Institution | City | County | Request | Jobs | Jobs/mW |
|---|---|---|---|---|---|
| Bank St College of Education | Forest Hills | Queens | 450 | 280 | 622 |
| Canisius College | Buffalo | Erie | 1,000 | 211 | 211 |
| Colimbia Univ - Lamont Doherty | Palisades | Rockland | 1,150 | 485 | 422 |
| New School for Social Research | New York | New York | 3,000 | 2,887 | 962 |

**Hospitals**

| Hospital | City | County | Request | Jobs | Jobs/mW |
|---|---|---|---|---|---|
| Basset Hospital of Schoharie County | Cobleskill | Schoharie | 285 | 213 | 747 |
| Canton Potsdam Hospital | Potsdam | St. Lawrence | 475 | 450 | 947 |
| Huntington Hospital | Huntington | Suffolk | 2,081 | 1,192 | 573 |
| Jamaica Hospital | Jamaica | Queens | 1,800 | 2,933 | 1,629 |
| Mount Sinai Hosp of Queens | Long Island City | Queens | 765 | 713 | 932 |
| New York United Hospital | Port Chester | Westchester | 1,800 | 734 | 408 |
| St Clare's Hosp | New York | New York | 1,950 | 861 | 441 |
| St. Elizabeth's Medical Center | Utica | Oneida | 1,850 | 1,741 | 942 |
| St. John's Episcopal | Smithtown | Suffolk | 1,685 | 1,090 | 647 |
| Unity Health System | Rochester | Monroe | 3,102 | 1,256 | 405 |
| Winthrop University Hosp | Mineola | Nassau | 3,887 | 2,977 | 756 |
| Wycoff Heights Med Center | Brooklyn | Kings | 2,070 | 1,700 | 821 |

**5. Allocation of 2,000 kW Expansion Power**

The President submitted the following report:

SUMMARY

" The Trustees are requested to approve allocations of available Expansion Power, totaling 2,000 kW, to four industrial companies: McGard, Inc., Moog, Inc., Russer Foods, and Steuben Foods.

BACKGROUND

" Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 megawatts of firm hydroelectric power as 'Expansion Power' to businesses within the state located within 30 miles of the Niagara 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 terms of the Power Authority Act, 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. Twenty-one inquiries were received. Of these, 12 companies subsequently filed applications.

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

" Staff recommends that the available Expansion Power be allocated among four companies, as set forth in Exhibit '5-A'. 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 228 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 2,000 kilowatts of Expansion Power to: McGard, Inc., Moog, Inc., Russer Foods, and Steuben Foods.

" 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."

*Vice Chairman Ciminelli stated that he would abstain from voting on that portion of the proposed resolution which pertains to the Moog Company in East Aurora, NY.*

The following resolution, as recommended by the President, was adopted by a vote of four in favor and one abstention, as noted.

**RESOLVED, That the allocation of 2,000 kilowatts of Expansion Power to McGard, Inc., Moog, Inc., Russer Foods, and Steuben Foods 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.**

## 6. Gas Transportation and Balancing Service Agreement with Consolidated Edison Company of New York, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of a Gas Transportation and Balancing Service Agreement ('Agreement') between Consolidated Edison Company of New York, Inc. ('Con Edison') and the Authority. The Agreement would provide for the transportation and balancing of Authority-owned gas to the six gas turbine generator units located in the Con Edison service territory as well as the existing Poletti unit. The Agreement would supercede the transportation and balancing service that Con Edison currently provides to the Authority for the Poletti unit.

BACKGROUND

"In order to remedy the deficiency in installed electric generation capacity in New York City, the Trustees, at their meeting of August 29, 2000, authorized the installation of additional electric generation capacity by June 2001, in the form of LM6000 gas turbine generators ('GTs'). Six of the 11 GTs will be located in Con Edison's service territory, requiring that an agreement be secured with Con Edison providing for the local transportation and balancing of natural gas supplies for these units. The agreement currently in place with Con Edison provides transportation and balancing service for the Poletti unit only.

DISCUSSION

"Under the Agreement, Con Edison would be obligated to provide the same level of transportation service currently provided under the existing agreement which is comprised of 'off-peak' firm service in the amount of 150,000 dekatherms ('dths') per day during the summer months (April 1 through October 31) and 100,000 dths per day during the winter months (November 1 through March 31). Furthermore, Con Edison would be obligated to exercise 'reasonable efforts' to provide an additional 50,000 dths per day and 100,000 dths per day, respectively, during the summer and winter periods.

"Notwithstanding the foregoing, Con Edison would have the right, at its sole discretion, to interrupt or curtail transportation service to the Authority, in whole or in part, for up to 720 hours each year, consistent with PSC-approved tariff provisions for electric generators. In the event of curtailments or interruptions in excess of this amount, the Authority would receive a pro-rata reduction in the annual demand charge specified below. In staff's opinion, the likelihood of interruptions or curtailments occurring is small based upon historical experience, particularly during the summer period when Con Edison transportation capacity typically exceeds demand. In the event such curtailments or interruptions do occur, however, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

"One of the enhanced benefits set forth in the Con Edison Agreement would provide for the aggregation of the Authority's daily scheduled gas supplies for all of the generating units, including Poletti. The ability to aggregate supplies and use gas interchangeably between units provides improved operating flexibility to the Authority, helping to mitigate against costly imbalance penalties incurred on Con Edison's system.

The pricing of transportation under the Con Edison Agreement consists of the following:

A **Demand Charge** equal to $3,080,000 annually, payable in equal monthly installments throughout the term of the Agreement.

A **New Facilities Demand Charge** equal to $1,458,600, payable on the later of June 1, 2001, or on the first day of the month following the commencement of commercial operation of the gas turbines located at Vernon Boulevard. The foregoing demand charge represents Con Edison's cost of reinforcing its gas system in order to maintain adequate gas pressure to permit operation of the Vernon Boulevard units without compromising the integrity of Con Edison's gas system. If Con Edison has not commenced reinforcement of its gas system by the later of November 1, 2002, or 18 months from the date of commercial operation, then the above amount, less any expenses incurred by Con Edison in preparation for such system reinforcement, will be credited toward any future Con Edison gas system reinforcement or service interconnection costs necessary to serve additional generation constructed by the Authority.

A **Variable Charge** of $0.01/dth applicable to actual gas throughput each month.

An **Additional Variable Charge** of $0.05/dth for all gas delivered via the Tennessee Pipeline, if any, during the period of time when the Hunts Point Compressor is in operation.

An **Additional Variable Charge** of $0.05/dth for all gas delivered, if any, via the new Transco MarketLink expansion project.

"In addition to local transportation, the Con Edison Agreement would provide for balancing service which accommodates differences in the amount of daily gas scheduled versus the amount of gas consumed ('imbalances'). Daily/monthly imbalances would be reconciled (or 'cashed-out') via the sale or purchase of imbalance gas by the Authority under special pricing provisions corresponding to specific imbalance threshold levels set forth in the Agreement. Two unique features of the Agreement which would help in reducing potential imbalances and associated costs include: (1) an option to trade end-of-month imbalances with other marketers/direct customers at specific city-gate receipt points and (2) an option to elect an enhanced balancing service, on a monthly or seasonal basis, permitting utilization of up to 10,000 dths per day of gas 'under' or 'over' daily nominated (or scheduled) quantities. This service would be available each year at a cost of $0.01 per dth (variable charge) and a fixed demand charge to be negotiated monthly or annually, depending upon the type of service elected.

"The term of the Con Edison Agreement would commence on June 1, 2001, and would expire on July 31, 2004. During the aforementioned period, the parties would have the right to mutually review the terms of the Agreement upon (1) expansion of the Authority's generating facilities at the Poletti site, (2) the sale or closing of a gas turbine site, or (3) the addition of other new generation by the Authority.

FISCAL INFORMATION

"Expenditures under the Agreement will be made from the Operating Fund, with the exception of the New Facilities Demand Charge, which will be made from the Capital Fund.

RECOMMENDATION

"The Manager – Fossil Fuel Supply, the Director – Marketing Planning and the Senior Vice President – Marketing & Economic Development recommend that the Trustees authorize the execution of an Agreement having terms and conditions substantially consistent with those set forth in Exhibit '6-A' hereto.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

**In response to questions from Chairman Seymour, Mr. Kerr explained that each of the proposed agreements provides for interruption of the transportation service when demand for gas is high. In the case of Con Edison, interruptions are limited to 30 days per year. In the case of the KeySpan agreements, the service is on an interruptible basis in the summer, and on a best efforts basis in the winter. Mr. Kerr underscored that the actual likelihood of any interruption is remote in the summer months, and should not happen too frequently in the winter.**

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

**RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President – Project Operations, and the Senior Vice President – Marketing and Economic Development be, and each hereby is, authorized, on behalf of the Authority, to execute the Gas Transportation and Balancing Service Agreement with Consolidated Edison Company of New York, Inc. and the Authority having terms and conditions which are substantially consistent with those set forth in Exhibit "6-A" with such modifications, additions, and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing**

**report of the President, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

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

**7. Gas Transportation and Balancing Service Agreements with The Brooklyn Union Gas Company (d/b/a Keyspan Energy Delivery-NY)**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of Gas Transportation and Balancing Service Agreements ('Agreements') between The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-New York), herein referred to as 'KeySpan-NY', and the Authority. Such Agreements would provide for the transportation and balancing of Authority-owned natural gas to the four gas turbine generators located in the KeySpan-NY service territory.

BACKGROUND

"In order to remedy the deficiency in installed electric generation capacity in New York City, the Trustees, at their meeting of August 29, 2000, authorized the installation of additional electric generation capacity by June 2001 in the form of LM6000 gas turbine generators ('GTs'). Four of the 11 GTs will be located in the KeySpan-NY service territory, requiring that agreements be secured with KeySpan-NY providing for the local transportation and balancing of natural gas supplies for these units.

DISCUSSION

"Under the Agreements, KeySpan-NY would be obligated to provide gas transportation service to the GTs which is comprised of 'interruptible' service in the amount of 44,000 dekatherms ('dths') per day during the summer months (April 1 through October 31) and 44,000 dths per day on a 'best efforts' basis during the winter months (November 1 through March 31). According to KeySpan-NY staff, the likelihood of any such interruptions or curtailments occurring is small, based upon historical experience, particularly during the summer period when KeySpan-NY transportation capacity typically exceeds demand. During the 'best efforts' winter period, however, KeySpan-NY would be under no obligation to provide transportation service to the Authority, consistent with 'best efforts' type of transportation service. In the event capacity curtailments or interruptions occur, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

"One of the benefits set forth in the KeySpan-NY Agreement would provide for the aggregation of the Authority's daily scheduled gas supplies for all of the generating units. The ability to aggregate supplies and use gas interchangeably between units provides operating flexibility to the Authority, helping to militate against costly imbalance penalties incurred on KeySpan-NY's system.

The pricing of transportation under the KeySpan-NY Agreement consists of the following:

A **Variable Transportation Charge** of $0.19/dth applicable to actual gas quantities throughput each month.

The Authority would be subject to an **Annual Minimum Bill Obligation** of $840,000 per year, based upon 30% of the units' maximum annual quantity, assuming four GTs in commercial operation. In the event the total Variable Transportation Charge payments made to KeySpan-NY in a given year ('Annual Aggregate Payments') are less than the Annual Minimum Bill Obligation, the Authority would pay KeySpan-NY the difference between the Annual Minimum Bill Obligation and the Annual Aggregate Payments.

A **System Use and Loss Charge** equal to 1% of the Daily Nominated Quantity.

A unitized ($/dth) **Value Added Charge** (debit or credit) based upon increases and decreases in the market price of electricity compared to the market price of gas each month. The foregoing charge would not be applicable until such time as information pertaining to the daily electric price is made available by the NYISO, in accordance with PSC regulations.

"In addition to local transportation, KeySpan-NY would also provide the Authority with balancing service which accommodates differences in the amount of daily gas scheduled versus the amount of gas consumed ('imbalances'). Gas balancing services can be defined as accounts which are established to accommodate the differences in the amount of daily gas nominated (or scheduled) versus the amount of gas consumed ('imbalances'). Daily/monthly imbalances would be reconciled (or 'cashed-out') via the sale or purchase of imbalance gas by the Authority under special pricing provisions corresponding to specific imbalance threshold levels set forth in the Agreement.

"One of the unique features of the KeySpan-NY balancing service, which would help in mitigating potential imbalances and associated costs, would enable the Authority to utilize up to -10,000 dths and +20,000 dths per day of natural gas, respectively, 'under' or 'over' daily nominated quantities for a monthly demand charge of $250,000. The foregoing amount would be reduced on a pro-rata basis for each unit not in commercial operation.

"The term of the KeySpan-NY Gas Transportation Service Agreement would commence on the date of commercial operation and be effective through February 29, 2004, subject to extension by mutual agreement of the parties. The term of the KeySpan-NY Gas Balancing Service Agreement would commence on the date of commercial operation of any one or all of the Authority's GTs and be effective through October 31, 2001, with extension of such term by mutual agreement of KeySpan-NY and the Authority. In the event of the parties' inability to mutually agree, KeySpan-NY would provide gas-balancing service to the Authority under the terms of the Public Service Commission approved tariff (as set forth in the KeySpan-NY Gas Transportation Service Agreement).

FISCAL INFORMATION

Expenditures under the Agreements will be made from the Operating Fund.

RECOMMENDATION

"The Manager – Fossil Fuel Supply, the Director – Marketing Planning, and the Senior Vice President – Marketing & Economic Development recommend that the Trustees authorize the execution of Agreements having terms and conditions substantially consistent with those set forth in Exhibits '7-A' and '7-B' attached hereto.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation."

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

**RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President – Project Operations, and the Senior Vice President – Marketing and Economic Development be, and each hereby is, authorized, on behalf of the Authority, to execute a Gas Transportation Service Agreement with The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-NY), substantially in the form of Exhibit "7-A" hereto, and a Gas Balancing Service Agreement with The Brooklyn Union Gas Company (d/b/a KeySpan Energy Delivery-NY), having terms and conditions consistent with those set forth in Exhibit "7-B" hereto, with such modifications, additions, and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing report of the President, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further.**

**RESOLVED, That the Senior Vice President – Marketing and Economic Development is hereby authorized to execute a successor Gas Balancing Service Agreement substantially similar to the one approved by the Trustees today, having a term not to exceed February 29, 2004; with such modifications as she may deem necessary or advisable, subject to the approval of the form of such agreement by the Executive Vice President, Secretary and General Counsel; and be it further**

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

**8. Gas Transportation and Balancing Service Agreements with The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-LI)**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of Gas Transportation and Balancing Service Agreements ('Agreements') between The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-Long Island), herein referred to as 'KeySpan-LI', and the Authority. The Agreements would provide for the transportation and balancing of Authority-owned natural gas to the one gas turbine generator located in the KeySpan-LI service territory.

BACKGROUND

"In order to remedy the deficiency in installed electric generation capacity in New York City, the Trustees, at their meeting of August 29, 2000, authorized the installation of additional electric generation capacity by June 1, 2001, in the form of LM6000 gas turbine generators ('GTs'). One of the 11 GTs will be located in the KeySpan-LI service territory, requiring that agreements be secured with KeySpan-LI providing for the local transportation and balancing of natural gas supplies for these units.

DISCUSSION

"Under the Agreements, KeySpan-LI would be obligated to provide gas transportation service to the GTs which is comprised of 'interruptible' service in the amount of 11,500 dekatherms ('dths') per day during the summer months (April 1 through October 31) and 11,500 dths per day on a 'best efforts' basis during the winter months (November 1 through March 31). According to KeySpan-LI staff, the likelihood of such interruptions or curtailments occurring is small, based upon historical experience, particularly during the summer period when KeySpan-LI transportation capacity typically exceeds demand. During the 'best efforts' winter period, however, KeySpan-LI would be under no obligation to provide transportation service to the Authority, consistent with 'best efforts' type of transportation service. In the event capacity curtailments or interruptions occur, the Authority would have a maximum of two hours within which to reduce or discontinue gas usage.

The pricing of transportation under the KeySpan-LI Agreement consists of the following:

A **Variable Transportation Charge** of $0.23/dth applicable to actual gas quantities throughput each month.

The Authority would be subject to an **Annual Minimum Bill Obligation** of $277,000 per year, based upon 30% of the unit's maximum annual quantity, subject to commencement of commercial operation. In the event the total Variable Transportation Charge payments made to KeySpan-LI in a given year ('Annual Aggregate Payments') are less than the Annual Minimum Bill Obligation, the Authority would pay KeySpan the difference between the Annual Minimum Bill Obligation and the Annual Aggregate Payments.

A **System Use and Loss Charge** equal to 1% of the Daily Nominated Quantity.

A unitized ($/dth) **Value Added Charge** (debit or credit) based upon increases and decreases in the market price of electricity compared to the market price of gas each month. The foregoing charge would not be applicable until such time as information pertaining to the daily electric price is made available by the NYISO, in accordance with Public Service Commission regulations.

"In addition to local transportation, KeySpan-LI would also provide the Authority with balancing service which accommodates differences in the amount of daily gas scheduled versus the amount of gas consumed ('imbalances'). Gas balancing services can be defined as accounts which are established to accommodate the differences in the amount of daily gas nominated (or scheduled) versus the amount of gas consumed ('imbalances'). Daily/monthly imbalances would be reconciled (or 'cashed-out') via the sale or purchase of imbalance gas by the

Authority, under special pricing provisions corresponding to specific imbalance threshold levels set forth in the Agreement.

"One of the unique features of the KeySpan-LI balancing service, which would help in mitigating potential imbalances and associated costs, would enable the Authority to utilize up to 2,500 dths and +5,000 dths per day of natural gas, respectively, 'under' or 'over' daily nominated quantities for a monthly demand charge of $63,000.

"The term of the KeySpan-LI Gas Transportation Service Agreement would commence on the date of commercial operation and be effective through February 29, 2004, subject to extension by mutual agreement of the parties. The term of the KeySpan-LI Gas Balancing Service Agreement would commence on the date of commercial operation and be effective through October 31, 2001, with extension of such term by mutual agreement of KeySpan-LI and the Authority. In the event of the parties' inability to mutually agree, KeySpan-LI would provide gas balancing service to the Authority under the terms of the PSC approved tariff (as set forth in the KeySpan-LI Gas Transportation Service Agreement).

FISCAL INFORMATION

"Expenditures under the Agreements will be made from the Operating Fund.

RECOMMENDATION

"The Manager – Fossil Fuel Supply, the Director – Marketing Planning and the Senior Vice President – Marketing & Economic Development recommend that the Trustees authorize the execution of Agreements having terms and conditions substantially consistent with those set forth in Exhibits '8-A' and '8-B' attached hereto.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation."

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

**RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President – Project Operations, and the Senior Vice President – Marketing and Economic Development be, and each hereby is, authorized, on behalf of the Authority, to execute a Gas Transportation Service Agreement with The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-LI), substantially in the form of Exhibit "8-A" hereto, and a Gas Balancing Service Agreement with The KeySpan Gas East Corporation (d/b/a KeySpan Energy Delivery-LI), having terms and conditions consistent with those set forth in Exhibit "8-B" hereto, with such modifications, additions, and deletions as he or she may deem necessary or desirable and as are consistent with the foregoing report of the President, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

**RESOLVED, That the Senior Vice President – Marketing and Economic Development is hereby authorized to execute a successor Gas Balancing Service Agreement substantially similar to the one approved by the Trustees today, having a term not to exceed February 29, 2004; with such modifications as she may deem necessary or advisable, subject to the approval of the form of such agreement by the Executive Vice President, Secretary and General Counsel; and be it further.**

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

**9. Proposed Contract for the Sale of Firm Power to Hugh L. Carey Battery Park City Authority – Notice of Public Hearing**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the proposed contract for the sale of firm power to Hugh L. Carey Battery Park City Authority ('BPCA').

BACKGROUND

"Pursuant to the provisions of Section 1005 of the Public Authorities Law, the Authority provides firm power service to 113 public corporations in the metropolitan area of the City of New York. These customers include, among others, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, the City of New York, and the State of New York.

"Since the initial contracts with Southeast New York ('SENY') governmental customers were completed in the 1970's, additional contracts for service to public corporations in the metropolitan area were completed in 1986 (the New York Convention Center Operating Corporation and Roosevelt Island Operating Corporation); seven additional contracts were completed in 1995 (North Castle South Fire District # 1, Greenville Fire District, Town of Harrison - Fire District #4, Hawthorne Cedar Knolls U.F.S.D., Mt. Pleasant Cottage U.F.S.D., Pocantico Hills C.S.D., and the Village of Rye Brook); and two additional contracts were completed in 2000 (Millwood No. 1 Fire District and Mt. Pleasant - Blythedale Union Free School District).

"BPCA is eligible for power service because it is a public corporation authorized to receive Authority service under Section 1005 of the Public Authorities Law.

DISCUSSION

"BPCA is a New York State public benefit corporation whose mission is to plan, create, coordinate and maintain a balanced community of commercial, residential, retail and park space within its designated 92-acre site on the lower west side of Manhattan.

"This customer will use the power sold under this proposed contract at public facilities and for lighting in public areas throughout the BPCA properties.

"Submitted herewith as Exhibit '9-A' is the proposed contract with the applicant. BPCA has agreed to the terms of the proposed contract, which are the same as the basic Power Supply Agreement executed by existing governmental customers in the SENY area. BPCA will pay the same rates as other governmental customers in the same service class.

"BPCA will be served under Service Tariff No. 55. Based on current rates, staff estimates that the applicants would realize electric cost savings of about 25 percent compared with payments to Consolidated Edison Company of New York, Inc., its current supplier.

"The total load of the new BPCA accounts is approximately 375 kW. The Authority has sufficient capacity available from the resources dedicated to the SENY governmental customers to meet BPCA's current and projected power requirements.

RECOMMENDATION

"The Director - Major Accounts Group - Governmental and the Vice President - Major Account Marketing and Economic Development recommend that the Trustees authorize the advertisement of a public hearing on the proposed contract, to be held in the New York City Office on August 14, 2001, or in the event of unforeseen circumstances, such other date as is designated by the Chairman and Chief Executive Officer.

"It is also recommended that, pursuant to Section 1009 of the Public Authorities Law, the Executive Vice President, Secretary and General Counsel be authorized to transmit copies of the proposed contract to the Governor and the Legislative leaders.

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

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

**RESOLVED, That the Trustees hereby authorize the advertising of a public hearing on the terms of the proposed contract with the Hugh L. Carey Battery Park City Authority; such hearing will be held on August 14, 2001, or in the event of unforeseen circumstances, such other date as is designated by the Chairman and Chief Executive Officer; and be it further**

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

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

**10. Procurement (Services) Contracts –**
**<u>Business Units and the Facilities – Awards</u>**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '10-A' for the Authority's Business Units/Departments, as well as for the facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

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.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts in excess of $3,000,000, as well as personal services contracts in excess of $1,000,000 if low bidder, or $500,000 if sole source or non-low bidder, require Trustees' approval.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering, technical, and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required that is not available within the Authority. With respect to Headquarters, it is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

"The terms of these contracts will be more than one year. Therefore, the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate these services for the Authority's convenience, without liability, other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from $180,000 to $8,600,000. These contract awards do <u>not</u> obligate the Authority to a specific level of personnel resources or expenditures.

"The issuance of multi-year contracts is recommended from both a cost and efficiency standpoint. In many cases, reduced prices can be negotiated for these longer-term contracts. Since these services are typically required on a continuous basis, it is more efficient to award longer-term contracts than to rebid these services annually.

**<u>Contracts in support of Business Units/Departments and the Facilities:</u>**

"The two contracts with Chopra-Lee, Inc. and Paradigm Environmental Services, Inc. (10050053; PO#s TBA) would become effective on July 1, 2001, subject to the Trustees' approval. The purpose of these contracts is to provide for asbestos and lead analysis testing and monitoring services, on an 'as needed' basis, to support the Niagara Power Project. Such environmental sampling and laboratory analysis services are required on a twenty-four hour basis with a one-half hour response time and a two-hour turnaround with test results. Chopra-Lee and Paradigm were the two responding bidders of ten firms invited to bid (including notice in the Contract Reporter). A comparison of proposed rates indicated that both firms complement each other (i.e., one may be higher in some individual procedures, but lower in others and vice versa). Staff, therefore, recommends the award of contracts to both vendors, with usage based on the pricing of the individual procedure(s) required. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, $180,000.

"The contract with Burrups Inc. (Q-02-2761; PO# TBA) became effective on June 4, 2001, subject to subsequent Trustees' ratification and approval, which is hereby requested. Interim approval to commence services was authorized in accordance with the Authority's Guidelines for Procurement Contracts, in order to initiate the preliminary review process for the forthcoming bond issuance, as well as to set up the complimentary web service needed to perform such review. The purpose of this contract is to provide for financial printing services for the Authority's Official Statement and related documents in connection with its securities. Burrups was the low bidder of four bids received, in addition to nine declining/non-responding bidders (including a notice in the Contract Reporter). Burrups offers excellent new technological capabilities which can be utilized by the Authority to streamline the document preparation and review process and to reduce overall costs. Burrups served as the Authority's financial printer last year when it purchased Global Financial Printing, the Authority's incumbent printer. Burrups has demonstrated that it can meet the Authority's financial needs. The intended term of this contract is three years (with an option to extend for two additional years), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $525,000.

"The contract with Public Financial Management ('PFM'; Q-02-2762; PO# TBA) would become effective on July 1, 2001, subject to the Trustees' approval. The purpose of this contract is to provide for financial advisory services in connection with the Authority's debt issues or other special financial issues, as needed. PFM was the sole responding bidder of eight firms invited to bid (including a notice in the Contract Reporter). PFM is the Authority's current financial advisor and has served in this capacity since 1997. The firm was instrumental in assisting the Authority with its $2.1 billion 'mega' debt restructuring in 1997-98. PFM serves as financial advisor to more public power agencies than any other firm and has proven to be a valuable resource to the Authority. The proposed pricing is reasonable in comparison to the current contract rates. In addition, Authority staff successfully negotiated a reduction of the proposed new rates, resulting in a significant savings to the Authority. The intended term of this contract is three years (with an option to extend for two additional years), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $600,000.

"The Energy Management System ('EMS'), which is installed at the Authority's Energy Control Center ('ECC'), was awarded under contract to Siemens as a result of the competitive bidding process conducted in 1992. The complete system was placed into service on March 1, 1999. The EMS is used to communicate with the Authority's three Supervisory Control and Data Acquisition ('SCADA') computer systems, five Authority Remote Terminal Units ('RTUs'), the Energy Resource Management's ('ERMs') Risk Management System, the New York Independent System Operator ('NYISO'), and the other New York transmission utilities. The data, acquired from and transmitted to these sources, is used to meet the Authority's increasing operational and market commitments. In order to meet this challenge, the Authority has made a commitment to the 'evergreen' process to keep the EMS hardware and software current with industry-supported technologies. The EMS currently runs on Siemens Spectrum software version 3.2, utilizing IBM AIX version 4.1.5, Oracle 7.3.2, and Forte 2.0. The Spectrum Upgrade project plan includes the integration of new IBM platforms with SSA RAID Disk arrays for the main EMS servers and software upgrades to IBM AIX version 4.3.3, Oracle 8.1.5, Forte 3.06, and Siemens Spectrum version 3.6 or the latest available software releases. In the spring of 2001, a Request for Proposal was sent to Siemens Power Transmission & Distribution, Inc., the original equipment manufacturer. The Authority's evaluation team has met with Siemens' personnel regarding their submitted proposal and is clarifying the Terms and Conditions therein. The contract with Siemens Power Transmission & Distribution, Inc. (Q-02-2732; PO # TBA) became effective on June 11, 2001, subject to subsequent Trustees' ratification and approval, which is hereby requested. The Executive Vice President – Project Operations (acting on behalf of the President) authorized interim approval, in a Letter of Intent, to commence limited services (e.g., meetings, scheduling, design, drawings, and product data), in the initial not-to-exceed amount of $150,000. This would also ensure that Siemens maximizes the assignment of personnel, who have experience with the Authority's EMS, to the ECC's Spectrum Upgrade project. The purpose of this contract is to provide for specialized Siemens technical support personnel to install the latest software versions and to integrate Authority-specific applications, creating an upgraded system that replicates all required functions. Siemens will also perform additional work related to the testing and commissioning of the upgraded system. This award is made on a sole source basis, since Siemens is the original equipment manufacturer of the EMS system and developer of the Spectrum software installed at the ECC. The intended term of this contract is eighteen months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,300,000.

"The contract with URS Corp. (Q-02-2756; PO# TBA) would commence on July 1, 2001, subject to the Trustees' approval. The purpose of this contract is to provide for consulting and project management services in support of the Niagara Project relicensing effort. Services would include, but not be limited to, assisting the Authority in: developing detailed budgets; study plans and work scopes for environmental and other licensing studies (including recreational and socioeconomic); procuring subcontractors to perform such studies; coordinating studies; reviewing study reports; providing status reports; and preparing license application materials.

"Three proposals were received in response to a Request for Proposals. Nineteen firms were invited to bid, including those responding to a notice in the New York State Contract Reporter. Several of the prospective bidders 'teamed' together, resulting in the two qualified proposals. Such proposals were reviewed in detail, and personal interviews were conducted by a team of Authority technical and executive staff. The evaluation criteria included expertise and experience in the following areas: composition (breadth and depth) of the consultant team; Federal Energy Regulatory Commission ('FERC') hydropower relicensing; project management; database and Geographic Information System ('GIS'); ability of the consultant team to complete the work and meet deadlines; unit costs; overall quality and clarity of the proposal; and performance at the personal interview. URS Team members Gomez & Sullivan and E/PRO both have a significant number of staff who are highly qualified FERC licensing and study managers. This team possesses the depth and has the unique ability to conduct many of the anticipated studies in-house, rather than through subcontracting, which has the potential to streamline and simplify the study process. The URS Team has an excellent record in working together seamlessly. They have been involved in many traditional and alternative FERC licensing proceedings and have significant experience in other hydropower proceedings in New York State, including the St. Lawrence-FDR Power Project, as well as in providing other services associated with the Niagara Project. Their proposal and work on the Regulatory Information Assessment and Development ('RIAD') contract reflect a clear grasp of the project management services sought for this effort. Their understanding and use of database management and GIS tools are 'cutting edge' and integral to their overall approach to project management and licensing document preparation. Further, their recognition of the uniqueness of the Niagara Relicensing Process, coupled with the need for a strong public relations focus, are the cornerstone of their proposal.

"In addition, the experience of a specific proposed URS Team member, who currently serves as an Authority advisor and Collaborative Consultation Process ('CCP') team facilitator for the St. Lawrence-FDR CCP team process, became a significant factor in making this selection. Significantly, URS has a strong local presence in Western New York and will be readily accessible and quickly responsive to Authority staff.

"Overall costs are competitive. Based on the aforementioned determinations, the URS Team best meets the requirements of the Authority, as reflected in the evaluation criteria set forth above. Therefore, staff recommends that the contract be awarded to URS Corp., the lowest cost, most qualified bidder. Given the Western New York location of URS, some travel cost savings will be realized. In addition, the URS Team's rates are fixed for the initial three-year term. The intended initial term of this contract is three years (with an option to extend for two additional years), subject to the Trustees' approval, which is hereby requested.

"It should be noted that the total authorized amount for the Niagara relicensing effort, as last approved by the Trustees at their meeting of March 27, 2001, is $19,800,000. Approval is now requested for the release and allocation to the subject contract of the amount expected to be expended for the initial three-year term, $8,600,000. Additional authorization to extend this contract and associated funding will be requested at a future time.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2001 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund. It should be noted that the financial printing and advisory contracts will be funded from bond proceeds ('Cost of Issuance'), rather than from the O&M Budget.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Funds required to support the contract for the Niagara Project relicensing effort will be withdrawn from the Capital Fund and will be disbursed in accordance with the Project's Capital Expenditure Authorization Request.

RECOMMENDATION

"The Director – Environmental Programs, the Director – Power System Operations, the Treasurer, the Regional Manager – Western New York, the Regional Manager – Central New York, the Executive Director – Hydropower Relicensing, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '10-A' and as discussed above.

"The Senior Vice President – Public and Governmental Affairs, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Transmission, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

***In response to questions from the Vice Chairman concerning other bidders for the work proposed to be awarded to the URS Corp. for services in connection with the Niagara Project relicensing effort, Mr. Hoff explained that NYPA staff had also considered information submitted by the Kleinschmidt Associates and the Vanasse Hangen Brustlin, Inc. firm. In response to further questions from the Vice Chairman, Mr. Silliman explained that NYPA is mandated to include a review of both socioeconomic and recreational impacts on the local inhabitants as part of the proposed relicensing application, and that some 5% of the total overall work will be focused on issues related to the public. The Vice Chairman, underscoring that the emphasis on environmental work is positive, requested that the Trustees be regularly briefed and involved in this area as it progresses. Mr. Petralia gave assurances that the Trustees will be consulted prior to the finalization of any determination concerning environmental impacts.***

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "10-A", foregoing hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.**

**11. Procurement (Services) Contracts –**
**Business Units and Facilities - Extensions, Approval of**
**Additional Funding and Increase in Compensation Ceiling**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '11-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contracts with Carter, Ledyard & Milburn and Siemens Power Transmission & Distribution, Inc., as well as a combined compensation ceiling for multiple-award contracts with Sargent & Lundy, LLC and USi, Inc. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

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, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of $3,000,000.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required which is not available within the Authority.

"Although the firms identified in Exhibit '11-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability, other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '11-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in support of Business Units/Departments and Facilities:

"The four contracts with Adecco, Inc. (4500029768), Crickett Personnel Services, Inc. (4500029767), Rotator Staffing Services, Inc. (4500029769), and Snelling Personnel Services (4500029766) provide for the services of temporary secretarial and clerical personnel to assist and support the Authority's White Plains Office staff. Services include, but are not limited to: general filing, typing, reception, word processing, secretarial and clerical assistance. Occasionally, more specialized administrative services, such as those of accounting and payroll clerks, may also be required. The original awards, which were competitively bid, became effective on September 1, 2000, for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested to exercise this option and continue to provide services, as needed. The current contract amounts total $267,263. It is estimated that an additional $175,000 (which represents the combined amount for all four contracts) may be required for the extended term. The Trustees' approval is requested to extend the subject contracts through August 31, 2002, and to approve the additional funding requested.

"As a condition of renewing the State Pollutant Discharge Elimination System ('SPDES') permit for the Charles A. Poletti Power Project, the New York State Department of Environmental Conservation ('DEC') stipulated that a study of fish mortality resulting from operating the Poletti Project must be conducted. This involves sampling the intake screens to estimate the number of fish and blue crabs impinged at the Poletti Project, sampling the plant's discharge to estimate the abundance of ichthyoplankton entrained through the Poletti Project, describing any seasonal and diel patterns in species abundance, and developing a personal computer-based system for accessing and displaying information from this study. The contract with Applied Science Associates (C98-Z0098) provides for such an impingement and entrainment study to be performed. Due to scheduling requirements, the President authorized the contractor to commence mobilization on November 23, 1998, in preparation for providing such services under this contract, which was competitively bid. At their meeting of December 15, 1998, the Trustees ratified the initial authorization and approved the award of a two and one-half year contract through June 30, 2001, in the amount of $481,243. An additional $75,000 was subsequently authorized in accordance with the Authority's Expenditure Authorization Procedures ('EAPs'). Recently, the DEC requested that the Authority continue the sampling program through at least 2001, to support the renewal of the Poletti SPDES permit, which is scheduled to expire in 2003. In anticipation of additional sampling requests from the DEC, a two-year extension is, therefore, requested to provide for continued sampling and subsequent report preparation. The current contract amount is $556,243. It is estimated that an additional $550,000 may be required for the extended term. Although a two-year extension is currently requested, it should be noted that approval for further term extension and/or funding may be sought at a future date, subject to additional DEC requirements. The Trustees' approval is requested to extend the subject contract through June 30, 2003, and to approve the additional funding requested.

"On November 17, 1997, the Federal Energy Regulatory Commission ('FERC') ordered the Authority to test acoustic fish deterrence systems at the Crescent and Vischer Ferry Hydroelectric Projects and to file plans and schedules for fish protection. In order to resolve several issues raised by the U.S. Fish and Wildlife Service and FERC pursuant to the initial testing and submitted report, the Authority subsequently awarded a sole source contract to BAE SYSTEMS Aerospace, Inc. (formerly GEC – Marconi Hazeltine; 4500027977), the provider of the initial design and testing services, to conduct additional testing. The subject contract became effective on July 20, 2000, for a one-year term and provided for additional studies based on the temporary installation of sonic fish deterrence systems at the Crescent and Vischer Ferry Hydroelectric Projects and acoustic monitoring of fish abundance at the entrance to the south headrace at the Vischer Ferry Project. Such additional testing and follow-up studies resulted in the successful resolution of questions about the fish protection system at the Vischer Ferry Project, but questions about the deterrent sound field at the Crescent Project remain unresolved. Per FERC order dated March 16, 2001, the Authority was mandated to install a permanent fish protection system at the Vischer Ferry Project by September 2001 and also to conduct additional testing in the fall of 2001 to demonstrate the effectiveness of the relocated deterrent sound field at the Crescent Project. While the installation of the permanent fish protection system for the Vischer Ferry Project will not be performed under the subject contract, the following tasks in support of the Crescent Project must now be included: 1) re-design and relocate the deterrent sound field; 2) re-install and test a temporary deterrent sound field during the fall of 2001; and 3) provide the Authority with plans and specifications for the permanent installation of the modified sound field. This work must be performed before a permanent fish protection system can be installed at the Crescent Project during the summer of 2002, per the aforementioned FERC order. A one-year extension is, therefore, requested in order to meet the schedule imposed by the FERC order. BAE SYSTEMS is uniquely qualified to perform such services, given the experience of its staff as well as the time constraints imposed by the FERC order. The current contract amount is $208,526. It is anticipated that an additional $420,000 may be required for the extended term ($210,000 to perform additional testing on juvenile fish during the fall of 2001, as mandated by FERC, and $210,000 for additional testing on adult fish during the spring of 2002, in anticipation of a forthcoming FERC directive). The Trustees' approval is requested to extend the subject contract through July 19, 2002, and to approve the additional funding requested.

"The contract with Collier, Halpern, Newberg, Nolletti & Bock, LLP (formerly Collier Cohen & Halpern, LLP; 4500031288) provides for legal representation services on behalf of the Authority in connection with a lawsuit brought by the Nuclear Generation Employee Association ('NGEA') and 59 employees against the Authority, Entergy entities and the New York State and Local Retirement System. The lawsuit seeks to declare the 'rights' of the Authority's at-will employees in relation to their transfer to Entergy. The Authority's Law Department staff sought the assistance of outside counsel with expertise in litigation, as well as some knowledge of the Westchester County court system and its judges. The White Plains firm of Collier, Halpern et al offers a counsel who has experience with employment disputes and has handled a variety of similar lawsuits against public entities. In addition, the firm's counsel regularly litigates in the local courts and is very familiar with the local system and judiciary. The original contract became effective on August 3, 2000, for an initial term of one year, with an option to extend for up to two additional years. With the federal court now remanding the case back to state court, it appears that at least one additional year will be required to bring this case to conclusion. A one-year extension is now requested in order to continue services in support of the aforementioned matter. The current contract amount is $150,000; it is anticipated that an additional $25,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 2, 2002, and to approve the additional funding requested.

"The contract with Corporate Aviators, Inc. (S98-04782) provides for supplemental co-pilot services to assist in the operation of the Authority's corporate aircraft (Beechcraft 200 King Air) hangared at the Westchester County Airport. Such supplemental personnel must have all requisite licenses, certificates, and ratings and may not be substituted without the Authority's prior approval. At their meeting of June 30, 1998, the Trustees approved the award of a three-year contract in the initial amount of $45,000. The original award, which was competitively bid, became effective on August 1, 1998. Subsequently, an additional $60,000 was authorized in accordance with the Authority's Expenditure Authorization Procedures. It should be noted that Corporate Aviators was the only bidder willing and able to meet the Authority's insurance requirements. In addition, the need for such co-pilots has diminished this year due to the hiring of a full-time co-pilot by the Authority. In view of these factors, it would not be feasible to rebid. Staff recommends, therefore, that a two-year extension be requested in order to continue services on an 'as required' basis. The current contract amount is $105,000. It is currently anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 31, 2003, with no additional funding requested.

"The contract with John McManaman (4500031667) provides for consulting services in connection with the New York State ('NYS') Employee Retirement System pension plan. The Purchase and Sale Agreement between the Authority and Entergy required Entergy to provide the Authority employees transferring to Entergy with a pension plan that mirrored the NYS and Local Employees' Retirement Plan. Mr. McManaman, the former Deputy Comptroller of the NYS and Local Employees' Retirement System, was eminently qualified to perform a review of such a plan. The original agreement became effective on August 1, 2000, for an initial five-month term, with an option for an additional seven-month extension. This option was subsequently exercised and the contract was extended through June 30, 2001, to provide for the continuation of such services in order to address continuing pension review obligations related to the Purchase and Sale Agreement with Entergy. Mr. McManaman was also instrumental in answering questions raised in connection with the adoption of the Authority's Retirement Incentive Program offered last year. This year, the consultant has been helpful in assisting the Authority in its effort to establish variable pay as part of an employee's annual compensation for Retirement System purposes. A one-year extension is now requested to allow for a reduced level of Mr. McManaman's continued support in connection with issues associated with Entergy's pension plan. In addition, the consultant will be useful in helping the Authority evaluate any retirement incentive legislation that the legislature will undoubtedly pass during this session. Lastly, his assistance will facilitate the resolution of questions concerning inclusion of variable pay in employees' annual compensation for Retirement System purposes. The current contract amount is $29,500; it is anticipated that an additional $18,000 will be required for the extended term (which reflects two reductions in monthly rates). The Trustees' approval is requested to extend the subject contract through June 30, 2002, and to approve the additional funding requested.

"The contract with Mackenzie Smith Lewis Michell & Hughes, LLP (4500009653) provides for legal services in connection with a trespass matter in the Village of Waddington, St. Lawrence County, New York and other potential matters relating to the Authority's rights within the St. Lawrence Project boundaries, as may be required. Due to limited Authority resources, it was necessary to retain local counsel in Syracuse for the purpose of pursuing such negotiations and litigation. The original contract, which was awarded as the result of a competitive search, became effective on July 1, 1999, for an initial term of one year, with an option to extend for one additional year. At their meeting of June 27, 2000, the Trustees approved a one-year extension through June 30, 2001, and a total contract amount of $50,000. It is anticipated that the subject trespass case will be decided in New York State Supreme Court later this year. An additional one-year extension is now requested in order to continue services, as may be required, through the conclusion of this matter and/or in the event of an appeal. The current contract amount is $45,000. It is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2002, with no additional funding requested.

"The contract with the New York State ('NYS') Park Police – Niagara Region (4500024225) provides for police marine safety and rescue operation services to support several environmental studies underway in the Forebay and Lewiston Reservoir at the Niagara Project. Since the studies involve the use of boats mainly at night and, at times, seven days a week, 24 hours per day, the need to provide appropriately trained and equipped safety and rescue personnel is paramount. An analysis of the safety and rescue needs and issues determined that Authority personnel lack the necessary training, experience, and equipment to provide the safety and rescue functions necessary to support the environmental studies. It was also determined that the NYS Park Police are uniquely qualified, trained, and equipped to meet the Authority's safety and rescue requirements. The original contract was awarded on a sole-source basis and became effective on May 15, 2000, for an initial term of less than one year. Services include a two-officer boat crew with motorized vessel and a police vehicle with radio communications on the dates and times requested by the Authority. Such officers serve on an On-Duty overtime status, with a four-hour minimum shift, dedicated to this mission. An interim extension through June 26, 2001, was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional six-month extension is now requested in order to continue services, as may be required, to support the bathymetric survey of the Forebay and Lewiston Reservoir. The current contract amount is $60,000. It is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2001, with no additional funding requested.

"The contract with Power Engineering (4500025569) provides for engineering and field services in support of the upgrade and overhaul of the first generator unit of the Life Extension and Modernization ('LEM') Program at the St. Lawrence - FDR Power Project. The work includes the design, fabrication, and delivery of precision optical measurement systems to support the re-shrinking and alignment of the generator rotors. Related additional tasks may be assigned, depending on the findings during the disassembly and reassembly of the first unit. The original award, which was competitively bid, became effective on June 8, 2000, for an initial term of one year, with an option to extend for one additional year. Interim approval for a three-week extension through June 30, 2001, was authorized in accordance with the Authority's Expenditure Authorization Procedures. Although Power Engineering has provided on-time delivery of all required systems and has provided the highest level of technical support, work on the first unit (No. 26) is several months behind schedule. This is due to design and manufacturing difficulties, including field machining difficulties and a factory strike experienced by two manufacturers. Services required to be performed by Power Engineering cannot be completed at this time, since the critical pre-requisite field work has not been completed by other contractors. An additional one-year extension is now requested to exercise the option in order to provide for the completion and follow-up support for the first unit and to provide support for a second unit. Based on our experience with the first unit, the services of Power Engineering will be needed to support future units. The current contract amount is $776,162. It is anticipated that an additional $250,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim extension through June 30, 2001, to approve a one-year extension of the subject contract through June 30, 2002, and to approve the additional funding requested.

"The contract with SICA Electrical & Maintenance Corp. (4500019918) provides for warranty services involving electrical labor to replace failed lamps, ballasts, fixtures, and/or other energy efficient lighting equipment, previously installed in various government facilities in New York City, Long Island and Westchester County, for the Authority's High Efficiency Lighting Program ('HELP'). Services provided under this contract also include, but are not limited to, maintaining an inventory of Authority ballasts for work under this contract, returning defective ballasts to manufacturers, and receiving replacements from manufacturers. The original award, which was competitively bid, became effective on March 6, 2000, for an initial term of one year, with an option to extend for one additional year. An interim extension through June 26, 2001, was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts. Sica has supported the Authority's HELP program and has proven to be a reliable, accurate and trouble-free contractor for providing such warranty requirements. A one-year extension is now requested to exercise the option in order to continue services, as may be required. The current contract amount is $25,000. It is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and to extend the subject contract through March 5, 2002, with no additional funding requested.

"The contract with Software Sense Systems, Inc. (S98-03253) provides for specialized application software ('PTR-Plus!'), associated maintenance and training services, and consulting services for a safety and clearance tagging system and outage coordination at the Authority's facilities, in connection with the Power Generation Maintenance Resource Management ('MRM') Program. In addition, the contract provides for interfaces to the MRM system and data conversion. The original award, which was competitively bid, became effective on June 1, 1998, for an initial term of one year. At the time of award, there were significant differences in how the Projects performed tagging. The original intent was to reach a consensus that would result in one approach and design of one version of the software. Subsequent Authority review of the one-version effort resulted in a change to a two-version plan, which has produced two different but compatible versions of the software, one for the hydro projects and one for the fossil fuel projects. At their meeting of June 29, 1999, the Trustees approved a nineteen-month extension and additional funding in the amount of $50,000. The Trustees approved an additional two-year extension through December 31, 2002, at their meeting of December 14, 1999. Implementation of the aforementioned two-version plan has resulted in extensive software revisions and the need for additional support during the startup and troubleshooting phase. This, in turn, has impacted the scheduled completion of the interfaces with MAXIMO and the Energy Control Center ('ECC'). In addition, the program has recently been expanded to include the Power Now! Projects at the seven generation sites. Additional time is, therefore, needed to complete startup and troubleshooting at the fossil fuel projects; to develop, test, and implement interfaces to the MRM system and the ECC; and to include the Power Now! Projects in this effort, which will provide a clearance and tagging program at all such sites. An additional one-year extension is, therefore, requested in order to continue services through anticipated completion of this effort. The current contract amount is $300,000. It is anticipated that an additional $225,000 will be required for the extended term due to the accelerated rate of expenditures associated with the two-version approach and the expansion of the scope to include the Generation Projects. The Trustees' approval is requested to extend the subject contract through December 31, 2003, and to approve the additional funding requested.

"The contract with Waste Stream Management (4600000259; formerly 63-99) provides for rubbish removal and disposal services for the St. Lawrence – FDR Power Project. Services include furnishing all containers, picking up at five different locations at regularly scheduled times, hauling in permitted trucks, and disposing in a permitted landfill, as well as handling recyclables. The original contract, which was competitively bid, became effective on March 1, 1999, for an initial term of one year, with an option to extend for two additional years. At their meeting of December 14, 1999, the Trustees approved a two-year extension of the subject contract to exercise this option and a total contract amount of $100,000. For administrative purposes, a new contract number was assigned for the extended term. The original scope of work and estimate of required funding were based on historical usage. The original estimate did not anticipate the disposal in 2000 of damaged insulators that were replaced after the 1998 ice storm or the increased volume of trash related to the Life Extension and Modernization ('LEM') Program at the St. Lawrence Project. An additional $23,282 was subsequently authorized in accordance with the Authority's Expenditure Authorization Procedures ('EAPs'). The current contract amount, including non-PO charges, is $123,282. It is anticipated that an additional $41,718 will be required through December 31, 2001. The Trustees' approval is requested to ratify the additional funding authorized in accordance with the EAPs and to approve the additional funding now requested for the previously-approved contract term, increasing the total approved contract amount to $165,000.

Increases in Compensation Ceiling:

"The contract with Carter, Ledyard & Milburn (45000034530) provides for legal services in connection with permitting, environmental review, and litigation matters concerning the Authority's Generation Projects and such other matters as the Authority may from time to time request. Because of the need to commence services, interim approval to award the contract was authorized by the President. The subject agreement became effective on August 25, 2000, for an initial term of up to one year, with an option to extend for one additional year. This firm serves as special counsel for the Power Now! Generation Projects. Although staff is fully committed to this project, both the importance and high visibility of the site selection and permitting for the project and ensuing litigation, as well as other ongoing demands on staff resources, made it advisable to retain special environmental counsel to assist in securing all required state, federal, and local permits for the project. This firm has also advised the Authority in connection with requirements of the State Environmental Quality Review Act ('SEQRA') and other relevant statutes. In addition to the aforementioned work on the Generation Projects, two new issues have recently arisen in relation to the Charles A. Poletti Plant, as well as a matter relating to the 500 megawatts ('MW') Combined Cycle Project. The first issue involves aquatic studies of the East River to support the Authority's application to the Department of Conservation ('DEC') for renewal of the State Pollutant Discharge Elimination System ('SPDES') permit, which expires in 2003. Such studies and application require the advice of outside counsel relating to the design and monitoring of the studies, as well as the SPDES application. The second new initiative relates to studies for an additional 750MW plant in Queens. Initial work involving air modeling has already commenced. While it is anticipated that the Authority will retain other outside counsel to oversee this long-term assignment, services are currently being provided by Carter, Ledyard. The third new initiative involves support for a new phase in the 500MW Combined Cycle Project, viz., the administrative hearing process. Based on the Authority's current experience with the Power Now! Project, supporting outside counsel and related consultant services will be required to meet the anticipated heavy demands of an intensive adjudicatory hearing. Carter, Ledyard is expert in environmental litigation. The firm's knowledge of the substantive issues associated with the Power Now! Project, and of the parties who will also be involved in the 500MW Project, is directly relevant and applicable to this initiative. A one-year extension as provided by the contract option is, therefore, requested in order to provide continued support for the aforementioned matters.

"At their meeting of December 19, 2000, the Trustees approved a revised compensation ceiling of $1,175,000. Funding was budgeted for environmental studies and counsel in relation to the Generation Projects. Initial projections on the level of effort for counsel and environmental consultants were an estimate, based on reasonable regulatory and litigation assumptions. Such projections have not been reflective of the actual usage needs. The levels of opposition in New York City have required substantially more in the way of outside counsel services and corresponding support services, and have made extensive demands on Authority staff, outside counsel and the supporting environmental consultant services. Subsequently, an additional $500,000 was authorized in accordance with the Authority's Expenditure Authorization Procedures to provide initial funding for the aforementioned new initiatives related to the Poletti Plant and the new matter related to the 500MW Combined Cycle Project. The current contract amount is $1,675,000. It is anticipated that an additional $2,500,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 31, 2002, to ratify the additional funding previously authorized, and to approve the additional funding now requested, thereby increasing the compensation ceiling to $4,175,000.

"At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President – Project Operations, or his designee, to enter into procurement contracts for the design and engineering of the Power Now! Generation Projects at a cost of up to $15 million. This resulted in the award of three contracts to Sargent & Lundy, LLC (4500030609, 4500035842, and 4500037849) for engineering and design services to support this effort, including home office and site support for the Generation Projects, as well as substation and transmission work; and one subsequent award to USi, Inc. (4500036449) to perform engineering and design services for high voltage transmission lines between the sites and substations. Subsequently, an additional $500,000 was approved in accordance with the Authority's Expenditure Authorization Procedures ('EAPs'), and interim approval was authorized for an additional $435,900 required to support ongoing work. The combined total contract amount for this group of contracts is $15,935,900. It is currently anticipated that an additional $3,564,100 will be required through contract completion. Staff also recommends an extension of the subject contracts through June 30, 2002, in order to provide for project closeout activities, such as documentation turnover, as-built drawings, claims resolution support, and post-commissioning engineering modifications (if needed), as well as any other emergent modifications that may be required. The additional funding is mostly for additional work to support the design/engineering and construction efforts to meet the fast-tracked Project schedule. This also includes funding for onsite personnel to respond to requests for information from the contractor, address field conditions that may occur, and provide engineering support onsite, as well as start-up support. In addition, specific scope changes, which were not originally contemplated, were added late in the process. These included the engineering and design for sheet piling of the North 1st and Grand site in Brooklyn and the wall for the Pouch site on Staten Island. The Trustees' approval is requested to extend the subject contracts through June 30, 2002, to ratify the additional and interim funding previously authorized, and to approve the additional funding now requested, thereby increasing the combined compensation ceiling to $19,500,000.

"At their meeting of December 19, 2000, the Trustees approved a three-year award to Siemens Power Transmission & Distribution, Inc. (PO # TBA), in the total amount of $300,000, to provide maintenance services for the proprietary Spectrum software required to support the Siemens Energy Management System ('EMS') installed at the Authority's Energy Control Center ('ECC'). Since that time, staff have further reviewed the original Siemens proposal and have identified an opportunity to negotiate a revised contract, resulting in an expanded contract scope and term, with significant cost savings to the Authority. The original proposal consisted of the Maintenance Service Agreement ('MSA'), which included 200 hours per year of technical and maintenance services to provide software support on an 'as required' basis, as well as installation of program improvements, changes, and/or debugging and new versions of the program developed by the licensor in an effort to improve program performance, for a period of three years. The revised proposal would extend the contract term of the MSA for an additional three years through December 31, 2006, and would also incorporate a six-year Software Subscription Agreement ('SSA'), including licensing fees, for the various required Spectrum software products. The base cost for the negotiated revised contract would be $550,000, as agreed to in principle by Siemens and the Authority. In order to lock in the reduced rate, Siemens has requested an accelerated payment schedule for the six-year base contract; the first payment, in the amount of $225,000, would be due by June 30, 2001, and the second/final payment, in the amount of $325,000, would be due by February 1, 2002. Any additional man hours that may be required to support special projects or other emergent work would be billed at negotiated hourly rates. It is currently projected that an additional $450,000 may be required to support such emergent needs. The Trustees previously approved $300,000 for a three-year award. It is anticipated that an additional $700,000 may be required to support the expanded six-year agreement. (This is comprised of an additional $250,000 required to support the negotiated base contract and an additional $450,000 that may be required to support emergent needs.) Since the original contract was not awarded, staff recommend that the revised contract would become effective retroactive to January 1, 2001. The Trustees' approval is requested to extend the subject contract through December 31, 2006, to expand the contract scope to incorporate a six-year SSA, and to approve the additional funding requested, thereby increasing the compensation ceiling to $1,000,000.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2001 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Funds required to support such contracts will be withdrawn from the Capital Fund and will be disbursed in accordance with the respective Project's Capital Expenditure Authorization Request.

RECOMMENDATION

"The Director – Environmental Programs, the Director – Corporate Support Services, the Director – Energy Services, the Director – Power System Operations, the Executive Director – Hydropower Relicensing, the Regional Manager - Northern New York, the Regional Manager - Western New York, the Regional Manager - Central New York, the Regional Manager - Southeast New York, the Vice President - Project Management, the Vice President and Chief Engineer - Power Generation, the Vice President - Procurement and Real Estate, and the Deputy Secretary and Deputy General Counsel recommend the Trustees' approval of the extensions, additional funding, and increase in compensation ceiling of the procurement contracts with Carter, Ledyard & Milburn and Siemens Power

Transmission & Distribution, Inc., as well as a combined compensation ceiling for multiple-award contracts with Sargent & Lundy, LLC and USi, Inc., as set forth above.

"The Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, the Senior Vice President – Transmission, the Senior Vice President – Public and Governmental Affairs, the Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation."

***Chairman Seymour inquired whether the final expenditures for the Power Now! Project have been identified and quantified. Mr. Hoff responded that: all funds earmarked for "contingency" in the Project budget have been exhausted; to date there are construction claims of some $30 million, of which $15 million have been resolved and we have been advised by our construction manager that there will be additional claims particularly in the electrical area; there may also be significant claims for acceleration costs which are only commencing to come in. The Vice Chairman asked whether the total final cost could presently be determined; Mr. Hoff responded in the negative, explaining that the extent of valid extra work claims and anticipated acceleration claims have not been fully submitted and cannot be fully determined. Trustee McCullough inquired about the source of funds used to cover the expenses of outside counsel. Mr. Hoff explained that the future services to be rendered by the Carter Ledyard firm will be paid in part from the capital fund associated with the 500 MW Poletti Plant initiative.***

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "11-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further**

**RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Carter, Ledyard & Milburn and Siemens Power Transmission & Distribution, Inc., as well as a combined compensation ceiling for multiple-award contracts with Sargent & Lundy, LLC and USi, Inc., be, and hereby are, approved as recommended in the foregoing report of the President in the amount and for the purpose listed below:**

| **Capital** | **Contract Approval (Increase in Compensation Ceiling)** | **Projected Closing Date** |
|---|---|---|
| **Provide legal consulting services in support of the Power Now! Generation Projects; Poletti expansion and renewal of SPDES permit; and other matters, as needed:** | | |
| **Carter, Ledyard & Milburn (4500034530)** | | |
| **Additional Funding Requested** | **$2,500,000** | **08/24/02** |
| **Previously Approved Amount** | **$1,175,000** | |
| **Additional Authorized Amount** | **$500,000** | |
| **REVISED COMPENSATION CEILING** | **$4,175,000** | |

| **Capital** | **Contract Approval (Increase in Compensation Ceiling)** | **Projected Closing Date** |
|---|---|---|
| **Provide engineering and design services to support Power Now! Generation Projects:** | | |
| **Sargent & Lundy, LLC (4500030609, 4500035842 & 4500037849) and USi, Inc. (4500036449)** | | |
| **Additional Funding Requested** | **$ 3,564,100** | **06/30/02** |
| **Previously Approved Amount** | **15,000,000** | |
| **Additional Authorized Amount** | **935,900** | |
| **REVISED COMPENSATION CEILING** | **$19,500,000** | |

| **O&M** | **Contract Approval (Increase in Compensation Ceiling)** | **Projected Closing Date** |
|---|---|---|
| **Provide revised 6-year Maintenance Service Agreement (“MSA”) + Software Subscription Agreement (“SSA”) for EMS system at ECC:** | | |
| **Siemens Power Transmission & Distribution, Inc. (PO# TBA)** | | |
| **Additional Funding Requested** | **$ 700,000** | **12/31/06** |
| **Previously Approved Amount** | **300,000** | |
| **REVISED COMPENSATION CEILING** | **$1,000,000** | |

12. **<u>2001 Revolving Credit Agreement</u>**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a $180,670,000 Revolving Credit Agreement with a syndicate of three banks led by The Bank of Nova Scotia, for a term extending to September 3, 2003, to provide liquidity support for the Authority's Adjustable Rate Tender Notes (the 'ART Notes'). The Trustees are also requested to modify the Authority's General Resolution authorizing Revenue Obligations (the 'Resolution'), so as to permit the Notes issued pursuant to the Revolving Credit Agreement, to be deemed Parity Debt under the Resolution.

BACKGROUND

"ART Notes in the amount of $200 million were issued in 1985 to finance a portion of the Marcy-South Project. The terms of the ART Notes require that the Authority maintain a bank line of credit equal to the amount of Notes outstanding, presently $180,670,000. The line of credit in place at this time will terminate on September 5, 2001.

"The terms of the ART Notes allow rate periods to be set for six months or in six-month increments up to a maximum five-year period. A new rate period for the Notes will commence on September 4, 2001, and one month prior to that date, a new line must be in place.

DISCUSSION

"The ART Notes require that the line of credit be supported by banks having a rating of at least an 'A'. The Authority invited 15 banks having 'AA' ratings from at least one rating agency to submit proposals for the line. Seven of the banks formed two syndicates and submitted proposals, one in which Morgan Guaranty Trust Company of New York ('Morgan') would act as agent for a syndicate of four banks (including Morgan) and the other in which The Bank of Nova Scotia would act as agent for a syndicate of three banks (including The Bank of Nova Scotia). Goldman Sachs, the re-marketing agent for the ART Notes, has indicated that the Authority's interest costs would be comparable for either liquidity provider.

"The proposals were analyzed for total cost over the term of the line based upon the commitment fees as well as any up-front and annual fees. On this basis, the group led by The Bank of Nova Scotia submitted the lowest cost proposal as summarized below:

| Bank | Credit Rating | Commitment Fee 'bps' | Total Cost over Term |
|---|---|---|---|
| The Bank of Nova Scotia | 'AA/A' | 18 | $695,384 |
| Morgan Guaranty Trust | 'AA/AA' | 21 | 820,878 |

"The credit facility would be provided by The Bank of Nova Scotia, First Union National Bank, and Toronto Dominion Bank, with The Bank of Nova Scotia serving as Agent. The commitment fee payable on the unused amount of the line, 18 basis points (18/100 of 1%), would equal a maximum of $27,100 per annum. In the event the Authority has to draw on the line, the interest rates would be the Fed Funds Rate plus 0.75% for the first 180 days and LIBOR plus 1.25% in excess of 180 days.

"The Trustees are also requested to approve the modifications to the Resolution set forth in Exhibit '12-B' hereto, which would permit the notes issued pursuant to the Revolving Credit Agreement, to be deemed Parity Debt under the Resolution.

FISCAL INFORMATION

"The annual cost of the proposed line would not exceed $331,000, with an additional maximum payment at the time of closing of $31,000. Commitment fees and expenses will be paid from the Operating Fund.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the execution of the 2001 Revolving Credit Agreement with The Bank of Nova Scotia and the banks listed in such agreement, in substantially the form attached as Exhibit '12-A' hereto. The Trustees are also requested to approve the modifications to the Resolution set forth in Exhibit '12-B' hereto.

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

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

**RESOLVED, That the Trustees authorize the execution by the Senior Vice President and Chief Financial Officer or the Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of the 2001 Revolving Credit Agreement between the Authority and The Bank of Nova Scotia, as Administrative Agent, and The Bank of Nova Scotia, First Union National Bank and Toronto Dominion Bank, in substantially the form attached hereto as Exhibit "12-A", with such additions, deletions and modifications as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval, provided that such credit facility shall have an initial term not exceeding September 3, 2003 (subject to a one-year renewal option as provided in the Agreement) and shall not exceed $180,670,000 in borrowing capacity; and be it further**

**RESOLVED, That the Trustees hereby adopt the Third Supplemental Resolution amending and supplementing the Authority's General Resolution authorizing Revenue Obligations, adopted on February 24, 1998, as amended and supplemented, set forth in Exhibit "12-B" hereto; and be it further**

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

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

101. Supplemental Resolution; Authority. This resolution ("Third Supplemental Resolution") is supplemental to, and is adopted in accordance with Article VIII of, a resolution adopted by the Authority on February 24, 1998, entitled "General Resolution Authorizing Revenue Obligations" ("General Resolution"), as amended by the First Supplemental Resolution adopted on February 24, 1998, and by the Second Supplemental Resolution adopted on October 31, 2000, and is adopted pursuant to the provisions of the Act.

102. Definitions. All terms which are defined in Section 101 of the General Resolution shall have the same meanings for purposes of this Third Supplemental Resolution.

ARTICLE II

AMENDMENTS TO THE GENERAL RESOLUTION

201. First Amendment. The definition of "Credit Facility" in Section 101 of the General Resolution is amended to add ", Parity Debt" immediately after the word "Obligations."

202. Second Amendment. In the final sentence of subsection 4 of Section 310 of the General Resolution, the phrase "or Parity Debt" is added immediately after the phrase "such related Obligations," and the following sentence is added to become the penultimate sentence of that subsection:

In addition, the Authority may enter into a Reimbursement Obligation with respect to a Credit Facility securing Parity Debt, and any such Reimbursement Obligation may be a Parity Reimbursement Obligation (but only to the extent principal amortization requirements with respect to such reimbursement are substantially equal to the amortization requirements [including principal payments in connection with any optional or mandatory tender for purchase] for such related Parity Debt, without acceleration) or may constitute a Subordinated Contract Obligation, as determined by the Authority.

ARTICLE III

MISCELLANEOUS

Authority. This Third Supplemental Resolution is adopted pursuant to clause (2) of Section 802 of the General Resolution, and the Authority hereby finds and determines that the amendments to the General Resolution made by this Third Supplemental Resolution are necessary or desirable and are not materially adverse to the rights under the General Resolution of the Owners of Obligations.

Further Authority. The Chairman, Vice Chairman, President and Chief Operating Officer, Executive Vice President and Chief Financial Officer, Treasurer, Secretary, Deputy Secretary and any Assistant Secretary are each hereby authorized to execute and deliver to the Trustee appointed pursuant to the General Resolution such documents and certifications as may be necessary to give effect to this Third Supplemental Resolution.

303. Effective Date. This Third Supplemental Resolution shall be fully effective in accordance with its terms upon the filing with the Trustee of a copy hereof certified by an Authorized Officer.

13. **State University of New York ("SUNY")**
**Morrisville Campus Combined Heat and Power Project**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve permitting, design, engineering, and equipment procurement for approximately 2.6 megawatts ('MW') of combined heat and power projects at SUNY Morrisville (the 'Project'). Funding for this phase of the Project, estimated at $6,500,000, is included in the funds previously approved by Trustees for the Statewide Energy Services Program ('ESP'). No new funding is requested at this time.

"The Trustees are also requested to authorize the funding for the Project from the Capital Fund, with a small portion of approximately $65,000 coming from the Petroleum Overcharge Restitution Fund ('POCR').

"The overall project cost is currently estimated at $8,100,000. Trustees' approval for the balance of funds required for the Project's implementation will be sought upon completion of the State Environmental Quality Review Act ('SEQRA') review.

BACKGROUND

"In August 2000, SUNY Construction Fund representatives requested the Authority's assistance in implementing alternative energy strategies. Unfolding electric utility restructuring, advancements in distributed generation and combined heat and power technologies, and rising fuel costs presented numerous serious risks and substantial opportunities to the SUNY system. SUNY realized that reducing or displacing conventional energy services could confer substantial financial benefits and produce long-term risk reduction for SUNY campuses.

"SUNY identified numerous campuses with the highest probability of realizing energy and financial efficiencies from on-site combined heat and power generation. On-site generation would also assist SUNY in meeting Governor Pataki's aggressive energy conservation goals as established by the Governors' Executive Order No. 111. SUNY was advised that the on-site generation work should commence at the Morrisville campus, identified to be the one with the greatest immediate energy savings potential.

"In view of recent market events involving the need for new forms of generation, and with demand for energy on the rise, this proposed project appears to be a prudent and logical extension of the Authority's efforts aimed at reducing energy consumption as well as the cost of government throughout the State.

DISCUSSION

"SUNY Morrisville has 78 separate buildings with a grand total area of 924,319 sq.ft. The current campus electric-peak demand is at about 2.3 MW and is expected to grow. The on-campus electric distribution system is university owned. There is no on-campus generation at this time. The heating plant, which supplies steam, heating, and domestic hot water provides about 90% of the campus heating needs. The heating plant consists of four boilers, each rated at 23,000 lb/hr of steam.

"The Authority identified the following combined heat and power projects, consistent with campus financial and developmental needs:

- Install an approximately 2.5 MW combined heat and power plant on campus to handle base load and peak shaving, with an option to expand the plant as campus loads increase.
- Install a 30 kW microturbine-based combined heat and power system at the campus wastewater treatment plant to capture anaerobic digester gas and avoid flaring.
- Install a 60 kW microturbine-based combined heat and power system operating on methane gas generated from manure at the experimental dairy farm on the campus.
- Install campus-wide electric and thermal upgrades.

The Project is scheduled to be completed by the end of 2003.

FISCAL INFORMATION

"Funding for this phase of the Project includes permitting, design, engineering, and equipment procurement. This funding is estimated at $6,500,000, coming from the Capital Fund and includes approximately $65,000 of POCR funds.

"This amount is included within the Trustees authorization of December 16, 1997, covering expenditures for the Statewide ESP, currently funded from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed $80 million.

"The Trustees approval for the balance of funds required for the Project's implementation will be sought upon completion of the SEQRA review. The overall estimated cost of this Project, including installation, is $8,100,000.

"The Project's cost will be recovered directly from SUNY within a ten-year period.

RECOMMENDATION

"The Director – Research & Technology Development and the Senior Vice President - Energy Services and Technology recommend that the Trustees approve the implementation of the above-discussed distributed generation project at SUNY Morrisville. The Trustees are also requested to authorize the funding for the Project.

"The Senior Vice President – Public and Governmental Affairs, the Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

***In response to questions from Vice Chairman Ciminelli, Mr. Zelingher confirmed that the Authority would be paid back in full within ten years. In response to questions from Trustee McCullough, Mr. Zelingher confirmed that the requested expenditure will cover all design and related fees.***

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

**RESOLVED, That the Senior Vice President – Energy Services and Technology or his designee be, and hereby is, authorized to permit, design, engineer, and procure equipment for a combined heat and power project at SUNY Morrisville, as described in the foregoing report of the President; and be it further**

**RESOLVED, That the Trustees authorize the funding not to exceed $6.5 million, consisting of monies from the Capital Fund and available POCR funding to cover the cost of the Project; and be it further**

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

**14. <u>Motion to Conduct an Executive Session</u>**

"Mr. Chairman, I move that the Authority conduct an Executive Session in connection with discussions concerning authorization to enter into a certain contract with SLAEC."

*(On Motion duly made and seconded, an Executive Session was held at 12:15 p.m. for the purpose of discussing the <u>Silvercup</u> litigation and matters relating to the appointment and employment of services of a particular corporation).*

15. **Motion to Resume Meeting in Open Session**

On Motion duly made and seconded, the meeting resumed in open session at 12:55 p.m.

**16. <u>Action on Resolution</u>**

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

**RESOLVED, That the Chairman and Chief Executive Officer is hereby authorized to enter into an agreement ("Agreement") between the Authority and the St. Lawrence Aquarium and Ecological Center, Inc. with terms and conditions substantially along the lines of those discussed in this report; and be it further**

**RESOLVED, That the Trustees hereby authorize funding not to exceed $2.8 million, consisting of monies from the Capital Fund, to cover certain initial commitments of interest monies under the Agreement; and be it further**

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

## 17. Next Meeting

The regular meeting of the Trustees will be held on Tuesday, July 24, 2001, at the St. Lawrence/FDR Power Project at 11:00 a.m., unless otherwise designated by the Chairman with the concurrence of the Trustees.

**18. Closing**

Upon motion made and seconded, the meeting was closed at 1:00 P.M.

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

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