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

February 26, 2002

Table of Contents

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

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
Peter A. Barden	Executive Director – Hydro Relicensing (Senior Vice President – Public and Governmental Affairs *effective March 3, 2002*)
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Robert J. Deasy	Vice President – Power Contracts and Resource Management
Charles I. Lipsky	Vice President & Chief Engineer
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Affairs and Deputy Corporate Secretary
James H. Yates	Vice President – Major Account Marketing & Economic Development
Stephen P. Shoenholz	Deputy Vice President - Public Affairs
George L. Johansen	Inspector General
Dennis T. Eccleston	Chief Information Officer
Gary Paslow	Executive Director - Policy Development
Joseph J. Carline	Assistant General Counsel – Power & Transmission
William Ernsthaft	Assistant General Counsel – Finance
Gerard V. Loughran	Assistant General Counsel – HR and Labor Relations
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
Arthur M. Brennan	Director – Internal Audit
Angelo S. Esposito	Director – Energy Services
John J. Hahn	Director - Security
William V. Slade	Director – Environmental Programs
Paul F. Finnegan	Legislative Liaison
Craig D. Banner	Manager – Municipal and Cooperative Marketing
Helen L. Eisenfeld	Manager – Cost Control
James F. Pasquale	Manager - Business Power Allocations and Compliance
Connie Cullen	Senior Information Specialist
John Grzan	Senior Project Manager
Brian C. McElroy	Senior Investment Analyst
Thomas P. Antenucci	Project Manager
Lawrence E. Gomez	Facility Manager

Wayne Gowen	LAN Administrator
Bonnie Fahey	Executive Administrative Assistant
Betty C. Fennell	Assistant Secretary
Angela D. Graves	Assistant Secretary – Legal Affairs
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Alice F. Simon	Assistant Secretary - Ethics

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

1. Approval of the Minutes

The minutes of the regular meeting of January 29, 2002 were adopted by the affirmative votes of Trustees Carey, DiMarco, and Seymour. Acting Chairman Ciminelli abstained in view of his absence from that meeting.

2. **Financial Reports for the Year Ended December 31, 2001 (Final) and the Month Ending January 31, 2002**

Mr. Bellis provided the final Financial Report for the year 2001 and the Financial Report for the month ending January 31, 2002. Mr. Bellis explained that the annual net revenues for 2001 were $18.3 million, after accounting for extraordinary charges, including an asset impairment charge relating to the In-City generating units, as well as certain New York Independent System Operator ("ISO") rebills and adjustments.

Mr. Bellis also reported that these final numbers had been further adjusted following verification by PricewaterhouseCoopers in the audit completed on February 15, 2002. He then responded to questions from Acting Chairman Ciminelli.

Mr. Bellis further reported that net revenues for the month of January, 2002 were higher than budgeted; factors affecting these results include lower fuel costs, O & M underruns and higher non-operating income. Trustee Seymour noted that the initial financial results are off to a good start for Fiscal Year 2002.

3. <u>Report from the President and Chief Operating Officer</u>

President Zeltmann reported on the status of staff's efforts to pin down and more accurately predict future ISO charges and develop a methodology for doing so based on scheduling forecasts. Mr. Zeltmann commended the effective teamwork of the Business Units headed by Ms. Morman, Messrs. Hiney, Deasy, Haase, Blabey, Eccleston, the Controller's staff and others.

Responding to questions from Acting Chairman Ciminelli, Mr. Bellis reported that Authority staff established conservative estimates of the amount of monies which need to be accrued to cover potential rebill costs. Ms. Morman explained both how Authority staff is addressing congestion charges and how the staff is improving its forecasting techniques for these charges. Mr. Hiney added that congestion charges are just one element of what is a complex cause and effect formula which staff is still attempting to decipher fully.

Responding to further questions from Acting Chairman Ciminelli, Messrs. Hiney and Bellis stated that revenues from the In-City Generation Project power plants have served to mitigate the resulting fiscal impact to some degree.

Responding to questions from Trustee DiMarco, Mr. Haase reported that parsing and predicting ISO bills is an exceedingly complicated process since they are frequently riddled with one-time anomalies and thus scheduling issues alone are not the only factors responsible for the recurrence of these charges. He added that various other abnormalities such as software problems, and delay in meter readings, among others, have also contributed to the complexities of the situation.

Responding to questions from Acting Chairman Ciminelli and Trustee DiMarco, Mr. Hiney explained that only the ISO has access to all of the marketing data that drives the rebills; this is similarly a major challenge for the investor-owned utilities which are members of the ISO. Mr. Bellis added that the Authority's Internal Audit staff is performing its own examination of these charges. President Zeltmann reiterated that this is an important area to which Authority staff has dedicated a lot of time and effort and will continue to do so diligently and report back to the Trustees. In response to questions from Trustee DiMarco as to whether this issue will carry over into any future RTO, Mr. Zeltmann assured the Trustees that staff is doing everything possible to prepare for such an eventuality.

President Zeltmann then asked Ms. Morman to report on the status of re-allocating power previously allotted to the World Trade Center complex. Ms. Morman in turn introduced Mr. Yates, who provided this report.

Mr. Yates outlined the process for re-allocating the 80 MW of power which the Authority provided to the Port Authority in the World Trade Center complex prior to September 11, 2001. Mr. Yates reported that the 80 MW will be sold to the Port Authority which will, in turn, re-sell the power to businesses displaced by the terrorist attack. Under the guidelines originally developed by the legislation, the priority for allocating the power would depend on the geographic location to which the businesses choose to relocate.

Mr. Yates detailed how businesses can obtain copies of the necessary application forms, explaining that such forms are available through the web sites of both the Authority and various other state agencies.

Responding to questions from Trustee Seymour, Mr. Yates re- emphasized the Authority's commitment to working with the Port Authority, Battery Park City and other interested parties in this process.

4. Quarterly Review of Power For Jobs Employment Commitments

The President submitted the following report:

SUMMARY

"All of the Power for Jobs ('PFJ') contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the 2nd quarter of 1998, 1999, and 2000. The Authority had 142 customers with 152 contracts first receiving power in the 2nd quarters of 1998, 1999, and 2000.

"Thus, staff reviewed a total of 142 customers with 152 contracts. This initial review resulted in a detailed examination of 24 contracts with 24 customers that were below the 90% job commitment threshold. Of these 24 customers, it is recommended that the Trustees reduce the power allocation and/or job commitment for six companies and approve the continuation of current power allocations to 18 companies that were below their jobs commitment levels.

BACKGROUND

"The 152 contracts reviewed represent overall power allocations of 125.084 MW and total employment commitments of 64,155 jobs. In the aggregate, these customers reported actual employment of 68,089 positions, which represents some 106.13% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 24 customers whose actual job levels are below the minimum threshold.

DISCUSSION

"This quarterly review of PFJ job commitments was conducted against the backdrop of a national economic recession that has hit the State of New York particularly hard. Most of the 24 customers whose reported jobs are below contractual commitments have presented sufficient explanations to justify no enforcement action. In fact 10 of the companies are near or over their contractual obligations due to actions taken after the reporting period. In any event, for the specific reasons noted below for each company, and due to the rapid onset of a severe economic recession, it is recommended that no enforcement action be taken regarding the 18 companies that did not meet their job commitments for the reporting period. Staff recommends that power allocations and/or job commitments of six companies be reduced for the specific reasons discussed in Sections I and II below. Staff also recommends that 18 companies be allowed to continue their current power allocations and job commitments as discussed in Section III. A summary of all contracts discussed in this memorandum is provided as Exhibit '4-A'.

Section I.

Allocations and Job Commitments to be Reduced

Jacmel Jewelry, Inc., Long Island City, Queens County

Allocation: 450 kW of Power for Jobs Power
Jobs Commitment: 600 jobs

Background: Jacmel Jewelry, Inc. ('Jacmel') a privately owned company was founded in 1977. The company designs, manufactures and ships fine jewelry. For the past year Jacmel averaged 395.92 jobs, i.e., 65.99% of its commitment. The company is holding its own and does not see job growth in the near future.

Recommendation: Staff recommends that the Trustees reduce Jacmel's allocation from 450 kW to 300 kW and reduce their employment commitment from 600 jobs to 420 jobs.

Johnstown Leather Corporation, Johnstown, Fulton County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 55 jobs

Background: Johnstown Leather Corporation ('Johnstown') has been in business for nearly forty years and is owned by one family. The company is a leather tannery. Raw deer hides are processed into leather for customers that manufacture gloves and shoes. The 2000-2001 season was very poor for deer skin leather sales, both demand and prices dropped substantially. The result has been curtailed production. The company is looking for new outsourcing opportunities overseas to counterbalance the reduced production. For the past year, Johnstown averaged 34.83 jobs, i.e., 63.33% of their commitment. Employment is forecast to be steady or slightly increase by the 2nd quarter of 2002.

Recommendation: Staff recommends that the Trustees reduce Johnstown's allocation from 250 kW to 150 kW and reduce the employment commitment from 55 jobs to 35 jobs.

TMP Technologies, Inc., Buffalo, Erie County

Allocation: 280 kW of Power for Jobs Power
Jobs Commitment: 104 jobs; Phase 4 -- 104 jobs

Background: TMP Technologies, Inc. ('TMP'), is a privately held company and in business since 1954. TMP manufactures highly-engineered polyurethane foam, rubber and plastic products for business machines, consumer, medical, household and industrial markets. For the past year TMP averaged 65.75 jobs, i.e., 63.22% of its commitment. The company's customers are the big computer printer companies, such as Xerox, Canon and Lexmark. TMP did not lose any customers, just volume, due to the economic slowdown in the computer industry. Enough new business has come in, that a 2nd shift has been added in January 2002, with an initial growth of 11 jobs with more to come, which brings TMP's January employment level to 84 jobs.

Recommendation: Staff recommends that the Trustees reduce TMP's allocation from 280 kW to 250 kW and reduce the employment commitment from 104 positions to 89 positions.

Section II.

Job Commitments to be Reduced

Catholic Medical Center, Jamaica, Queens County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 1145 jobs

Background: Catholic Medical Center ('CMC') is a non-profit health care services organization. CMC provides in-patient as well as outpatient medical care. There was an error in the full time equivalent calculation (FTE) in their application. The FTE should be 825 jobs. With this FTE the CMC would meet its commitment. For the past year, CMC averaged 823.42 jobs, i.e., 71.91% of its contractual commitment.

Recommendation: Staff recommends that the Trustees reduce CMC's employment commitment from 1,145 jobs to 825 jobs. This still leaves the hospital with an excellent ratio of 3,300 jobs/MW.

<u>Catholic Medical Center - Bishop Mugavero Center for Geriatric Care</u>, Brooklyn, Kings County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 375 jobs

Background: Catholic Medical Center - Bishop Mugavero Center for Geriatric Care ('CMC-Bishop') is a non-profit customer that provides in-patient services including medical/surgical care, intensive/critical care, physical rehabilitation and skilled nursing (long-term) care. Out-patient services include 24 hour emergency department, clinical laboratory, diagnostic imaging and ambulatory surgery. The center had an FTE miscalculation. For the past year CMC-Bishop averaged 314.67 jobs, i.e., 83.91% of their commitment.

Recommendation: Staff recommends that the Trustees reduce CMC-Bishop's employment commitment from 375 jobs to 315 jobs. This still leaves the center with an excellent ratio of 1,256 jobs/MW.

<u>The Mount Vernon Hospital</u>, Mount Vernon, Westchester County

Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 742 jobs; Phase 4 -- 742 jobs

Background: The Mount Vernon Hospital, part of the Sound Shore Health System, is a not-for-profit company that provides comprehensive in-patient and out-patient services. Mount Vernon Hospital is the only hospital in the city of Mount Vernon and is the second largest employer in Mount Vernon. Of the many important services provided to the community, the hospital has an HIV/AIDS Designation Center and Methadone Maintenance Treatment Program, that it considers highly important. There was a miscalculation of the FTE in the application for the contract. The FTE should be 681 jobs. With this FTE the hospital would meet its commitment. For the past year The Mount Vernon Hospital averaged 624.54 jobs, i.e., 84.17% of its commitment.

Recommendation: Staff recommends that the Trustees reduce The Mount Vernon Hospital's employment commitment from 742 jobs to 681 jobs. This will leave the hospital with an excellent ratio of 1,135 jobs/MW.

Section III.

<u>Allocations to Continue With No Change</u>

<u>Airsep Corporation</u>, Buffalo, Erie County

Allocation: 1200 kW of Power for Jobs Power
Jobs Commitment: 420 jobs

Background: Airsep Corporation ('Airsep'), founded in 1987 designs and manufactures medical equipment primarily in the oxygen generation market. The company also manufactures circuit boards. The circuit board business had a difficult year due to the downturn in the telecommunications industry. For the past year, Airsep averaged 363.92 jobs, i.e., 86.65% of its employment commitment. Airsep expects to be in compliance by the next reporting time, as there are several new products leaving R&D and going into production, which should produce increased employment.

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

<u>AT&T Corporation</u>, White Plains, Westchester County & New York, New York County

Allocation: 3200 kW of Power for Jobs Power
Jobs Commitment: 1511 jobs

Background: AT&T Corporation ('AT&T'), founded in 1885 provides voice, data, video and internet communications through its long-distance and digital wireless network. The company provides outsourcing, consulting and networking integration services to large businesses. The NYC location is a premier switching facility with technical workers. The Westchester facility has both technical and administrative workers. For the past year AT&T averaged 1329.58 jobs, i.e., 87.99% of its employment commitment. AT&T has cut some jobs due to tight competition in the long-distance market. However, more openings are expected in the coming year.

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

Beech-Nut Nutrition Corporation, Canajoharie, Montgomery County

Allocation: 1500 kW of Power for Jobs Power
Jobs Commitment: 406 jobs; Phase 4 -- 406 jobs

Background: Beech-Nut Nutrition Corporation ('Beech-Nut') was founded in 1891 to produce smoked hams and sliced bacon in glass jars. In 1931, Beech-Nut introduced baby food in glass jars, which is its current business at this site. From February 2000 until April 2001, the company was in negotiations to be sold. During that time period business expansion and new hiring were put on hold. For the past year, Beech-Nut averaged 353.33 jobs, i.e., 87.03% of their commitment. In August 2001, eight new products were launched and in September 2001, the company hired 10 new people. Two new product lines are coming in February 2002. The company is in a period of expansion.

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

Bristol-Myers Squibb Company, East Syracuse, Onondaga County

Allocation: 5000 kW of Power for Jobs Power
Jobs Commitment: 916 jobs

Background: Bristol-Myers Squibb Company ('Bristol-Myers') has been located in East Syracuse since 1943. The facility is the home of Bristol's biologic development center, where penicillin and new antibiotics are manufactured. For the past year Bristol-Myers averaged 761.75 jobs, i.e., 83.16% of its commitment. The site is in transition. It is gradually changing over to an anti-cancer and biologics medicine facility. The transition is affected by the approval of new drugs by the FDA. Once the change is complete many more jobs should be created but now in the interim no growth will occur.

Recommendation: Staff recommends that the Trustees take no action at this time. Staff will follow up in six months to see if any improvement in their employment level has been made.

Corning, Inc., Canton, St. Lawrence County

Allocation: 1500 kW of Power for Jobs Power
Jobs Commitment: 272 jobs

Background: Corning, Inc. has been in business since 1868, with the Canton facility in operation for a few decades. The Canton facility falls within the Corning Technologies sector, which develops and maintains Corning's glass and ceramics forming and melting technologies. The plant produces high purity fused silica and microlithograph lenses. For the past year, Corning, Inc. averaged 240.50 jobs, i.e., 88.42% of their commitment. Though the economic downturn has some role in the level of employment, the company's five-year plan for expansion is basically on track. The company forecast's that by the next reporting period, their employment level will be meeting their commitment.

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

D.E.C. Properties, Inc., Alexandria Bay, Jefferson County

Allocation: 215 kW of Power for Jobs Power
Jobs Commitment: 95 jobs

Background: D.E.C. Properties, Inc. purchased Bonnie Castle Resort in 1978. The purpose of the resort is to be a conference and training center. Due to an extraordinary event of delay in the installation of a sewer system, all trade shows, fairs and conferences were cancelled last year. For the past year, D.E.C. Properties, Inc. averaged 58.75 jobs, i.e., 61.84% of their commitment. The sewer should be done in the spring. Since the reporting period D.E.C has hired 10 people with many more coming over the next few months, as all projects have the full go-ahead. D.E.C. anticipates many conferences at the center this year.

Recommendation: Staff recommends that the Trustees take no action at this time. Staff will follow up in six months to see if any improvement in their employment level has been made.

Deck Brothers, Inc., Buffalo, Erie County

Allocation: 179 kW of Power for Jobs Power
Jobs Commitment: 57 jobs; Phase 4 -- 57 jobs

Background: Deck Brothers, Inc. ('Deck') has been in business as a machine shop since 1866. It has the same two owners since 1977. Deck business is custom precision machining. For the past year Deck averaged 42.42 jobs, i.e., 74.42% of their commitment. The company's largest customer, GE sent part of their business overseas, which resulted in a layoff of 13 employees in January 2001. Deck is actively seeking new customers and believes they will be in compliance within a year as they have some excellent prospects for orders in their heat exchanger line as well as GE resourcing some of the business that had been sent overseas last year.

Recommendation: Staff recommends that the Trustees take no action at this time. Staff will follow up in six months to see if any improvement in their employment level has been made.

Hammond & Irving, Inc., Auburn, Cayuga County

Allocation: 450 kW of Power for Jobs Power
Jobs Commitment: 85 jobs; Phase 4 -- 85 jobs

Background: Hammond & Irving, Inc., founded in 1919, manufactures seamless rolled rings and open die forgings for the bearings industry. Hammond experienced a downturn in business in the past year. For the past year, Hammond & Irving averaged 73.50 jobs, i.e., 86.47% of their commitment. The high cost of natural gas has hurt them, as their bill was 65% higher for this reporting period compared with the prior period. The company is doing all it can to keep things stable.

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

International Fiber Corporation, North Tonawanda, Niagara County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 82 jobs; Phase 4 -- 82 jobs

Background: International Fiber Corporation has been in business for over sixty years. The company began by producing fillers for linoleum and bakelite plastic. By the 1970's, the company was focused on producing and supplying powdered cellulose for latex paint and the food industry. Today it continues development of food and industrial applications for powdered cellulose, as well as, produces cotton fiber/denim and sisal fibers. For the past year, International Fiber Corporation averaged 72.83 jobs, i.e., 88.82% of their commitment. The company is less than one position off of its commitment.

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

Jerrico Tools, Inc., Alden, Erie County

Allocation: 20 kW of Power for Jobs Power
Jobs Commitment: 15 jobs; Phase 4 -- 10 jobs

Background: Jerrico Tools, Inc., builds plastic injection molds. Unfortunately, Jerrico Tools has not met the level of employment agreed upon by Jerrico Tools with NYPA for Power for Jobs power. Due to the small job commitment, just having a few workers less than the contractual requirement would render a dramatic showing of non-compliance. For the past year, Jerrico Tools, Inc. averaged 8.58 jobs, i.e., 85.80% of their Phase 4 commitment. Jerrico Tools is less than one job off of its Phase 4 commitment.

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

KMS Plastics LLC, Oneonta, Otsego County

Allocation: 240 kW of Power for Jobs Power and
Jobs Commitment: 48 Jobs, Phase 4 -- 40 Jobs

Background: KMS Plastics LLC, an affiliate of the Audiosears Corporation, manufactures injection molded plastic parts - cell phone equipment. For the past year, KMS Plastics LLC averaged 35.29 jobs, i.e., 88.23% of their Phase 4 commitment. The company has several vacancies open that have not been filled due to lack of skilled labor. KMS is working hard to be efficient in a very tight plastics industry, which has been in a downturn over the past year.

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

Madeleine Chocolates, Rockaway Beach, Queens County

Allocation: 700 kW of Power for Jobs Power
Jobs Commitment: 621 jobs

Background: Madeleine Chocolates has been a family business since 1949. The company manufactures chocolate as per the requests of its customers, in all shapes, forms and quantities. For the past year Madeleine Chocolates averaged 531.17 jobs, i.e., 85.53% of their commitment. The company has been upgrading their equipment and hope that the added efficiencies will enable them to grow the business and add workers.

Recommendation: Staff recommends that the Trustees take no action at this time. Staff will follow up in six months to see if any improvement in their employment level has been made.

Niagara Fiberboard Inc., Lockport, Niagara County

Allocation: 216 kW of Power for Jobs Power
Jobs Commitment: 37 jobs; Phase 4 - 33 Jobs

Background: Niagara Fiberboard Inc. has been in business under its current owner since 1987 but the company dates back to 1910. Niagara manufactures recycled paperboard products for manufactured housing and recreational vehicles, as well as, products for the graphic art market. Niagara Fiberboard's sales are down 15 percent, as the Steel and Manufactured Housing markets are down 35 percent. For the past year, Niagara Fiberboard, Inc. averaged 29.00 jobs, i.e., 87.88% of its original commitment. Niagara is aggressively trying to replace the lost business and has added 27 new accounts. All the while they were able to keep steady employment with no lay-offs.

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

Norwich Aero Products, Inc., Norwich, Chenango County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 115 jobs; Phase 4 -- 115

Background: Norwich Aero Products, Inc. manufactures temperature sensors and accessories for the Aerospace industry. Norwich Aero Products is still affected by the Asian Crisis, which lowered worldwide aviation product sales over the past few years. For the past year, Norwich Aero Products averaged 95.25 jobs, i.e., 82.83% of their commitment. The company has had a steady increase in employment over 2000-2001. Currently, they are at 103 employees with three positions open, which places Norwich at 92.17% of its commitment.

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

Racemark International, LP, Malta, Saratoga County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 281 jobs; Phase 4 - 234 jobs

Background: Racemark International, LP ('Racemark') is a privately held company in business over thirty years. Racemark manufactures auto-mats for automotive manufacturers. Though the company had problems finding skilled labor, they now use a different extruding process that will pay higher wages and is more enticing for skilled labor. For the past year, Racemark International, LP averaged 208.9 jobs, i.e., 89.27% of its Phase 4 commitment. They forecast that they will have no negative impact from the economic downturn and will remain stable.

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

Rich Plan of Utica, Inc., New York Mills, Oneida County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 61 jobs; Phase 4 -- 61 jobs

Background: Rich Plan of Utica, Inc. has been in business since 1953. The company processes meat and packs frozen foods for delivery to homes. For the past year, Rich Plan of Utica, Inc. averaged 48.30 jobs, i.e. 79.18% of their commitment. The company anticipates an improvement in their business, as home delivery of food is up. They have hired four new people since the reporting period, bringing the company to within 2 jobs of their commitment.

Recommendation: Staff recommends that the Trustees take no action at this time. Staff will follow up in six months to see if any improvement in their employment level has been made.

W & H Stampings, Inc., Hauppauge, Suffolk County

Allocation: 275 kW of Power for Jobs power
Jobs Commitment: 32 jobs; Phase 4 -- 32 jobs

Background: W & H Stampings, Inc. ('W&H') is a company whose business is precision metal stamping for such items as fuses and small caliber weapons. W & H anticipates adding one additional employee. For the past year, W & H averaged 28.32 jobs, i.e. 88.49% of its commitment. The company is less than one job off of its employment commitment.

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

White Mop Wringer Company, Fultonville, Montgomery County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 76 jobs

Background: White Mop Wringer Company has been in business since 1890. The company manufactures metal commercial cleaning equipment. The founder had the first known squeeze mop wringer patented. The company is working harder to find a niche, as plastics have become dominant. For the past year, White Mop Wringer Company averaged 63.25 jobs, i.e., 83.22% of their commitment. They will be hiring this year to meet the workload from the new contract to supply a large national cleaning company, as well as to produce a new line of materials.

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

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve reductions in power allocations and/or job commitments for six companies as outlined in this item; and that the Trustees defer action with regard to 18 companies addressed above in this memorandum of the President.

"In addition, it is recommended that the Trustees authorize the Manager – Business Power Allocations and Compliance to provide written notice to those companies whose job commitments are being reduced.

"The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, and the Vice President – Major Accounts Marketing and Economic Development and I concur in the recommendation."

Mr. Yates presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour, Mr. Yates explained that businesses that would have their allocations reduced could not get that power back and could not re-apply if energy is later available under the existing Power For Jobs legislation. Mr. Blabey explained that conditional reductions may be possible under existing allocations.

Following questions by the Acting Chairman and a brief discussion among the Trustees, on motion duly made and seconded, a vote on Section 1 of the memorandum to the Trustees was adjourned to a later date. The Trustees then unanimously approved Section 2 and 3 of the memorandum.

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

RESOLVED, That the Authority hereby approves the reduction of job commitments to three companies; defers action for three months on three companies and defers action with respect to the 18 other companies identified in the report; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance hereby is authorized to provide written notice, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, or his designee, to these companies whose job commitments are being reduced.

February 26, 2002

Exhibit “4-A”

I. ALLOCATIONS AND JOB COMMITMENTS TO BE REDUCED

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (ramp-up in brackets)	Average ‘00-'01 Jobs	Average Annual %	Revised Allocation KW	Revised Jobs
Jacmel Jewelry, Inc.	3/30/99	PFJ	450	600	395.92	65.99	300	420
Johnstown Leather Corp.	2/29/00	PFJ	250	55	34.83	63.33	150	35
TMP Technologies, Inc.	3/31/98	PFJ	280	104	65.75	63.22	250	89

II. JOB COMMITMENTS TO BE REDUCED

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average ‘00-‘01 Jobs	Average Annual %	Revised Jobs
Catholic Medical Center	2/24/99	PFJ	250	1145	823.42	71.91	825
Catholic Medical Center (Bishop Mugavero)	2/24/99	PFJ	250	375	314.67	83.91	315
The Mt. Vernon Hospital	9/28/98	PFJ	600	742	624.54	84.17	681

III. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average ‘00-‘01 Jobs	Average Annual % Achieved
Airsep Corporation	2/29/00	PFJ	1200	420	363.92	86.65
AT&T	9/23/98	PFJ	3200	1511	1329.58	87.99
Beechnut Nutrition Corp.	11/24/98	PFJ	1500	406	353.33	87.03
Bristol-Myers Squibb Company	4/28/98	PFJ	5000	916	761.75	83.16
Corning, Inc.	1/26/00	PFJ	1500	272	240.50	88.42
D.E.C. Properties, Inc.	3/28/00	PFJ	215	95	58.75	61.84
Deck Bros., Inc.	3/31/98	PFJ	179	57	42.42	74.42
Hammond & Irving, Inc.	1/27/98	PFJ	450	85	73.50	86.47
International Fiber Corporation	1/27/98	PFJ	400	82	72.83	88.82
Jerrico Tools, Inc.	3/31/98	PFJ	20	10	8.58	85.80
KMS Plastics LLC	3/31/98	PFJ	240	40	35.29	88.23
Madelaine Chocolates	1/25/00	PFJ	700	621	531.17	85.53
Niagara Fiberboard Inc.	3/31/98	PFJ	216	33	29.00	87.88
Norwich Aero Products, Inc.	3/31/98	PFJ	200	167	95.25	82.83
Racemark International, Inc.	11/24/98	PFJ	250	234	208.90	89.27
Rich Plan of Utica, Inc.	3/31/98	PFJ	200	61	43.30	79.18
W & H Stampings, Inc.	3/31/98	PFJ	275	32	28.32	88.49
White Mop Wringer Company	2/24/99	PFJ	400	76	63.25	83.22

5. Municipal and Rural Cooperative Economic
<u>Development Program Allocation to the City of Plattsburgh</u>

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of power under the Municipal and Rural Cooperative Economic Development Program ('Program') to the City of Plattsburgh ('Plattsburgh').

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of January 30, 2001, 30,150 kW have been allocated.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the Program, an allocation to a Municipal and Rural Cooperative System should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio is considered on a case-by-case basis. For expansions of existing businesses, the target number of jobs per megawatt is the number of new jobs as compared to the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per megawatt; for companies employing between 101 and 250, the target is 50 jobs; for companies employing between 251 and 500, the target is 75 jobs; and for companies employing over 500, the target is 100 jobs for each megawatt allocated.

"Plattsburgh has submitted an application for power under the Program for consideration by the Trustees. The requested allocation is on behalf of Lakeside Container Corporation ('Lakeside'). The load for Lakeside's planned expansion project is entirely new and the allocation does not represent load currently existing elsewhere in New York State.

DISCUSSION

"Lakeside is a family-owned business that was started in 1958. Lakeside manufactures corrugated boxes, pads, and other related corrugated products. The products are sold to small and medium size manufacturers, distributors, printing and service companies located primarily in Northeastern New York State and most of Vermont. Lakeside is constructing a 57,000 square foot building to house manufacturing machinery, warehouse, office space, and necessary support equipment. Investment in the expansion project is approximately $5.3 million. Lakeside currently employs nine people. The expansion will provide for approximately 33 new jobs over the next three years, adding revenue to the local economy. The existing electrical load is approximately 20 kW and is expected to increase to about 500 kW. It is recommended that the Trustees approve an allocation of 500 kW to Lakeside.

"The Municipal Electric Utilities Association Executive Committee supports the recommended allocation to Plattsburgh.

"The recommended allocation under the Program comprises half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational. The hydropower earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawable basis. As a partial-requirements customer, Plattsburgh may purchase the incremental power from the Authority or an alternate supplier.

RECOMMENDATION

"The Senior Vice President – Marketing, Economic Development & Supply Planning recommends that the Trustees approve the allocation of power under the Municipal and Rural Cooperative Economic Development Program to the City of Plattsburgh in accordance with the above memorandum of the President.

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

Mr. Banner presented the highlights of staff's recommendations to the Trustees. Responding to questions from Acting Chairman Ciminelli, Mr. Banner further explained the details of how the proposed allocation would be distributed if approved by the Trustees.

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

RESOLVED, That the allocation of power to the City of Plattsburgh under the Municipal and Rural Cooperative Economic Development Program is hereby approved as set forth in the foregoing report of the President; and be it further

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

6. Amended and Restated 1999 Revolving Credit Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of an Amended and Restated 1999 Revolving Credit Agreement (the 'A&R RCA') which would amend the current 1999 Revolving Credit Agreement (the 'RCA') so as to, among other things: (1) increase the maximum borrowing amount to $850 million from the current $700 million, and (2) convert the RCA from a multi-year facility to a 364-day facility**.**

BACKGROUND

"The RCA with JPMorgan Chase Bank and The Bank of Nova Scotia, as agents, and a syndicate of banks, provides liquidity support for the Authority's Series 1-3 Commercial Paper Notes, certain of its Subordinate Revenue Bonds, and for other purposes. The RCA expires on February 1, 2003.

DISCUSSION

"The Authority anticipates that it will require an additional $150 million in liquidity capability to finance a portion of the Poletti Combined Cycle Project with Series 2 Commercial Paper Notes. Consequently, it is recommended that an A&R RCA be executed which would amend the RCA to: (1) provide for an increase in the borrowing capacity to $850 million; (2) to convert the RCA into a 364-day facility; and (3) to reflect Commerzbank AG leaving the syndicate of banks, with the remaining banks taking up Commerzbank AG's commitment. In addition, under the amendments, the Authority would have the right to request an extension of such period for an additional 364-day period, and the banks would have the discretion to comply with such request. The effective date of the amendments, if approved, would be March 12, 2002.

FISCAL INFORMATION

"Commitment fees for the A&R RCA will remain at the current level of 18 basis points per annum. Administrative and legal costs for the amendments will not exceed $75,000 and will be paid from the Operating Fund.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the execution of the Amended and Restated 1999 Revolving Credit Agreement containing the amendments to the current 1999 Revolving Credit Agreement discussed above.

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

Mr. Brady presented the highlights of staff's recommendations to the Trustees.

After responding to questions from Acting Chairman Ciminelli, Mr. Brady detailed the inter-relationships between the instant recommendation as set forth in the Memorandum from the President and the next Memorandum to the Trustees on today's agenda concerning the Authorization of Increase in Maximum Amount of Series 2 Commercial Paper Notes.

Responding to questions from Acting Chairman Ciminelli, Mr. Collins explained the logistics and necessity of the recommended actions, including the conversion of the revolving credit agreement from a multi-year facility to a 364-day facility. Mr. Collins further explained the necessity of increasing the Authority's liquidity capability.

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

RESOLVED, That the Trustees authorize the execution on behalf of the Authority by the Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, of an Amended and Restated 1999 Revolving Credit Agreement ("A&R RCA") between the Authority and JPMorgan Chase Bank, as Administrative Agent, and The Bank of Nova Scotia, as Documentation Agent, and, with the exception of Commerzbank AG, the banks listed in the 1999 Revolving Credit Agreement, containing the following amendments to the 1999 Revolving Credit Agreement: (1) the maximum commitments of the banks shall be $850 million; (2) the term of the A&R RCA shall be 364 days; and (3) the Authority shall have the right to request a 364-day extension of the A&R RCA, which the banks shall have the discretion to comply with, and containing such additional or revised terms and conditions as the Treasurer may deem necessary or advisable, and to authorize the payment of up to $75,000 in administrative and legal fees in connection with such amendments; and be it further

RESOLVED, That the Senior Vice President and Chief Financial Officer, the Treasurer, and the Deputy Treasurer, are, and each hereby is, authorized to request the 364-day extension discussed above if such officer deems it advisable to do so; and be it further

RESOLVED, That the Acting 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.

7. Authorization of Increase in Maximum
<u>Amount of Series 2 Commercial Paper Notes</u>

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize an increase in the maximum amount of Series 2 Commercial Paper Notes which may be issued by the Authority to $450 million.

DISCUSSION

"The maximum amount of Series 2 Commercial Paper Notes which may now be issued is $300 million. The Authority anticipates that it will require an additional $150 million in Series 2 Commercial Paper Note borrowings to finance a portion of the Poletti Combined Cycle Project. To accommodate these anticipated borrowings, the Trustees are requested to increase the maximum amount of Series 2 Commercial Paper Notes which may be issued to $450 million. The authorization would go into effect upon the execution of an Amended and Restated 1999 Revolving Credit Agreement ('A&R RCA'), which would increase the borrowing capacity of the Authority to provide liquidity support for the increased Series 2 Commercial Paper Notes authorized amount. The A&R RCA is before the Trustees for approval at this meeting.

FISCAL INFORMATION

"It is anticipated that the additional $150 million in Series 2 Commercial Paper Notes borrowings will be refunded in the Fall of this year with long-term fixed rate bonds to be issued by the Authority.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize an increase in the maximum amount of Series 2 Commercial Paper Notes which may be issued by the Authority to $450 million, with such authorization becoming effective upon the execution of the A&R RCA.

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

Mr. Brady presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Acting Chairman Ciminelli and Trustee Carey, Mr. Collins stated that the available rate was the best since 1995.

Responding to questions from Trustee Seymour, Mr. Brady explained that the Authority has received concurrence from its financial advisor as to the prudence of the recommended transaction. Responding to questions from Trustee Carey, Mr. Collins reiterated that the Authority staff continually monitors interest rate costs.

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

RESOLVED, That the Trustees adopt the Supplemental Resolution supplementing the Commercial Paper Note Resolution, attached hereto as Exhibit "7-A", which authorizes an increase in the maximum amount of Series 2 Commercial Paper Notes which may be issued to $450 million, provided, however, that such Supplemental Resolution shall not become effective until the Amended and Restated 1999 Revolving Credit Agreement between the Authority and JP Morgan Chase Bank and The Bank of Nova Scotia, as Administrative and Documentation Agent, respectively, and, with the exception of Commerzbank AG, the banks which are parties to the 1999 Revolving Credit Agreement, has become effective; and be it further

RESOLVED, That the Acting 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 resolution.

February 26, 2002

Exhibit "7-A"

POWER AUTHORITY OF THE STATE OF NEW YORK

FOURTH
SUPPLEMENTAL RESOLUTION

AMENDING AND SUPPLEMENTING A RESOLUTION
OF THE AUTHORITY AUTHORIZING COMMERCIAL
PAPER NOTES ADOPTED NOVEMBER 25, 1997
(as supplemented by supplemental resolutions
adopted February 24, 1998, January 26, 1999 and December 14, 1999)

Adopted on February 26, 2002

February 26, 2002

SUPPLEMENTAL RESOLUTION

WHEREAS, on November 25, 1997, the Power Authority of the State of New York (the "Authority") adopted an Amended and Restated Resolution, and amended and supplemented such resolution on February 24, 1998, January 26, 1999 and December 14, 1999 (as amended and supplemented, the "Resolution");

WHEREAS, the Authority has determined to increase the aggregate principal amount of the Series 2 Notes that may be outstanding under the Resolution at any time;

WHEREAS, pursuant to Section 602 of the Resolution the Authority may amend or modify the Resolution at any time by a supplemental resolution, without notice to or the consent of any Holder, to increase the aggregate principal amount of Commercial Paper Notes that may be outstanding thereunder at any time;

WHEREAS, in order to accomplish the foregoing the Authority has determined to amend the Resolution in the manner herein provided;

BE IT RESOLVED by the Power Authority of the State of New York that the Resolution is hereby amended as follows:

ARTICLE I
DEFINITIONS

1. Section 101. Definitions. (A) Except as provided in paragraph (B) of this Section 101, all terms which are defined in the Resolution, including by cross-reference, or in the General Resolution, shall have the same meanings in this Supplemental Resolution.

(B) In this Supplemental Resolution (herein referred to as the "Supplemental Resolution"), unless a different meaning clearly appears from the context:

(1) "General Resolution" means the Authority's General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented and amended.

(2) "Amended and Restated 1999 Revolving Credit Agreement" means the Amended and Restated 1999 Revolving Credit Agreement, expected to be dated as of March 12, 2002, among the Authority, the banks named therein, JPMorgan Chase Bank, as Administrative Agent, and The Bank of Nova Scotia, as Documentation Agent.

(3) "Series 2 Notes" means the Commercial Paper Notes, Series 2 authorized by Section 301 of the Resolution.

ARTICLE II
AMENDMENTS TO RESOLUTION

Section 201. Section 301 of the Resolution is amended and supplemented so that the sixth sentence of such section reads as follows (deleted material shown as strikethrough; new language in bold):

> Subject to Section 602, the principal amount of all Series 1 Notes outstanding at any time shall not exceed $350,000,000, the principal amount of all Series 2 Notes outstanding at any time shall not exceed $**450,000,000**, the principal amount of all Series 3 Notes outstanding at any time shall not exceed $350,000,000, and the principal amount of all Series 4 Notes outstanding at any time shall not exceed $220,000,000.

ARTICLE III
MISCELLANEOUS

Section 301. Effective Date. This Supplemental Resolution shall be in full force and effect upon (i) its adoption and (ii) the execution and delivery of the Amended and Restated 1999 Revolving Credit Agreement.

8. Authorization to Enter into an Interest Rate Swap Agreement Relating to Adjustable Rate Tender Notes

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize a floating-to-fixed rate interest rate swap agreement with Goldman Sachs & Co. ('Goldman') that would commence in September 2003, relating to up to $171,975,000 in principal amount of the Authority's Adjustable Rate Tender Notes ('ART Notes'), with such swap agreement having a term not to exceed 36 months and a fixed rate to be paid by the Authority of no greater than 3.5%.

BACKGROUND

"Pursuant to a resolution adopted by the Trustees on April 30, 1985, the Authority issued $200 million of ART Notes to pay for a portion of the cost of construction of its Marcy-South Project, of which $180,670,000 in principal amount is currently outstanding. Goldman serves as Remarketing Agent for the ART Notes, which are subject to tender by the holders of such Notes or call by the Authority on any rate reset date. The next rate reset date is September 2, 2003, and, if the proposed swap agreement is approved by the Trustees and goes into effect, the Authority will set a new rate every six months thereafter. Liquidity support for the ART Notes is currently provided in accordance with a revolving credit agreement (the '2001 Revolving Credit Agreement'), dated as of July 24, 2001. The current expiration date for the 2001 Revolving Credit Agreement is September 3, 2003. The ART Notes will mature on March 1, 2007, March 1, 2016, and March 1, 2020.

DISCUSSION

"Staff proposes to enter into a forward-starting floating-to-fixed rate interest rate swap agreement with Goldman in an aggregate notional amount not to exceed $171,975,000 (the amount of ART Notes which will be outstanding on September 2, 2003, after mandatory redemptions of certain of the ART Notes on March 1, 2002 and March 1, 2003) and with a duration not to exceed 36 months, in order to hedge interest rate volatility relating to the ART Notes over the 36-month period.

"Under the proposed agreement, the Authority will pay Goldman during the term of the swap, commencing September 2, 2003, a fixed rate of no greater than 3.5% on the notional amount of the swap. Goldman, in turn, will pay the Authority during each six-month interest rate period, payments based on 66% of the six-month London Interbank Offered Rate ('LIBOR') in effect on the date the new ART Note interest rate is set for the six-month period. The swap agreement would not be executed unless Goldman agrees prior to September 2, 2003 to a fixed rate to be paid by the Authority of 3.5% or less.

"As previously discussed in prior board meetings, there are various risks associated with any swap transaction, including certain specific risks associated with this transaction, which are discussed below.

"Since 1985, the ART Notes rates have averaged approximately 4.20%, which on average during this same period was approximately 66% of the six-month LIBOR rate. Consequently, if this trend continues, the floating payments by Goldman should offset the payments to be made by the Authority to its ART Note holders, resulting in the Authority effectively paying a fixed 3.5% rate on its ART Notes. However, historical performance is not a guaranty of future performance. Consequently, there can be no guaranty that payments by Goldman, based on a percentage of the six-month LIBOR rate, would be sufficient to offset the payments made by the Authority to the ART Note holders.

"Since 1985, one standard deviation of the ratios of the ART Notes rate to 66% of the six-month LIBOR rates has been approximately 30 basis points. This could vary going forward, and the actual rate paid on the ART Notes may in fact be higher than 66% of the six-month LIBOR rate. In such a case, the Authority would in effect be paying the fixed rate of 3.5% plus the difference between the ART Notes rate and 66% of the LIBOR rate. Under the terms of the proposed agreement, the fixed rate would be at least 70 basis points below the average ART Notes rate, and if the Authority had to pay an additional 30 basis points above that, the total of the two would be significantly below the average rate of 4.20%. It should be noted that the last time the ART Notes rate was set at a level above 66% of the LIBOR rate was March 1995 (although between reset dates the market has occasionally exceeded 66% of the LIBOR rate). If the ART Notes rate were less than 66% of the LIBOR rate, the Authority would be paying the fixed rate minus the difference between the ART Notes rate and 66% of the LIBOR rate.

"A second risk is, as is the case with any swap agreement, that there could be a failure by the counterparty. Were that to occur, the Authority would lose the financial benefit of the transaction, but there would be no additional risk. A third risk relates to any change in tax law, whether applicable generally or to the ART Notes uniquely, which would result in the ART Notes rate increasing, resulting in the Goldman payments based on 66% of the LIBOR rate being insufficient to offset the payments made by the Authority to the holders of the ART Notes. In general, the interest rate swaps that the Authority has previously entered into were tied to a tax-exempt index (the BMA index), and therefore the Authority was not taking the risk that a change in tax law could result in a material difference between the received swap rate and the rate on the Authority's outstanding debt being hedged by such a swap. Because the minimum term of an ART Notes interest rate period is six-months, and because a six-month tax-exempt index does not exist, the six-month LIBOR index was selected as the best alternative. Staff considers these risks to be outweighed by the economic advantages to be derived from the proposed swap agreement.

"Staff has been advised that Hawkins, Delafield & Wood, Bond Counsel to the Authority, will deliver an opinion substantially similar to the qualified opinions provided in connection with prior interest rate swaps of the Authority.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize the execution of a forward- starting floating-to-fixed rate interest rate swap agreement with Goldman Sachs & Co. related to the Authority's Adjustable Rate Tender Notes, with a duration not to exceed 36 months commencing September 2, 2003, in a notional amount not to exceed $171,975,000, and with the fixed payment by the Authority of not greater than 3.5%, and with a floating payment to be paid by Goldman based on 66% of the six-month London Interbank Offered Rate rate, as discussed above.

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

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

RESOLVED, That the Acting Chairman, the President and Chief Operating Officer, the Senior Vice President and Chief Financial Officer and the Treasurer be, and each of them hereby is, authorized on behalf of the Authority to enter into a forward-starting floating-to-fixed rate interest rate swap agreement with Goldman Sachs & Co. ("Goldman"), provided that: (1) the notional amount of such agreement shall not exceed $171,975,000; (2) such agreement shall provide for the Authority making payments to Goldman for the term of the swap period based on a fixed rate of 3.5% or less, and for Goldman to make payments to the Authority for each six-month ART Notes interest rate period based on 66% of the six-month LIBOR rate in effect on date the new interest rate is set for the six-month period in question; (3) the term of such agreement shall not exceed 36 months, commencing on September 2, 2003; and (4) such agreement shall have such terms and conditions, not inconsistent with the requirements set forth in clauses (1) – (3) above, as such officer executing such agreement shall deem necessary or advisable, such execution to be conclusive evidence of such approval; and be it further

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

9. 500 MW Combined Cycle Facility - Capital Expenditure Authorization and Authorization to Increase the Contract Amount with General Electric

The Executive Vice President – Power Generation submitted the following report:

SUMMARY

"The Trustees are requested to authorize additional $44,000,000 for the capital expenditures through April 2002, for the licensing, engineering, and procurement for the 500 MW Combined Cycle Plant at the site of the Charles A. Poletti Power Project. This will increase the overall approved value of the Capital Expenditure Authorization Request ('CEAR') for this project from the previously authorized amount of $82.7 million to $126.7 million. The balance of the funding for the Project will be requested after the receipt of Article X Certificate, which is expected by April 30, 2002.

"The Trustees are also requested to approve a $4.5 million increase in the engineering, procurement and delivery contract with General Electric Company ('GE'). This increases the value of the GE contract from the previously approved amount of $ 234,139,000 to $238,639,000. This amount represents the cost of equipment and services being transferred from the General Work Contractor's scope of work to GE's contract in order to expedite equipment delivery to meet project schedule requirements. This transfer of scope of work does not increase the overall cost of the Project.

BACKGROUND

"At their meeting of December 15, 1998, the Trustees approved the initiation of a project to install 500 MW of combined cycle capacity at the site of the Poletti Power Project with the authorization of $ 7.5 million in capital expenditures for the licensing and preliminary engineering services. Subsequently, the Trustees approved additional capital expenditures (listed below) bringing the total authorized amount to $ 78.5 million.

Date	**Purpose**	**Amount Authorized**
October 26, 1999	Funding for 2000 towards GE contract for engineering, design and procurement	$ 23,000,000
December 19, 2000	Funding for 2001 towards GE contract for engineering, design and procurement	$ 36,743,273
March 22, 2001	Funding for construction management services with DMJM Harris	$ 2,000,000
October 30, 2001	Funding for acquisition of emission reduction credits	$ 3,255,000
December 18, 2001	Funding for site preparation contract	$ 6,063,000
	Subtotal	$ 71,061,273

"In addition, a total of $4,146,000 has been allocated to date to the Project for the Authority's direct and indirect expense in accordance with the Budget Guidelines. As of January 31, 2002, the total amount spent on the Project is $80.1 million.

"On August 18, 2000, the Authority submitted to the Siting Board an Application for a Certificate to construct and operate the Project. The Authority submitted supplemental filings on October 9, 2000, January 22, 2001, and April 24, 2001. On April 30, 2001, the Siting Board advised the Authority that its Application was completed. A recommended decision from the presiding judges was issued on December 17, 2001. As of January 22, 2002, the matters were fully briefed and presented to the Siting Board. On January 24, 2002, the Siting Board directed that there be additional hearings on the issue of the Project PM 2.5 impacts. The receipt of the certificate must await the outcome of these hearings and will impact the project schedule.

"The contractor was scheduled to start site work in February 2002, based on the issuance of a final Certificate in February 2002, to support the plant in-service date of May 1, 2004. The contractor cannot start such work due to delays in receiving the final certificate. For each day the certificate receipt is delayed, there will be a day-for-day delay in the in-service date for the new facility. At this time, it is anticipated that the Certificate will be received April 30, 2002. This date corresponds to a new in service date of July 15, 2004.

"Engineering and design activities for the Project are progressing on schedule. All major equipment has been ordered. The gas turbines and steam turbine have been released for fabrication. Equipment deliveries are scheduled to begin in the Fall of this year.

"The site preparation contract was awarded on December 18, 2001. Due to fabrication lead-time, the contractor was authorized only to procure steel piles for equipment foundations.

"A General Work Contract bid package for the balance of the construction work in the 'Power Island' was issued for bid in December 2001. A fuel supply and bulk storage contract bid package was issued for bids on January 29, 2002. The award of both contracts is scheduled for May 2002.

DISCUSSION

"The current total estimated cost of the 500 MW Combined Cycle Power Plant Project is $475 million. To-date, the Trustees have authorized $82,707,000 which includes $4,146,000 for Authority's direct and indirect expenses. The requested additional authorization of $44,000,000 is for legal/licensing, engineering and construction management, procurement, and for the Authority's direct and indirect costs for the first four months of the year 2002. Of the requested authorization amount, $36,000,000 is for scheduled monthly payments to General Electric for the power plant equipment and engineering and design services.

"The Authority had contracted with GE for its standard 500MW Combined Cycle Plant. This did not include certain equipment and engineering and design services. These were to be procured by the Authority through the construction contracts. Authority's recent experience with the In-City Generation Project has shown that it is cost effective to have the engineering and design completed as much as possible before start of construction, rather than having the construction contractor do the detailed engineering and design.

"Large bore, high pressure and high temperature piping system for main steam and reheat steam were originally planned to be procured through General Work Contract. Piping fabrication has a typical lead time of 12 months. The present schedule of award of General Work Contract is May 2002. With this schedule, it will not be possible to get the alloy piping system delivered in early 2003 to support the in-service date. Hence, it is prudent to transfer the scope of this work to GE. The price for the high pressure piping is $3.1 million.

"The remaining $1.4 million requested is for GE to provide detailed engineering, design and materials for miscellaneous auxiliary system, which would otherwise be included in the scope of work by the construction contractors. These systems include freeze protection, cathodic protection, site perimeter lighting, piping supports, and fuel oil tank controls. Initially, the Authority was to supply an auxiliary gas fired boiler to supply steam used during the plant start-up for turbine sealing and removal of air from the condenser. Due to licensing issues and cost, it was decided not to supply an auxiliary steam boiler. Instead, GE was requested to incorporate 'sky vents' in the plant steam system to allow for the steam to be used for turbine sealing and condenser air removal during the plant start up.

"The total cost of the added scope to the GE Contract is $4.5 million

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President - Public and Governmental Affairs, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer, the Vice President - Project Management, the Regional Manager - Southeast NY and the Senior Project Manager, recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees authorize $44,000,000 for the capital expenditures for the licensing, engineering, and procurement of the 500 MW Combined Cycle Plant at the site of the Charles A. Poletti Power Project.

"It is further recommended that the Trustees approve an increase of $4.5 million in the value of the contract with General Electric to cover the cost of additional engineering and procurement associated with the project.

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

Mr. Crouch introduced Mr. Grzan, who presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour, Mr. Blabey explained the necessity of the Authority's retention of outside environmental attorneys for work related to this Project.

Mr. Grzan and Mr. Hoff responded to questions from Acting Chairman Ciminelli concerning this recommended authorization and Mr. Hiney responded to a number of questions from Trustee Seymour concerning reliability issues and the effects of other parties on the 500 MW Combined Cycle Facility.

The following resolution, as recommended by the Executive Vice President – Power Generation, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization procedures adopted by the Authority, capital funding is hereby approved to be committed in the amount of $44,000,000 of the capital expenditures through April 2002 for the 500 MW Combined Cycle Plant at the site of Charles A. Poletti Power Project and for the purposes listed below:

Description	Current Estimate ($000's)	Previously Authorized Amount ($000's)	Current Request ($000's)	Total Authorized Amount ($000's)
Legal/Licensing	$ 10,000	$ 6,855	$ 1,500	$ 8,355
Eng/CM	16,000	5,900	1,500	7,400
Procurement	258,285	59,743	38,000	97,743
Construction	146,600	6,063	0	6,063
Working Capital	12,500	0	0	0
Direct/Indirect	31,615	4,146	3,000	7,146
Total	$475,000	$82,707	$44,000	$126,707

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization procedures adopted by the Authority, an increase of $4,500,000 in the contract with General Electric Company, for the changes described in the foregoing report of the Executive Vice President - Power Generation, is hereby approved resulting in the total value of contract amount of $238,639,000;

Capital	Expenditure Authorization
General Electric Company Contract No. 4500013941	
Current Request	$ 4,500,000
Previous Contract Authorization	234,139,000
TOTAL AMOUNT AUTHORIZED	$238,639,000

10. Lease of Office Space - Clarence D. Rappleyea Building - Danziger & Markhoff, LLP, <u>Beacon Associates, LLC,- The Parker Group, Inc.</u>

The President submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize three separate, but related, lease transactions. The first is a Lease Amendment with an existing tenant, Danziger & Markhoff, LLP (hereinafter 'Danziger'). Danziger currently leases approximately 11,532 square feet on the 9th floor of the Clarence D. Rappleyea Building located in White Plains, New York. This lease amendment would surrender approximately 2,215 square feet of existing premises (hereinafter 'surrender space') and add approximately 2,848 square feet of office space, resulting in a net increase of approximately 633 rentable square feet. Further, this lease amendment would extend the term to the existing tenancy for an additional five-year period over Danziger's current lease to March 31, 2012. The proposed lease extension is to commence upon the substantial completion of the build-out of the additional premises at an average annual fixed rent of $26.75 per square foot plus electricity at an average annual rate of $2.20 per square foot and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically discussed in Exhibit '10-A' attached hereto.

"The second related lease transaction is to lease approximately 1,500 square feet of space contiguous to Danziger's additional space to Beacon Associates LLC (hereinafter 'Beacon'). Beacon is a limited liability corporation which is managed by Beacon Associates Management Corporation (hereinafter 'Management Corporation'). The managing member of the Management Corporation is Joel Danziger, Esq., Harris Markhoff, Esq., and their immediate families. Messrs. Danziger and Markhoff are also the principals of the above-referenced Danziger & Markhoff, LLP. The terms and conditions of this lease transaction will track the terms of the Danziger lease amendment, which terms are specifically set out in Exhibit '10-B' attached hereto. Further, Danziger & Markhoff, LLP will guarantee the obligations of Beacon pursuant to this lease transaction.

"The third related lease transaction is to lease the surrendered space to a firm known as The Parker Group, Inc. (hereinafter 'Parker'). The term of this lease is for a ten-year period to commence upon the substantial completion of the build-out at an average annual fixed rent of $26.75 per square foot plus electricity at an average annual rate of $2.20 per square foot and adjustments to recover increases in the taxes and operating expenses over a base year as more specifically described in Exhibit '10-C' attached hereto.

<u>BACKGROUND</u>

"The Authority acquired the Clarence D. Rappleyea Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. Danziger, one of the Authority's present tenants, had a lease with the Authority's predecessor in title, which the Authority acquired with the acquisition of the building, and has been a tenant in the building continuously since November 1981. Danziger currently leases approximately 11,532 square feet of office space located on the 9th floor. The term of the existing lease runs through March 31, 2007.

<u>DISCUSSION</u>

"Danziger is an established law firm, with a primary focus on pension and estate planning issues. Danziger has requested to surrender approximately 2,215 rentable square feet of existing space and lease from the Authority approximately 2,848 rentable square feet of additional space that is contiguous to Danziger's existing space. The total space to be leased to Danziger after the removal of the surrendered space totals approximately 12,165 rentable square feet. The fixed rent for the additional space would be consistent with the terms of the existing lease until March 31, 2007. Danziger also wishes to extend the term of the lease an additional five years from the substantial completion date of additional space to March 31, 2012. Preliminary negotiations have resulted in basic lease terms as set forth in Exhibit '10-A'.

"Beacon is an investment company which employs trading and investment strategies, both directly and through other investment pools with the objective of providing above-average rates of return while attempting to minimize risk. Beacon has requested the Authority lease to it approximately 1,500 rentable square feet of office space contiguous to the Danziger space located on the 9th floor. Beacon's lease would commence upon the substantial completion date and terminate March 31, 2012. Preliminary negotiations have resulted in basic lease terms as set forth in Exhibit '10-B'.

"Parker is a benefit advisory firm currently located in Harrison, New York. Parker has requested the Authority lease to it the space being surrendered by Danziger consisting of approximately 2,215 rentable square feet of office space located on the 9th floor. The term of the Parker lease would commence upon the substantial completion date to March 31, 2012. Preliminary negotiations have resulted in basic lease terms as set forth in Exhibit '10-C'.

"The Authority's staff has reviewed rent comparables for Westchester County and a review of these comparables and the local market conditions indicate that these transactions compare favorably with other space being offered in downtown White Plains.

<u>FISCAL INFORMATION</u>

"Payment for tenant improvements and architectural and engineering fees as set forth in Exhibits '10-A', '10-B' and '10-C' will be made from the Operating Fund.

<u>RECOMMENDATION</u>

"The Vice President - Procurement and Real Estate, the Director - Real Estate and the Director - Corporate Support Services, recommend that the Trustees approve entering into a lease amendment with Danziger & Markhoff LLP for additional office space and a five year extension in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '10-A' attached hereto.

"The Vice President - Procurement and Real Estate, the Director - Real Estate and the Director - Corporation Support Services, recommend that the Trustees approve entering into a lease with Beacon Associates LLC for office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '10-B' attached hereto.

"The Vice President - Procurement and Real Estate, the Director - Real Estate and the Director - Corporate Support Services, recommend that the Trustees approve entering into a lease with The Parker Group, Inc. for office space in the Clarence D. Rappleyea Building on terms substantially in accordance with the foregoing and with Exhibit '10-C' attached hereto.

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

Mr. Hoff presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Acting Chairman Ciminelli, Mr. Hoff explained the arrangement Danziger has with its subsidiary whereby each party would sign separate leases with the Authority; however, Danziger itself would guarantee the payment of rent for each party.

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

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President - Corporate Support Services, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease amendment for office space in the Clarence D. Rappleyea Building with Danziger & Markhoff, LLP, on substantially the terms set forth in the foregoing report of the President and the attached Exhibit “10-A” and subject to approval of the lease documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President - Corporate Support Services, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease for office space in the Clarence D. Rappleyea Building with Beacon Associates, LLP, on substantially the terms set forth in the foregoing report of the President and the attached Exhibit "10-B" and subject to approval of the lease documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President - Corporate Support Services, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease for office space in the Clarence D. Rappleyea Building with The Parker Group, Inc., on substantially the terms set forth in the foregoing report of the President and the attached Exhibit “10-C” and subject to approval of the lease documents by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the Executive Vice President - Corporate Support Services, the Vice President - Procurement and Real Estate, or the Director - Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing, subject to approval by the Executive Vice President, Secretary and General Counsel or his designee.

February 26, 2002

Exhibit "10-A"

BASIC LEASE TERMS

Authority to Danziger & Markhoff, LLP

PREMISES:	11,532 rsf presently occupied 2,215 rsf to be surrendered 2,848 rsf additional 12,165 rsf total (approximately)
TERM:	Existing lease presently expires March 31, 2007. Additional premises to extend lease an additional five years until March 31, 2012.
ELECTRIC:	To March 31, 2007 consistent with current lease. From April 1, 2007 to March 31, 2009 $2.25/s.f. From April 1, 2009 to lease termination $2.50/s.f.
FIXED ANNUAL RENTAL RATE[1]:	April 1, 2002 to March 31, 2005 $26.00/s.f. or $316,290.00 per annum. April 1, 2005 to March 31, 2007 $26.50/s.f. or $322,372,50 per annum. April 1, 2007 to March 31, 2009 $27.00/s.f. or $328,455.00 per annum. April 1, 2009 to March 31, 2012 $27.50/s.f. or $334,537.50 per annum.
SURRENDER OF SPACE:	Upon substantial completion of additional space.
TERM COMMENCEMENT FOR ADDITIONAL SPACE:	Upon substantial completion of additional space.
RENT COMMENCEMENT:	Upon substantial completion of additional space.
LANDLORD'S CONTRIBUTION TO TENANT'S WORK:	Construction of planned additional space not to exceed $146,000 including architectural and engineering fees. Any costs which exceed landlord's contribution to be paid for by tenant.
ESCALATIONS:	Proportionate share of increases in real estate taxes over a base year of 2002. Proportionate share of increases in operating expenses over a base year of 2002. Note: 12,165 r.s.f. represents 2.90% of the space at 123 Main Street.
OPTION:	Right of first offer for additional space contiguous to the premises.
PARKING:	Parking will be consistent with the existing lease terms.
BROKERAGE COMMISSIONS:	There will be no brokerage commissions associated with this transaction.

[1] Exclusive of electricity.

February 26, 2002

Exhibit "10-B"

BASIC LEASE TERMS

Beacon Associates, LLC

AREA:	1,500 rsf, approximately
TERM:	10 years
ELECTRIC:	April 1, 2002 to March 31, 2007 $2.00/s.f. April 1, 2007 to March 31, 2009 $2.25/s.f. April 1, 2009 to March 31, 2012 $2.50/s.f.
FIXED ANNUAL RENTAL RATE[2]:	April 1, 2002 to March 31, 2005 $26.00/s.f. or $39,000.00 per annum. April 1, 2005 to March 31, 2007 $26.50/s.f. or $39,750.00 per annum. April 1, 2007 to March 31, 2009 $27.00/s.f. or $40,500.00 per annum. April 1, 2009 to March 31, 2012 $27.50/s.f. or $41,250.00 per annum.
TERM COMMENCEMENT:	Upon substantial completion.
RENT COMMENCEMENT:	Upon substantial completion.
LANDLORD'S CONTRIBUTION TO TENANT'S WORK:	Construction of planned additional space not to exceed $77,000 including architectural and engineering fees. Any costs which exceed Landlord's contribution to be paid for by tenant.
ESCALATIONS:	Proportionate share of increases in real estate taxes over a base year of 2002. Proportionate share of increases in operating expenses over a base year of 2002. Note: 1,500 r.s.f. represents 0.36% of the space at 123 Main Street.
BROKERAGE COMMISSION:	There will be no brokerage commissions associated with this transaction.
RENEWAL OPTION:	There will be no renewal option.

2 Exclusive of electricity.

February 26, 2002

Exhibit "10-C"

BASIC LEASE TERMS

The Parker Group, Inc.

AREA:	2,215 rsf, approximately
TERM:	10 years
ELECTRIC:	April 1, 2002 to March 31, 2007 $2.00/s.f. April 1, 2007 to March 31, 2009 $2.25/s.f. April 1, 2009 to March 31, 2012 $2.50/s.f.
FIXED ANNUAL RENTAL RATE[3]:	April 1, 2002 to March 31, 2005 $26.00/s.f. or $57,590 per annum. April 1, 2005 to March 31, 2007 $26.50/s.f. or $58,697.50 per annum. April 1, 2007 to March 31, 2009 $27.00/s.f. or $59,805 per annum. April 1, 2009 to March 31, 2012 $27.50/s.f. or $60,912.50 per annum.
TERM COMMENCEMENT:	Upon substantial completion.
RENT COMMENCEMENT:	Upon substantial completion.
LANDLORD'S CONTRIBUTION TO TENANT'S WORK:	Construction of planned additional space not to exceed $112,000 including architectural and engineering fees. Any costs which exceed Landlord's contribution to be paid for by tenant.
ESCALATIONS:	Proportionate share of increases in real estate taxes over a base year of 2002. Proportionate share of increases in operating expenses over a base year of 2002. Note: 2,215 r.s.f. represents 0.53% of the space at 123 Main Street.
BROKERAGE COMMISSION:	There will be no brokerage commissions associated with this transaction.
RENEWAL OPTION:	There will be no renewal option.
SECURITY DEPOSIT:	Landlord shall require a security deposit equivalent to two (2) months' rent, subject to a satisfactory review of Tenant's financial condition. Landlord will require a thorough review of Tenant's financial statement. Landlord will require a letter of credit in the amount of two years rent.

[3] Exclusive of electricity.

11. Energy Efficiency Improvements – Clarence D. Rappleyea Building

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize capital expenditures of $3.5 million, for the installation of energy efficiency improvements at the Authority's Clarence D. Rappleyea, Office Building ('Rappleyea Building').

BACKGROUND

"Energy conservation is a major corporate objective of the Authority. To date, the Trustees have approved $1.2 billion in program initiatives for Authority customers and for public facilities throughout the state. In June 2001, Governor Pataki signed Executive Order No. 111 which directed all agencies and departments over which the Governor has Executive authority to achieve a reduction in energy consumption in all buildings they own, lease or operate of 35% by 2010 relative to 1990 levels.

DISCUSSION

"In response to the Governor's Executive Order, staff has identified the replacement of the existing chilled water cooling system at the Rappleyea Building as a major contributor in meeting the stated goals.

"The existing chilled water plant is 21 years old and at the end of its useful life; as such the efficiency of these chillers is much lower than current standards for this kind of equipment. Therefore, replacement of the existing chillers will provide significant energy savings. Also, the new chillers will provide for the mitigation of the ozone depleting refrigerant utilized in the existing equipment. The scope of the project includes the replacement of two 460-ton chillers and associated cooling towers, valves, controls, as well as two sets of chilled water and condenser water pumps. In addition, three Liebert AC units in the computer room as well as two other units will be replaced with high efficiency units. The project will reduce the monthly demand by 165 kW and has a total projected annual savings of $191,000. The total installed cost for the cooling systems project is $2.4 million.

"In addition to the air-conditioning measures noted above, measures for the Rappleyea Building would include:

- High efficiency lighting measures including LED exit signs, occupancy sensors, and other power limiting systems;
- Premium efficiency motors for fans and pumps;
- Installation of thermal window film to reduce summer solar heat gain; and
- An Energy Management System to provide digital control of key HVAC equipment to minimize energy use while maintaining comfort levels.

"These measures will cost approximately $1.1 million with associated savings of $122,000 and energy reduction of 66 kW. Total cost of the all headquarters measures is $3.5 million with associated energy and demand reductions of 232 kW and 4,500,000 kWh.

FISCAL INFORMATION

"The proposed capital expenditure of $3.5 million will be paid from the Capital Fund and will produce energy savings of $313,000 annually.

RECOMMENDATION

"The Senior Vice President - Energy Services and Technology and the Director – Energy Services recommend that the Trustees authorize expenditures of up to $3.5 million for the installation of energy efficiency measures at the Authority's Clarence D. Rappleyea, 123 Main Street, White Plains Office Building.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Human Resources, the Senior Vice President and Chief Financial Officer, the Director – Corporate Services, and I concur in the recommendation."

Mr. Esposito presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour and Acting Chairman Ciminelli, Mr. Esposito noted that the incremental payback time on the high energy-efficient elements of the chiller improvements would take less than two years. Mr. Tscherne noted that this was an appropriate time period for payback on this portion of the improvements.

Trustee Carey noted that these proposed measures constitute a sound business decision as they should provide benefits which will last for the duration of the life of the building.

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

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, approval is hereby granted for the expenditure of up to $3.5 million from the capital Fund for the installation of the recommended energy efficient equipment measures at the Authority's Clarence D. Rappleyea, 123 Main Street, White Plains Office Building, as recommended in the foregoing report of the President, in the amount and for the purposes listed below:

Capital	**Expenditure Approval**
Purchase and installation of recommended high efficiency equipment measures	**$3.5 million**

12. Amendment of the Deferred Compensation Plan for Employees of the Power Authority of the State of New York (Section 457 Deferred Compensation Plan)

The President submitted the following report:

SUMMARY

"An amended and restated version of the Section 457 Deferred Compensation Plan ('Plan') must be approved and adopted. The Plan is being amended and restated in order to reflect provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ('EGTRRA') as they apply to Model Deferred Compensation Plan of New York State ('Model Plan') and to adopt modifications that update certain administrative procedural provisions to accommodate prospective state-of-the-art methods and procedures. The Trustees are requested to adopt and approve the attached amended and restated Plan to be effective January 1, 2002, subject to receipt of an acknowledgment from the New York State Deferred Compensation Board.

BACKGROUND

"The Plan has been maintained by the Authority since 1989. It was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax deferred compensation program, although the plan is also available to salaried employees. Indeed the 457 Plan may become more attractive to salaried employees because EGTRRA eliminated the coordination of contributions rule. As a consequence the dollar limitation on contributions to the 457 Plan will no longer be reduced by any contributions made under other deferred compensation vehicles including 401(k) Plans.

"The Authority has maintained the Plan as a model plan in accordance with the procedures of the New York State Deferred Compensation Board and pursuant to that Board's regulations. The changes brought about by EGTTRA generally allow the Model Plan to be more flexible from a participant's perspective by providing for significant increases in the amount they may contribute to the Plan, by permitting greater flexibility with respect to distributions, and by providing for portability between retirement plans. (A summary of the changes to the Model Plan as a result of EGTTRA are listed on an addendum to this item, Exhibit '12-B').

DISCUSSION

"The Plan has been reviewed by staff members of the Human Resources and Law Departments as well as the Plan's Deferred Compensation Committee. They have found that the Plan, as amended and restated and as submitted for approval, complies with all of the rules and requirements imposed by the Internal Revenue Code, the State Finance Law, the regulations of the Deferred Compensation Board and applicable agreements.

FISCAL INFORMATION

"Amending and restating the Plan is a cost neutral action.

RECOMMENDATION

"The Executive Vice - President Corporate Service and Human Resources and the Deferred Compensation Committee for the Plan recommend that the Trustees adopt and approve the attached amended and restated Plan to be effective January 1, 2002, subject to receipt of the acknowledgment specified in the regulations of the Deferred Compensation Board.

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

Mr. Loughran presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour, Mr. Loughran noted that this amendment reflects recent changes to the federal tax law. He also explained that employees could take advantage of both the 457 and 401 (k) plans.

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

RESOLVED, That the provisions of the Deferred Compensation Plan be amended and restated in order to conform with the text of the Model Plan, Exhibit "12-A".

13. Disposal of Surplus Material -
<u>Proposed Revisions to Procedures</u>

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve revisions to the Authority's procedures governing disposal of surplus material to include disposal through the New York State Office of General Services ('OGS') and other applicable state agencies of surplus computers and accessories, and surplus office furniture and office equipment.

BACKGROUND

"At their meeting of November 20, 1972, the Trustees approved procedures governing the disposal of surplus material, as defined above. All such approvals required either the Chairman's or President's approval, based on original prices.

"At their meeting of November 27, 1984, the Trustees approved procedures modifying those of November 20, 1972. This modification essentially delegated some authority to approve sales of surplus materials to the Headquarters' contract administration executives. This was based on whether one bid or more than one bid was received.

"On February 14, 1992, upon direction from the Chairman and the President, Exhibit '13-A', Rev. 1, dated February 14, 1992, was issued to replace Exhibit '7-A' to the Trustees Resolution of November 27, 1984. Pursuant to the Chairman's directive, the February 14, 1992 action and subsequent minor modifications (per memorandum of May 28, 1992) provided specificity to the bid solicitation process and made procedural changes to make the policy governing the disposal of surplus material more efficient. The Chairman also authorized certain changes to emphasize that relatives of Authority employees should not benefit from the sale of surplus material.

"At their meeting of June 27, 1995, the Trustees approved modifications to the procedures including a centralized approach to disposal of surplus material, outsourcing such disposal to a third party, and revised authorization levels for approving such disposals.

DISCUSSION

"The Authority is in the process of replacing older Pentium II and Pentium III computers and accessories (monitors and keyboards) over the next three years with new Pentium IV computers and other accessories being installed. It is expected that approximately 800 computers will be surplused the next three years at Authority operating and headquarters facilities, with 400 monitors and 800 keyboards also surplused. Ordinarily, these items would be sent to an external facility for either recycling or possible re-sale, with the Authority receiving relatively nominal compensation for these surplus materials. Authority staff has also contacted the OGS regarding its program for receiving and distributing surplus Pentium platformed computers and accessories to school districts throughout New York State. In 1996, the New York State Legislature enacted the Computer Recycling for Education and Technology Enhancement ('CREATE') Act allowing the donation of surplus computer equipment through coordination with OGS and the New York State Department of Education ('DOE'). Additional discussions with the DOE (which will receive and distribute the computers throughout the school districts) has resulted in agreement that any such Authority surplus computers and accessories will be disseminated to school districts, to be identified by the Authority, located near Authority facilities. In order to accomplish this objective, interested school districts will need to submit the necessary application to the DOE. Both the Authority and the DOE will contact such school districts to solicit their interest in participation in the Program, which will be of significant benefit to the school districts located near the Authority's operating and headquarters' facilities.

"In addition, OGS also acts as a clearinghouse to receive and distribute surplus office furniture and equipment to other state agencies. In many cases, any surplus furniture which the Authority identifies has nominal value for re-sale, and having the option to ship this material to OGS for possible redeployment to other state agencies represents an enhanced value to the State.

FISCAL INFORMATION

"There will be no financial impact on the Authority.

RECOMMENDATION

"The Vice President – Procurement and Real Estate, the Vice President – Information Technology, and the Director – Corporate Support Services, recommend that the proposed revision to the Authority's procedures governing surplus materials, as set forth in Exhibit '13-A', be approved by the Trustees.

"The Executive Vice President, Secretary and General Counsel, the Executive Vice President – Corporate Services and Human Resources, the Senior Vice President – Business Services, and I concur in the recommendation."

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

RESOLVED, That the revision to the Procedures for the Disposal of Surplus Material be, and hereby are, approved substantially in the form attached hereto, as recommended in the foregoing report of the President.

PROCEDURES FOR THE DISPOSAL
OF SURPLUS MATERIAL

I. Subject

Procedures for the disposal of surplus material owned by the Authority.

II. Scope

These procedures govern the disposal of all surplus material owned by the Authority. For the purposes of these procedures the term "surplus material" means materials, tools or equipment which is not expected to be of any future use to the Authority. These procedures shall not apply to any transactions involving the sale of surplus land or other real property.

III. Purpose

The purpose of these procedures is to identify those Authority personnel responsible for authorizing the disposal of surplus material owned by the Authority and to insure that the Authority receives fair and reasonable value for surplus material that is sold. The transfer or sale of surplus material shall be accounted for in accordance with the Authority's Corporate Accounting Policies No. CAP 4.3 dated 8-1-99, Revision 1, - "Accounting for Materials and Supplies.”

IV. Designation of Property Disposal Coordinators and Disposal Options

A. Each Resident or Regional Manager shall designate an individual from the facility's Finance and Administration group to function as the local Property Disposal Coordinator for his or her facility or location ("Facility PDC").

B. The Vice-President - Procurement and Real Estate shall designate an individual from the White Plains Office's Procurement Division to function as the Property Disposal Coordinator for the White Plains and New York corporate offices ("WPO-PDC").

C. For the purposes of these procedures, disposal options include, but are not limited to sale (direct or through a third-party contractor, or to another utility); return to the original equipment manufacturer or to the source; auctions; barter and consignment arrangements; reclamation of parts; sale as scrap or scrap for salvage; transfer/re-deployment; trade-ins; exchange; or pay for disposal. The Authority's Environmental Division shall be consulted, on a case-by-case basis, regarding disposal of those items that may be potentially considered to be hazardous waste.

D. The Facility PDC shall confer with the WPO-PDC to determine if a "centralized" sale of surplus material, as outlined in Section V, is being planned. If agreed, the Facility PDC shall arrange for shipment to the location of the sale. If no sale is being planned, the Facility PDC shall proceed in accordance with the "decentralized" procedures, as outlined in Section VI.

V. Centralized Coordination and Disposal of Surplus Property Procedures

A. Subject to the approval of the Vice President of Procurement and Real Estate, surplus material may be disposed of using any of the following methods:

(1) Shipment of the material to a third-party contractor(s) who will market the material for sale.

(2) Consolidation of surplus material at one of the Authority's facilities or an offsite warehouse for the purpose of conducting a sale to be managed by Authority staff, possibly with the assistance of an outside contractor.

(3) Participation in auctions at other utility company facilities (e.g., Con Edison, Niagara Mohawk, NYSEG).

NOTE: Approval of all sales by the above-described methods shall be in accordance with the terms and conditions specified in the contracts for such sales. When an outsourcing firm is used, contractual arrangements shall be established with such firms for disposal of surplus material. All such contractual arrangements must be coordinated and approved by the Vice President - Procurement and Real Estate.

B. Prior to conducting a "centralized" sale, pursuant to any of the above-described options, the approval of the President will be required.

Decentralized Coordination and Disposal of Surplus Material Procedures

A. Preliminary Action

(1) The Resident/Regional Manager, Project Manager, or head of a Department or Division requiring disposal of material or equipment which he or she believes to be surplus, shall submit to the appropriate PDC a written description of the material, with the original price (if known), and estimate of the material's fair market value. For the purposes of these procedures, the term "fair market value" means the estimated dollar amount that a willing buyer would pay to a willing seller for the material in an arms-length transaction in the appropriate marketplace. If practical, a photograph of the material or equipment in question should be provided. Such submission shall be made to the PDC designated at the location at which the surplus material is located, the responsible PDC.

(2) The responsible PDC shall make a determination whether or not to notify in writing all Resident/Regional Managers, Finance and Administration Managers and such other Authority personnel as the responsible PDC deems appropriate of the availability of the material or equipment in question. The following shall provide guidelines for making such determinations:

(a) If the material is considered rubbish or unlikely to have use at any other facility, the responsible PDC at his/her discretion, may elect not to notify other PDCs of the material's availability. Facility PDCs shall confer with the WPO-PDC in making such determinations.

(b) If the responsible PDC, in conference with the WPO-PDC, determines that other facilities may have an interest in the material, a notice shall be sent to them advising them of its availability and requesting a response within a specified time frame. A record of the notice shall be maintained by the responsible PDC.

(c) If no response to the notice is received, the responsible PDC shall arrange for the solicitation of bids for the purchase of the surplus material in accordance with the procedures described in Sections (B) and (C) below.

B. Bidding Procedures

(1) The responsible PDC shall cause the solicitation of proposals from at least 5 bidders, where

practicable, for the purchase of the surplus material to be sold, whatever its estimated fair market value, and shall maintain records of his or her solicitations. Telephone notices and/or mailings may be used where the estimated fair market value is equal to or less than $5,000. Appended as Attachment A is a copy of a Notice soliciting bids to be used in all cases where the fair market value of the surplus material is estimated to exceed $5,000. Such notice shall be published in a local periodical or trade journal, which circulates in the area where the surplus material is located, to give notice to potential bidders. All bids must be submitted in writing on the forms and in the manner prescribed by this procedure. Appended as Attachment B is a copy of the Bid Sheet to be utilized in soliciting bids.

(2) All current and former employees of the Power Authority and relatives of such employees or third parties acting on behalf of such employees shall not be eligible to bid for the purchase of surplus material and are prohibited from subsequently acquiring it in any manner. Each bidder will be required as part of his or her bid to certify, by signing Attachment "B", that he or she is not a current or former employee of the Authority, is not related to any current or former employee of the Authority and is not acting on behalf of a current or former employee of the Authority or a relative of any such employee. No bid will be accepted unless accompanied by such certification.

(3) The term "related to" as used in paragraph (2) above means the relationship of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law or son-in-law.

C. Sale of Surplus Material

(1) Following the receipt of bids for the surplus material, the responsible PDC shall evaluate the bids submitted and determine whether the highest of such bids is reasonable, given the estimate of the fair market value of the surplus material.

(2) If the responsible PDC estimates the surplus material's fair market value at over $5,000, such estimate shall be submitted to the WPO-PDC for review. In cases where the WPO-PDC is the responsible PDC, the review shall be conducted by his/her direct supervisor. This review is to be conducted prior to the acceptance of any bid.

(3) If the responsible PDC determines that the highest of such bids is reasonable, the responsible PDC shall recommend to the Responsible Officer(s), as hereinafter defined, that such bid be accepted, and upon the written approval of the Responsible Officer(s) the sale shall be made to the person offering such bid. Appended as Attachment C is a Sales Agreement which must be executed by the responsible PDC and the successful bidder prior to completion of the transaction.

(4) (a) If (i) the responsible PDC determines that the highest of such bids is not reasonable or (ii) the Responsible Officer(s) decline(s) to authorize the sale, the surplus material shall, except as provided in paragraph (b) below, be retained for future disposal in accordance with these procedures. Factors to be considered in determining whether a bid is reasonable include, but are not limited to: adequacy of the estimate, anticipated improved future market conditions, potential for other means of disposal or redeployment, and condition of surplus material.

(b) Notwithstanding any determination by the responsible PDC, the Responsible Officer(s) may direct the sale of the surplus material to the person submitting the highest bid.

(5) For the purposes of these procedures the Responsible Officer(s) shall in each case review the appropriateness of the fair market value. Responsible Officers are designated as follows:

(i) The Trustees, if either the original price or the fair market value of the surplus material is greater than $1,000,000; or

(ii) The President or the Chief Operating Officer, if either the original price or the fair market value of the surplus material is greater than $500,000 but not greater than $1,000,000; or

(iii) The Executive Vice President – Corporate Services & Human Resources, if either the original price or the fair market value of the surplus material is greater than $250,000 but not greater than $500,000; or

(iv) The Vice President - Procurement and Real Estate, if either the original price or the fair market value of the surplus material is greater than $50,000 but not greater than $250,000; or

(v) The Director of Fossil/Gas Turbines Specialty Procurement - WPO, if either the original price or the fair market value of the surplus material is greater than $5,000 but not greater than $50,000;

(vi) In all other cases, the Resident/Regional Manager at the location where the surplus material is located or the Director of Fossil/Gas Turbines Specialty Procurement - WPO.

Other Methods for Disposal of Surplus Material

A. Negotiated Sale to a Single Source

The above-described procedures are not intended to restrict the Authority's facilities from using online industry computer services (such as RAPID) to list surplus material for sale. The approval for disposal in this manner shall be with the Vice President - Procurement and Real Estate.

B. Trade-Ins

This procedure is not intended to restrict the trade-in of equipment (i.e., computer or office equipment), materials, and/or vehicles for replacements from dealers furnishing replacement equipment, materials, and/or vehicles, where reasonable value can be obtained for the trade-in. Any such proposed trade-in must be included as part of the solicitation of bids for the surplus material replacement and the trade-in value must be stated in the proposals from solicited bidders.

C. Disposal through New York State Office of General Services (OGS)

Surplus Computers and Accessories (monitors and keyboards) and surplus office furniture may, with the approval of the President, be transferred to OGS for disposition, in the case of computers and accessories to school districts located near Authority operating and headquarters' facilities, or in the case of office furniture and office equipment, to other state agencies. Disposal of these items in this manner represents the best value to New York State in lieu of attempted re-sale of such materials.

Method of Payment

The proceeds from the sale of surplus material in the form of cash or a certified check made payable to the Authority shall be forwarded to the Treasurer by the Facility PDCs and to the Controller's Office by the WPO-PDC.

NOTICE

The following described surplus equipment, vehicles, and/or material (the "material"), shall be sold "AS IS, WHERE IS" by the New York Power Authority ("the Authority").

1. Sealed bids are invited for the above, which will be available for inspection by inquiry at the (Location/Building)______________ at the ____(Project and Address)___________________ between the hours of ____ a.m. to __ p.m. on __(Date/s)_______. Bids must be submitted on the Authority's bid form, which can be obtained by calling (Telephone no.)____. No bid will be accepted unless it is on such form. Bids shall be accepted on or before p.m. on (Date)___.

2. Current and former employees of the Authority or relatives of such employees or third parties seeking to act on behalf of such employees or relatives shall be ineligible to bid.

3. Successful bidders, on notice from the Authority, shall be required to pay by certified check and shall promptly remove the material from the Authority's property.

4. The Authority reserves the right to reject any and all bids.

BID SHEET

The following material is available for sale "AS IS, WHERE IS" and the Power Authority gives no warranty whatsoever as to its condition.

LUMP SUM BID AMOUNT* $

Subject to all terms and conditions set forth on the reverse hereof, the undersigned offers and agrees to purchase the above described material at the bid amount indicated.

______________________	______________________
Signature	Company Name
______________________	______________________
Name (Printed)	Street Address
______________________	______________________
Date	City, State, Zip Code
______________________	______________________
FAX number	Telephone number

* All sales are subject to New York State Sales Tax and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

SURPLUS MATERIAL SALE
SALE NO. ___________________
NEW YORK POWER AUTHORITY
(ADDRESS OF PROJECT)
Telephone: ( )_________
FAX: ( )_____________

Subject to the terms and conditions stated below, bids will be received on the surplus material, either by mail, fax or hand delivery at the (Location)_________________________________ no later than (Date)_____________.

The material is available for inspection, by appointment, at the (Project)______________________. For an appointment, please contact the Property Disposal Coordinator, (Name)________________________ at (Telephone no.)____________________.

Successful bidders will be required to pay by certified check, on notice from the Authority that the bid has been accepted, and remove the material from the Authority's premises within ten (10) calendar days after receipt of notice of award.

Envelopes containing bids submitted by mail should be marked on the outside to indicate that a bid on Sale No. ____ is enclosed.

Current and former employees of the Power Authority or relatives of such employees or third parties acting on behalf of such employees or relatives are ineligible to bid and are prohibited from subsequently acquiring such surplus material in any manner.

1. **INSPECTION.** Bidders are invited, urged and cautioned to inspect the material being sold prior to submitting a bid. The material will be available for inspection at the time and place specified above. In no case will failure to inspect constitute grounds for the withdrawal of a bid after opening.

2. **CONDITION OF PROPERTY**. All material listed is offered for sale "AS IS, WHERE IS". The Authority does not in any way warrant the fitness of the material for any particular use or its merchantability and disclaims any other representations or warranties, express or implied, including, but not limited to, quality, character, performance or condition of the material or any of its component parts, assemblies, or accessories.

3. **CONSIDERATION OF BIDS.** Bids must be submitted in writing on the form provided by the Authority (see reverse side) and shall be submitted on all items listed. The Authority reserves the right to reject any and all bids, to waive technical defects in bids and to award sale of the items as may be in the best interest of the Authority.

4. **PAYMENT.** The Purchaser agrees to pay for the awarded material in accordance with the prices quoted in his/her bid. Payment of the full purchase price must be made within the time allowed for removal, and prior to the release of any material to the Purchaser.

5. **NEW YORK STATE SALES AND COMPENSATING USE TAX.** All sales will be subject to New York State Sales and Compensating Use Tax unless the Purchaser furnishes the Authority with an exemption certificate.

SURPLUS MATERIAL
<u>SALES AGREEMENT</u>

____, the Buyer, and the Power Authority of the State of New York ("the Authority"), agree as follows:

1) The material identified herein is sold by the Authority and purchased by Buyer "AS IS, WHERE IS" at the price(s) shown, plus any applicable sales tax.

2) **THE AUTHORITY DOES NOT IN ANY WAY WARRANT THE FITNESS OF THE MATERIAL FOR ANY PARTICULAR USE OR ITS MERCHANTABILITY AND DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED INCLUDING, BUT NOT LIMITED TO, THE QUALITY, CHARACTER, PERFORMANCE, OR CONDITION OF THE MATERIAL OR ANY OF ITS COMPONENT PARTS, ASSEMBLIES, OR ACCESSORIES.**

3) The Bidder warrants that he/she/it is not a current or former Authority employee, is not related to an Authority employee and did not bid on behalf of an Authority employee. Bidder is aware that Authority employees and their family members are precluded from subsequently receiving, or acquiring, in whole or in part, by any manner including gift, sale, loan or lease, the equipment and/or materials acquired by the Bidder pursuant to this sale. The term "related to" as used in this paragraph means the relationships of spouse, child, parent, sister, brother, grandparent, grandchild, aunt, uncle, cousin, niece, nephew, stepchild, stepparent, stepsister, stepbrother, mother-in-law, father-in-law, sister-in-law, brother-in-law, daughter-in-law, or son-in-law. The Authority reserves the right to invoke any available legal or equitable remedy in the event of a breach by the Bidder of his or her warranty under this paragraph, including but not limited to, rescinding the sale and recovering the property sold and all costs associated with the sale and the rescission of said sale.

4) The Buyer shall indemnify and hold harmless the Authority and all of its officers, agents and employees from any loss, damage, remedial or response cost, liability or expense, on account of damage or contamination to property and injuries, including death, to all persons, including Buyer's employees, or any third parties, arising or in any manner growing out of the sale of any equipment and/or materials or the performance of any work under this agreement and shall defend at its own expense any suits or other proceedings brought against the Authority and its officers, agents and employees, or any of them, on account thereof, and pay all expenses and satisfy all judgements which may be incurred by or rendered against them or any of them in connection therewith.

5) The Buyer shall remove the material from the Authority's premises by ______________________________ at Buyer's expense. The Buyer shall make payment upon delivery by certified check payable to the New York Power Authority.

Description of Material:

Selling Price: ________________________________

Executed this __________________ day of ________________, 19 ___________.

Buyer (Print or Type):

____

____

____

Seller:

Power Authority of the State of New York

123 Main Street

White Plains, New York 10601

____
Authorized Signature

____
Full Name (Printed)

____
Title

____
Authorized Signature

____
Title

14. New York State 2002 "Keep Cool" Program,
ENERGY STAR® Public Awareness Campaign
and Air Conditioner Replacement Bounty

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President and Chief Operating Officer to enter into an agreement with the New York State Energy Research and Development Authority ('NYSERDA') to support the coordinated 2002 statewide 'Keep Cool' program effort to increase public awareness of the need for energy efficiency, promote the use of energy-efficient ENERGY STAR® products and provide a bounty program to replace old air conditioners with new high efficiency units (Exhibits '14-A' and '14-B').

BACKGROUND

"To address the urgent energy challenges facing New York State in the summer of 2001, Governor Pataki directed state agencies to engage in a variety of initiatives. Among those efforts was a coordinated campaign involving NYSERDA, the New York Power Authority ('NYPA'), and the Long Island Power Authority ('LIPA') in cooperation with the New York State Public Service Commission ('PSC') to promote more prudent use of electricity in New York State with an ENERGY STAR® Awareness campaign and an air conditioner bounty program for the purchase of residential ENERGY STAR® room air conditioning equipment and the return of old, inefficient units.

DISCUSSION

"The focus of the 'Keep Cool' Public Awareness Campaign is the education of consumers on the value of energy-efficiency, providing advice on ways to keep cool during the summer months while controlling energy costs. The public appeal will highlight the need to use power sensibly, coupled with ways to be more energy efficient. The program will employ assorted communications media, including television, radio, newspapers and direct mail. Promotional material will direct consumers to the participating ENERGY STAR® retailer partners, participating state government websites, and a toll-free consumer hotline: 1-877-NYSMART. It is noteworthy that statewide consumer recognition of the ENERGY STAR® label grew from 34% in 1999 to 43% in 2001. Upstate consumer awareness grew to nearly 54% in 2001.

"Under the 'Keep Cool' Air Conditioner Replacement Bounty Program, state residents can receive a $75 bounty when they turn in their old, working room air conditioner and purchase an ENERGY STAR® model. The program ensures that old, inefficient air conditioners are taken out of circulation, recycled and replaced with highly efficient ENERGY STAR® models. In 2001, 42,000 old units were turned in and over 100,000 new units were purchased. NYSERDA estimates that the program resulted in more than 10 MW of energy savings. NYPA participation in the program enabled residential customers of municipal electric systems and rural electric cooperatives to become eligible for the bounty program. Letters were sent from the NYPA Chairman to the superintendents of these systems, urging them to participate in the program. Some 500 bounties on old air conditioners were paid to customers of these systems in 2001.

FISCAL INFORMATION

"In 2001, the Trustees authorized a contribution of up to $2 million for the 'Keep Cool' energy reduction program. NYPA's actual contribution in 2001 was $1.097 million; $1.0 million in public awareness program costs, $39,800 in air conditioner bounty program costs and $57,200 for overall program administration. LIPA contributed $4.3 million in the program (over 13,000 air conditioner bounties were paid to LIPA customers). NYSERDA expended $10 million on the program. In 2002, NYPA is requested to contribute up to $2 million, which would be withdrawn from the NYPA's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology and the Senior Vice President – Public and Governmental Affairs recommend that the Trustees authorize the President and Chief Operating Officer to enter into an agreement with the New York State Energy Research and Development Authority for the purpose of providing New York Power Authority support to New York State's 2002 'Keep Cool' electricity demand reduction program.

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

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

RESOLVED, That the energy challenges facing New York State require renewed public attention to the need for energy efficiency; and be it further

RESOLVED, That Section 1001 of the Power Authority Act states "that it is desirable that the authority give its fullest cooperation to the energy research and development authority in advancing and promoting the development and implementation of new energy technologies…"; and be it further

RESOLVED, That Section 1854(3) of the Public Authorities Law empowers the New York State Energy Research and Development Authority to contract with the New York Power Authority with respect to "the construction and operation of experimental or developmental facilities which implement new energy technologies which have prospects of reducing the economic, environmental and social costs of energy production and utilization."; and be it further

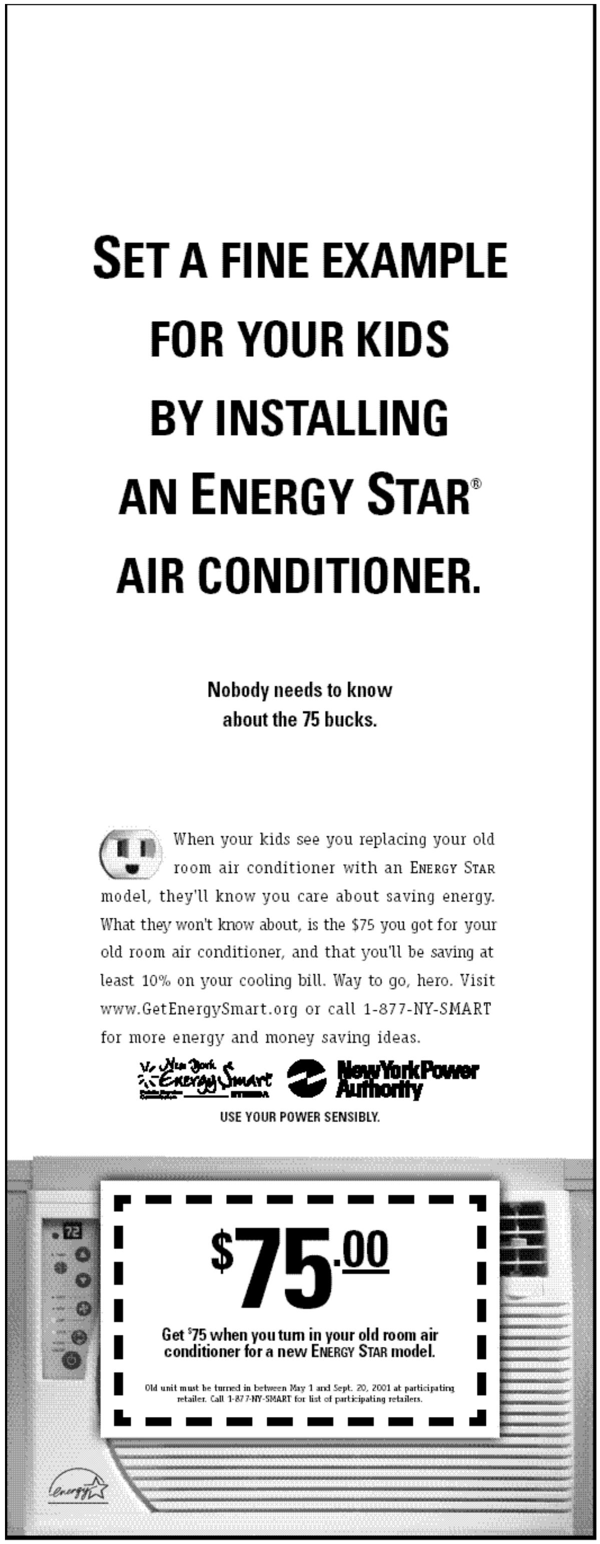
RESOLVED, That such energy technologies as are referred to in the foregoing statutory provisions include advanced high efficiency products promoted under the ENERGY STAR® program; and be it further

RESOLVED, That a coordinated effort directed by the Governor of the State of New York among and between New York State agencies and authorities is a proven effective means to educate consumers to the value of energy efficiency, raise public awareness of the availability of high-efficiency ENERGY STAR® products; and be it further

RESOLVED, That the President and Chief Operating Officer of the Authority be, and hereby is authorized to execute, on behalf of the Authority with the New York State Energy Research and Development Authority, an agreement to provide support by the Authority, including a contribution of up to $2,000,000 for the New York State 2002 "KEEP COOL" Public Awareness campaign and Air Conditioner Bounty program, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Exhibit "14-A"

"KEEP COOL" NEWSPAPER ADVERTISEMENT



February 26, 2002

Exhibit "14-B"

"KEEP COOL" BILLBOARD ADVERTISEMENT

15. Motion to Conduct an Executive Session

Mr. Chairman, I move that the Authority conduct an executive session to discuss the financial history of particular corporations and matters leading to the award of contracts to particular corporations.

16. Motion to Resume Meeting in Open Session

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

17. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday, March 26, 2002** at the **Albany Office at 11:00 a.m.,** unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

18. Closing

Upon motion made and seconded, the meeting was closed at 1:11 P.M.

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

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