

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

January 29, 2002

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1. Minutes of the Regular Meeting held on December 18, 2001 and Minutes of the Special Meeting of January 18, 2002	3	
2. Financial Reports for the Twelve Months Ended December 31, 2001	4	'2-A'
3. Report from the President and Chief Operating Officer	5	
4. St. Lawrence/FDR Power Project – Life Extension and Modernization – Expenditure Authorization and Contract Releases Resolution	6	
5. Convertible Static Compensator Project – Expenditure Authorization - Additional Funding Resolution	10	
6. Procurement Services Contracts – Energy Services Program (ESP) Resolution	13	
7. Ratification and Adoption of Environmental Findings Relating to the Power Now! Project – And Ratification and Adoption of Such Findings Relative to Specific Issues Pertaining to the Vernon Boulevard Site Resolution	16	'7-A'
8. Conditional Transfer of Empire Specialty Steel Inc.'s Expansion Power Allocation to the Dunkirk Acquisition Corporation Resolution	19	
9. Next Meeting	21	
10. Closing	22	

Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 10:00 a.m.

Present: Trustee Frank S. McCullough, Jr., Presiding Officer
Gerard D. DiMarco, Trustee
Timothy S. Carey, Trustee
Joseph J. Seymour, Trustee

Acting Chairman Louis P. Ciminelli, 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
H. Kenneth Haase	Senior Vice President – Transmission
Louise Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Michael A. Petralia	Senior Vice President – Public and Governmental Affairs
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President – Project Management
Charles I. Lipsky	Vice President & Chief Engineer
George Johansen	Inspector General
Dennis T. Eccleston	Chief Information Officer
Carmine J. Clemente	Deputy General Counsel
Peter A. Barden	Executive Director – Hydro Relicensing
Gary Paslow	Executive Director - Policy Development
Angelo S. Esposito	Director – Energy Services
John B. Hamor	Director – Intergovernmental Relations
John L. Murphy	Director – Public Relations
William V. Slade	Director – Environmental Programs
James F. Pasquale	Manager - Business Power Allocations and Compliance
Thomas P. Antenucci	Project Manager
Suresh A. Dave	Project 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

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

1. **Approval of the Minutes**

The minutes of the Regular Meeting held on December 18, 2001 and Minutes of the Special Meeting of January 18, 2002 were approved.

2. **Financial Report for the Twelve Months Ended December 31, 2001**

Mr. Bellis provided the financial report. Mr. Bellis reported that preliminary net revenues for the year 2001 were \$19.6 million, pending final adjustments and the results of the audit by PricewaterhouseCoopers. Responding to a question from Trustee McCullough, Mr. Bellis explained that final figures would be available next month.

Trustee McCullough then inquired about the extent of ISO re-billing charges projected for 2002. Mr. Bellis responded that the Authority expects up to \$20 million of such charges and that staff expects that such charges were cleaned up in the fiscal year just ended by making an accrual for those charges against 2001 income.

Responding to questions from Trustee Seymour, Mr. Bellis opined that 2002 should be a less volatile fiscal year.

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

President Zeltmann introduced Inspector General Johansen who provided an update concerning security issues at Authority facilities.

Mr. Johansen reported on the Authority's close working relationship with the New York State Police and that round-the-clock services are being provided to secure the Authority's key facilities and infrastructure. Mr. Johansen further reported that a contract had recently been awarded to Kroll Associates to evaluate security at NYPA's facilities and that final recommendations were awaited. Mr. Johansen further reported that a main security focus will be to restrict unknown individuals' access and admittance to Authority facilities.

Responding to questions from Trustee DiMarco, President Zeltmann stated that the extra security personnel hired by the Authority would cost approximately \$1.7 million annually, along with the other costs for construction and equipment. Mr. Vesce also responded that the Authority had already begun to examine the possibility of utilizing the federal government's homeland security funds to help defray these expenses.

Responding to a question from Trustee McCullough, Mr. Johansen explained that the Authority was planning to upgrade its security monitoring systems and that, in consultation with Kroll, these advancements may go beyond the internal measures already enacted.

In response to questions from Trustee Carey, Ms. Morman explained that staff was working hard with other interested parties to make available World Trade Center power. Trustee Carey requested that a close relationship be established among the staffs of the Authority, Battery Park City and Port Authority.

4. St. Lawrence/FDR Power Project – Life Extension and Modernization – Expenditure Authorization and Contract Releases

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

SUMMARY

“The Trustees are requested to authorize capital expenditures of \$32.5 million for rehabilitation of three additional units at the St. Lawrence/F. D. Roosevelt Power Project (‘St. Lawrence’) and to increase releases for previously approved contracts to allow manufacturing of the three additional turbine runners and rehabilitation of associated generator rotor poles.

“The Trustees are also requested to increase the release of a previously approved contract to allow for early delivery of six sets of generator exciters as part of the St. Lawrence Life Extension and Modernization (‘LEM’) Program.

BACKGROUND

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

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

“At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost \$254,139,000 to renew the generation assets of St. Lawrence and also authorized capital expenditures of \$2,211,000 to support the engineering effort and to continue refurbishment tasks in progress. This authorization, together with an earlier authorization through the Expenditure Authorization Procedure (‘EAP’), brought the total authorization to \$2,670,000. The Trustees were informed that the LEM program would begin in 1998, and would require about 15 years to complete.

“At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of \$16.2 million for modernization of the first unit. At their meeting of March 27, 2001, an additional \$18.6 million for a second unit was authorized bringing the total current authorization for LEM to \$38.2 million.

“The prototype unit is currently in the final stages of commissioning. Manufacturing of equipment for the second unit is well advanced with components such as the generator circuit breaker and generator exciter already onsite. The outage for rehabilitation of the second unit is planned to begin in March this year.

DISCUSSION

“In order to allow for the orderly prosecution of the LEM Program, it is necessary at this time to commit to additional engineering, manufacturing, and installation services.

Runner Replacement and Turbine Overhaul - Alstom Energy, Inc. (‘Alstom’)

“At their meeting of July 28, 1998, the Trustees approved the award of a \$11.4 million contract to Alstom for replacement of the first eight turbine runners. The contract amount was subsequently increased by \$1 million through the EAP for a total current contract value of \$12.4 million. Of this amount, \$3.9 million has been released to date for the model, prototype and second unit.

“It is now requested that the authorized amount be increased by \$4,120,000 to allow for manufacturing of the next three turbine runners and associated work.

Generator Rotor Pole Modifications - General Electric International, Inc. (‘GE’)

“At their meeting of February 29, 2000, the Trustees approved the award of a \$6.3 million contract to GE for furnishing material and refurbishing 16 generator rotors.

“The contract amount was subsequently increased by \$617,000 through the Expenditure Authorization Procedure for a total contract value of \$6.9 million. Of this amount \$1,540,000 has been released to date for one set of new rotor poles for the prototype and the refurbishment of rotor poles for the second unit.

“It is requested that the authorized amount be increased by \$1,500,000 to allow for refurbishing of rotor poles for three additional units.

Generator Static Excitation Systems - ABB Power Generation, Inc. (‘ABB’)

“At their meeting of January 26, 2000, the Trustees approved the award of a \$5.8 million contract to ABB for the delivery of 16 new Generator Static Excitation Systems. Of this amount, \$1,653,000 has been released to date for four units.

“ABB's bid proposal offered the Authority an option for staged early delivery of the excitation systems over a period of six years versus delivery over the base period of 13 years. This option selected by the Authority, results in savings of approximately \$1.2 million.

“It is requested that the authorized amount be increased by \$1,931,000 to allow for delivery of the next six excitation systems.

Engineering, Construction, Direct, and Indirect Costs

“The Trustees are also requested to approve funding releases for additional engineering, construction, and Authority direct and indirect costs to continue the orderly planning, design, and implementation of the work as follows:

Engineering and Construction Management	\$ 5,650,000
Construction	\$11,035,000
Authority Direct/Indirect	\$ 5,459,000
Station Service and Other Equipment/Materials	\$ 2,810,000

Generation Control System (‘GCS’)

“This authorization request does not include funding for work associated with automation of the next three units. The scope of work for future LEM units has been modified to allow the main work to proceed without automation until schedule and cost issues associated with the GCS are resolved.

“As noted in the Memorandum to the Trustees of March 27, 2001, these issues are related to difficulties encountered by Voith Siemens Hydro (‘VSH’) in implementing the GCS as planned. Negotiations are on going with VSH to attempt to resolve outstanding issues.

FISCAL INFORMATION

“Payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer- Power Generation, the Regional Manager – Northern New York and the Project Manager recommend that the Trustees authorize capital expenditures in the amount of \$32.5 million for rehabilitation of three additional units at the St. Lawrence/FDR Power Project. It is further recommended that the Trustees authorize incremental contract releases to Alstom Energy, Inc., for manufacturing of three additional turbine runners and associated work in the amount of \$4,120,000; to General Electric International, Inc., for rehabilitation of three additional generator rotors and associated work in the amount of \$1,500,000; and to ABB Power Generation, Inc., for early delivery of the next six Generator Excitation Systems in the amount of \$1,931,000.

“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 and I concur in the recommendation.”

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

Responding to questions from Trustee McCullough, Mr. Antenucci explained that the Authority is still within its original budget for this Project and that after two units are refurbished, staff will evaluate costs to determine if budget estimates remain valid.

Mr. Crouch explained that the Authority ordered eight turbines and would need to order eight more.

Responding to questions from Mr Seymour, Mr Antenucci replied that the same group of manufacturers that submitted bids for the first set of turbines would likely submit bids for the second set. It was therefore possible that if Alstom, the manufacturer of the first set of turbines, submitted a successful bid for the second set, Alstom would also manufacture the second set of turbines. Mr. Hiney commented that the Authority will commence bidding on the other eight turbines fairly soon.

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority’s Expenditure Authorization Procedures for the Life Extension and Modernization of the St. Lawrence/FDR Power Project in the amount and for the purposes listed below:

<u>Description</u>	<u>Current Estimate</u>	<u>Previously Authorized Amount</u>	<u>Current Request</u>	<u>New Authorized Totals</u>
Engineering & Construction Management	\$ 34,082,000	\$ 8,126,000	\$ 5,650,000	\$13,776,000
Procurement	\$102,927,000	\$15,975,000	\$10,361,000	\$26,336,000

January 29, 2002

Construction	\$ 93,453,000	\$10,083,000	\$11,035,000	\$21,118,000
Authority Direct/Indirect	<u>\$ 23,677,000</u>	<u>\$ 4,015,000</u>	<u>\$ 5,459,000</u>	<u>\$ 9,474,000</u>
	<u>\$254,139,000</u>	<u>\$38,199,000</u>	<u>\$32,505,000</u>	<u>\$70,704,000</u>

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with Alstom Energy, Inc. to commit funds for three additional turbines and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project, in the amount and for the purposes listed below:

<u>Capital</u> Alstom Energy, Inc. (Contract No. C98 Z0045)	<u>Contract Approval</u>
Current Contract Award Amount	\$12,400,000
Value of Releases Authorized to Date	3,981,000
Current Release Authorization Request	<u>4,120,000</u>
Balance of Contract Not Yet Released	<u>\$4,299,000</u>

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with General Electric International, Inc. to commit funds for rehabilitation of three additional generator rotors and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project in the amount and for the purposes listed below:

<u>Capital</u> General Electric International, Inc. (Contract No. 4500022165)	<u>Contract Approval</u>
Current Contract Amount	\$6,856,000
Value of Releases Authorized to Date	\$1,540,000
Current Release Authorization Request	<u>\$1,500,000</u>
Balance of Contract Not Yet Released	<u>\$3,816,000</u>

AND BE IT FURTHER RESOLVED, That approval is hereby granted under the existing contract with ABB Power Generation, Inc. to commit funds for the manufacturing and delivery of six Generator Excitation Systems and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project in the amount and for the purposes listed below.

<u>Capital</u> ABB Power Generation, Inc. (Contract No. 4600000363)	<u>Contract Approval</u>
Current Contract Amount	\$5,800,000
Value of Releases Authorized to Date	\$1,653,000
Current Release Authorization Request	<u>\$1,931,000</u>
Balance of Contract Not Yet Released	<u>\$2,216,000</u>

5. Convertible Static Compensator Project – Expenditure Authorization - Additional Funding

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize a \$4,500,000 increase in expenditure for the Convertible Static Compensator (‘CSC’) Project. This amount is required to incorporate scope of work changes to provide a 35 kV circuit breaker system, use of an underground cable trench system in place of an overhead system and higher costs of specialized transformers needed for the CSC. This amount will increase the Authority’s commitment for the CSC Project from the previously authorized amount of \$35 million to \$39.5 million.

BACKGROUND

“At their meeting of September 28, 1998, the Trustees approved the commitment of \$35 million for the engineering, procurement and installation of a CSC power device at the Marcy Substation using Flexible AC Transmission System (‘FACTS’) technology. Included in this amount is \$6.5 million for engineering, craft labor and construction management, which will be provided by Authority staff. Additional funding in the order of \$13 million was anticipated from outside sources.

“The Authority teamed up with the Electric Power Research Institute (‘EPRI’) on the CSC Project. The Authority and EPRI jointly issued a Request for Proposal for the development, procurement and installation of the CSC. Siemens Power Transmission & Distribution, Inc., was selected based on the technology proposed, and the lowest cost. EPRI executed a contract with Siemens to provide the associated power electronics technology. The Authority executed a corresponding agreement with EPRI to fund the development and turnkey installation of the CSC Project. The Authority has obtained significant industry support and co-funding for this project including EPRI, Siemens and many utilities throughout the country. The co-funding amount is expected to match the committed amount of \$13,000,000.

“This major transmission system reinforcement includes the CSC, a power-electronics control device, and the related high voltage equipment at the Marcy 345 kV substation as well as conventional 135 MVAR capacitor banks at substations in New York State. In its shunt configuration, it will provide dynamic voltage support at Marcy and Central New York. In its series configuration, the CSC will provide the capability to control power flow. The CSC can be used in both the shunt and series configurations simultaneously for both voltage support and power control. Of particular note is the CSC's capability to control power flow simultaneously on two different lines in the same substation by exchanging power between them and routing power from a heavily-loaded line to an underutilized one. This concept would be an industry ‘first’ and would result in advancing the state-of-the-art FACTS technology to the fourth generation level.

“Once completed, this device is projected to reduce transmission line congestion in Central New York State, increasing the power transfer capability across the critical Utica/Albany transmission corridor known as Central-East (‘C-E’) by up to 120 MW and across the Total East (‘T-E’) interface by up to 240 MW. It would also improve the overall reliability and resiliency of the New York State grid.

DISCUSSION

“The +/- 200 MVA dynamic shunt compensation portion of the CSC in conjunction with a 135 MVAR Capacitor bank at New York State Electric & Gas's Oakdale substation (‘Phase I’) was completed successfully and placed in service in April 2001. It provided increased transmission capacity of 60 MW over the C-E interface corridor, and a total of 114 MW over all transmission corridors to Southeast New York.

“Work is in progress on the addition of the series hardware on the Utica-New Scotland and Utica-Coopers Corners lines plus a capacitor bank at Niagara Mohawk Power Corporation's (‘NMPC’) Edic substation (‘Phase II’).

Phase II work is planned to be completed by the 3rd quarter of 2002, and is expected to provide additional increases in the C-E and T-E transfer limits.

“All major procurement and construction contracts for the Phase II work have been awarded. The project cost estimate was reviewed in detail by the staff, and additional costs are required to complete the work in the Marcy Substation for the CSC project as follows:

- (1) an increase in the scope of work for the Low Voltage Yard (38 kV circuit breakers) to resolve technical concerns during the Marcy area faults;
- (2) design changes for use of underground cable trench system in place of the originally planned overhead bus system;
- (3) increased procurement costs for the 345 kV non-standard shunt phase and series phase transformers;
- (4) higher than estimated foundation costs;
- (5) a reduction in cost as a result of the decision to install only one 200 MVAR capacitor bank at NMPC’s Edic substation rather than the original plan to install two 135 MVAR capacitor banks, one at Edic substation and one at New Scotland substation; and
- (6) associated engineering, direct and indirect charges.

“The Authority’s net cost estimate for the CSC project would increase from \$35,000,000 to \$39,500,000, an increase of \$4,500,000.

FISCAL INFORMATION

“Payment associated with this project will be made from the Capital Fund.

RECOMMENDATION

“The Senior Vice President - Energy Services and Technology, the Senior Vice President – Transmission, the Vice President – Project Management, the Vice President and Chief Engineer, the Director – Research and Technology Development, and the Project Manager recommend that the Trustees authorize additional funding of \$4.5 million for the Convertible Static Compensator Project.

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

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

Following Mr. Dave's presentation, Trustee Carey commended Authority staff on their "amazing" efforts in improving technology in this area.

Responding to questions from Trustee Seymour, Mr. Dave explained that the additional requested funding is for the Authority's portion of the project alone and thus would not be shared by the other partners.

President Zeltmann further responded that, despite low profitability in this field, Siemens remains a committed participant in this project.

Responding to questions from Trustee DiMarco, President Zeltmann explained that this project improves regional transmission, is highly in experimental nature and that no guarantees as to future developments are possible at this time. Trustee Carey commended staff for a job well done on this project.

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the Convertible Static Compensator Project in the amount and for the purposes listed below:

<u>Capital</u>	<u>Previous Expenditure Authorization</u>	<u>Current Expenditure Request</u>	<u>Total Expenditure Authorization</u>
Equipment Procurement and Installation	\$ 28,500,000	\$ 3,450,000	\$31,950,000
Engineering, Craft Labor, Construction Management and Authority Direct/indirect	<u>\$ 6,500,000</u>	<u>\$ 1,050,000</u>	<u>\$ 7,550,000</u>
	<u>\$ 35,000,000</u>	<u>\$ 4,500,000</u>	<u>\$39,500,000</u>

6. Procurement Services Contracts – Energy Services Program (ESP)

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of Procurement Services Contracts to the firms of PB Power, Inc. (‘PB Power’) and Select Energy Services, Inc. (‘Select’) for project management and program implementation services in support of the previously approved Energy Services Program (‘ESP’). The contracts would be for an initial period of three years with options to extend for no more than an additional two years, with the approval of the President. Funding for these contracts, totaling \$100 million is already included in the previously approved ESP so no additional program funding is requested at this time.

BACKGROUND

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

“ESP is an energy efficiency program that provides a turn-key approach to identifying, procuring, and implementing energy saving solutions for participants outside the SENY territory. At their meeting of December 16, 1997 the Trustees approved the consolidation of non-SENY HELP programs into a single program offering named the ESP program.

“As the General Contractor for ESP, the Authority would contract for the installation of ESP measures through the use of Implementation Contractors (‘ICs’). The services provided by the ICs will complement the Authority’s headquarters staff resources in the implementation of ESP. The typical contract scope-of-work will consist of the following:

On-site screening of participant facilities to determine which facilities are likely candidates to realize significant operational cost savings from installing energy efficiency measures;

On-site surveys, energy audits and technical feasibility studies to identify potential applications for energy efficiency measures approved for ESP;

Detailed engineering studies and analysis of specific energy efficiency measures or systems;

Design of proposed systems and/or measures;

Preparation of project proposal documents and solicitation of competitive bids;

Procurement of equipment and installation services;

Construction management and oversight of installation of proposed systems and/or measures;

“The IC for each project is required to work directly with the participant from facility audit to the final acceptance of equipment installation. Procurement of materials and installation of the recommended energy efficiency measures will be competitively bid by the IC. The IC will be required to guarantee the quality of all work performed.

DISCUSSION

“In September 2001, staff requested bids for ICs from five consulting and engineering firms recognized for their experience in providing energy efficiency services. Twenty-one additional bidders were added to the list as a result of the Authority’s announcement in the Contract Reporter.

“Bidders were required to attend a bidders conference on either October 18, 2001, or November 15, 2001, where staff explained the proposed scope of work and provided an opportunity for potential bidders to ask questions and seek clarification. Fifteen firms attended at least one of these conferences.

“On November 30, 2001, nine firms submitted bids. These bids were analyzed and, based on such analysis, staff recommends awarding a contract to Select Energy Services, Inc., and to PB Power, Inc.. The bidders were evaluated by an interdepartmental team consisting of staff members from Procurement and Energy Services and Technology. The evaluation was based on the following criteria: relevant experience of the firm; construction management experience; organization of the project team; qualifications of each team member; familiarity with building and electrical codes; financial capabilities; location of support offices; proposal format; and fee schedule. The results of the evaluations were tabulated in a bid evaluation matrix in which Select and PB Power were scored the highest amongst the bidders.

PB Power, Inc.

“PB Power specializes in the design of mechanical and electrical systems, including energy conservation analysis, design of improved HVAC systems, central chiller and boiler plants, power distribution, plumbing and fire protection/life safety systems. PB Power provides design and implementation services for the Authority in the Southeast New York (‘SENY’) market and has performed very well. It was the lowest cost bidder.

Select Energy Services, Inc.

“Select is a full service energy management company with strong in-house engineering and project management capabilities with New York State offices in Smithtown, Albany, Syracuse, and Buffalo. Select has provided design and engineering services for the Authority in the past under the name of HEC Energy Services. The Authority has been pleased with Select/HEC’s efforts in the past. Select was the second lowest cost bidder.

FISCAL INFORMATION

“At their meeting of September 25, 2001, the Trustees authorized expenditures for implementation services to be paid from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed \$100 million. These costs, together with the cost of advancing funds and Authority program costs, will be recovered directly from participants.

RECOMMENDATION

“The Senior Vice President - Energy Services and Technology and the Director - Energy Services recommend that contracts be awarded, in an amount not to exceed \$100 million in the aggregate, for implementation services in connection with the Energy Services Program, to PB Power, Inc. and Select Energy Services, Inc.

“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 Senior Vice President -Public and Governmental Affairs, and I concur in the recommendation.”

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

Trustee DiMarco inquired whether the Energy Services Program was related to a recent agreement signed with the Rochester City Council; Mr. Tscherne responded affirmatively.

Responding to questions from Trustee Seymour, Mr. Esposito stated that the savings that would be generated would pay for the programs. Responding to questions from Mr. Vesce, Mr. Tscherne explained that under the terms of the contracts, the Authority would get its money back. Trustee McCullough stated that this should be reflected in the resolution.

The resolution was then approved and adopted as amended.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award contracts for a period of three years commencing February 1, 2002, with options for extensions of up to two years, with the approval of the President, to Select Energy Services, Inc., and PB Power, Inc., to provide implementation services in connection with the Energy Services Program, as recommended in the foregoing report of the President, in the amounts and for the purposes listed below:

<u>Energy Service Program Implementation Services</u>	<u>Contract Approval</u>	<u>Projected Closing Date</u>
PB Power Inc.	{\$100M*}	02/01/05
Select Energy Services, Inc.		02/01/05

*- A total of \$100M will be allocated to PB Power and Select. The allocation will be determined as facilities are assigned. The initial award will be \$20M to each contractor.

AND BE IT FURTHER RESOLVED, That the cost of these contracts be recovered, together with all other applicable Authority program costs, directly from program participants.

**7. Ratification and Adoption of Environmental Findings
Relating to the Power Now! Project – And Ratification and Adoption
of Such Findings Relative to Specific Issues Pertaining to the Vernon Boulevard Site**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the attached Resolution adopting the Findings set forth in Attachment A. The Findings are based upon the information gathered and analysis performed as reflected in the Final Environmental Impact Statement (‘FEIS’) for the Power Now! (formerly, the In-City Generation) Project and the Final Supplemental Environmental Impact Statement (‘FSEIS’) examining several areas of environmental concern at 42-20 Vernon Boulevard in Long Island City, Queens (the ‘Vernon Boulevard site’). The proposed action that is the subject of these Findings is the construction and operation of 11 natural gas turbine generators in New York City and Suffolk County, including the construction and operation of two such turbines at the Vernon Boulevard site. The Trustees are also requested to authorize the Director – Environmental Division to sign the findings certification on behalf of the Trustees.

BACKGROUND

“Following the Trustee resolution of August 29, 2000 authorizing the purchase of up to 11 simple-cycle, natural gas GE LM6000 gas turbine (‘GT’) units under the In-City Generation Project, an extensive investigation of sites for placement of the turbines took place. The Director - Environmental Division initiated a coordinated review of the potential environmental impacts of the Project pursuant to the State Environmental Quality Review Act (‘SEQRA’), and the New York Power Authority (the ‘Authority’) was designated Lead Agency for that review. In the fall of 2000, six sites in New York City and one site in Long Island were chosen for installation of 11 GTs. Pursuant to 21 NYCRR Part 461, the Director - Environmental Division determined on November 20, 2000, that the siting, construction and operation of the facilities in Bronx, Kings, Queens, and Suffolk Counties is a Type I action and that, based upon the environmental analysis performed as part of the coordinated review, the Project will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement. At their meeting of November 28, 2000, the Trustees ratified this Negative Declaration. Notices of the issuance of the Negative Declaration were published in the *Environmental Notice Bulletin* on December 6, 2000 and January 3, 2001. At their meeting of December 19, 2000, based upon a similar coordinated review of the Pouch Terminal facility in Staten Island, the Trustees ratified a Negative Declaration for that facility.

“The Authority’s Negative Determination with respect to six of the seven sites was upheld by the Supreme Court but annulled by the Appellate Division on July 23, 2001 in Matter of UPROSE et al. v. New York Power Authority et al., 285 A.D. 2d 603 (2nd Dept. 2001) and was annulled with respect to the Pouch Terminal facility in Staten Island on November 2, 2001 in Concerned Homeowners of Rosebank et al. v. New York Power Authority et al., Index. No. 8164 (Sup. Ct. Richmond Cty. 2001). In UPROSE and in Rosebank, the courts directed the Authority to issue a positive declaration and prepare an EIS. In Silvercup Studios, Inc., et al. v. New York Power Authority, 285 A.D. 2d 598 (2nd Dept. 2001), the Appellate Division affirmed, in part, the lower court’s determination that hazardous materials, historical and archaeological resources, visual resources and neighborhood character relating to the Vernon Boulevard site should be examined in an EIS.

“The Director - Environmental Division prepared a Positive Declaration for the In-City Generation Project pursuant to the orders of the Appellate Division and the Supreme Court, Richmond County and caused to be prepared, consistent with the orders of the courts, a Draft Environmental Impact Statement (‘DEIS’) on the Power Now! Project and a Draft Supplemental Environmental Impact Statement (‘DSEIS’) related to issues at the Vernon Boulevard site. At their November 27, 2001 meeting, the Trustees adopted a resolution ratifying, approving and adopting the Positive Declaration, the DEIS and the DSEIS.

“A written comment period on the DEIS and the DSEIS was extended through December 31, 2001. Pursuant to a determination by the Director – Environmental Division, a public hearing on the DEIS took place on December 19, 2001 in Brooklyn and a similar hearing on the DSEIS took place December 20, 2001 in Queens in

order to obtain additional public comment. Both of these hearings were noticed in the *Environmental Notice Bulletin* and in a local newspaper. In addition, public comment meetings advertised in local newspapers were held in the Bronx and Staten Island on December 19, 2001, and December 20, 2001, respectively.

“In total, 72 people testified at the public hearings and comment meetings, and 55 parties submitted written comments. Based on the comments received, the Director – Environmental Division caused to be prepared a FEIS and a FSEIS, and after careful review of the documents by the Law Department, the Licensing Division and the Environmental Division, the Director – Environmental Division published a notice of the completion of these documents in the *Environmental Notice Bulletin* on January 16, 2002. Copies of the FEIS and the FSEIS were circulated to the public and to involved agencies in the same manner as the draft documents, in accordance with SEQRA requirements. At their meeting of January 18, 2002, the Trustees ratified, approved and adopted the completed FEIS and FSEIS.

DISCUSSION

“The Authority’s implementing regulations for the State Environmental Quality Review Act (‘SEQRA’) are found at 21 NYCRR Part 461, and the Findings for the Power Now! Project as a whole, and the Vernon Boulevard site specifically (Attachment A), have been prepared pursuant to 21 NYCRR § 461.13. Section 461.13 requires that before the Trustees reach a final decision on actions that were the subject of an Environmental Impact Statement (‘EIS’), they must: (1) consider the FEIS and, in this case, the FSEIS; (2) make the Findings specified in Attachment A; (3) prepare a written statement describing the basis for their Findings; and (4) when the actions will be located in the Coastal Zone, assure that the action is consistent to the maximum extent practicable with applicable policies in the New York State Coastal Zone Program and any Local Waterfront Revitalization program in the area.

“The Findings contained in Attachment A are based upon the evaluation of the actions as reflected in the FEIS and the FSEIS. The following facts and conclusions from these two documents support the Findings.

“The Authority analyzed the potential impacts of the proposed action on land use, zoning, and neighborhood character; community facilities; historic and cultural resources; visual resources; natural resources (i.e., significant wildlife and wetlands habitats); hazardous materials; infrastructure (i.e., water demand, sanitary, solid waste, and energy); traffic; air quality; noise; construction; and cumulative impacts as part of its Environmental Assessment process in November and December 2000. As directed by the Appellate Division of the New York Supreme Court, the FEIS focused on the potential air quality and public health impacts from the Project’s emissions of particulate matter 2.5 microns or less in diameter (PM_{2.5}) and incorporated by reference the analyses of other areas of environmental concern as set forth in the November, 2000 and December, 2000 Environmental Assessments attached as Exhibits 1 and 2, respectively, to the FEIS. In all areas of environmental concern, including PM_{2.5} air quality and the matters discussed in such Environmental Assessments, the Project will result in no significant adverse environmental impacts.

“Although not required to mitigate Project impacts, the Authority has also prepared and funded an emissions reduction program in the communities where the In-City Generation Project turbines are located. This emissions reduction program includes the installation of diesel particulate filters on school buses, the installation of fuel cells at water pollution control plants, the replacement of standard gas and diesel-fired vehicles with electric vehicles and the replacement of the old boiler with a more emission-efficient boiler at P.S. 13 on Staten Island. This emissions reduction efforts will result in improved air quality in the communities in which they are located, and reduced total emissions throughout the City of New York.

“As directed by the Appellate Division, the Authority also took a further ‘hard look’ at potential environmental impacts of the Vernon Boulevard facility including historic and archeological resources, hazardous materials, visual resources, and neighborhood character. The FSEIS included a careful analysis of the conditions associated with the site prior to construction, and the future condition of the site with and without the facility on this site and also incorporated by reference the November 2000, Environmental Assessment’s discussion of the Vernon Boulevard site. The overall conclusion of the analysis is that the construction and operation of two turbines at the Vernon Boulevard site did not constitute a significant adverse environmental impact.

“Overall, the extensive impact review undertaken by the Authority reasonably concludes that the proposed action will not have any significant adverse effect on the environment.

FISCAL INFORMATION

“Adoption of the Findings will have no additional fiscal impact on the Authority.

RECOMMENDATION

“The Vice President - Project Management, the Director - Environmental Division, and the Project Manager, recommend that the Trustees approve the Resolution adopting the Findings in Attachment 7-A, and approve the actions adopted in these Findings, consistent with the foregoing report and the attached resolution.

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

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

Responding to questions from Trustee Seymour, Mr. Slade stated that adoption of the environmental findings would have no additional financial impact on the Authority.

At this time, Trustee McCullough, along with Mr. Blabey, once again thanked Mr. Slade and the rest of Authority staff, Mr. Kass and the attorneys at Carter, Ledyard & Milburn as well as the staff of Allee, King, Rosen & Fleming for their hard work on this project under difficult time constraints.

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

RESOLVED, That the Trustees hereby adopt the Findings set forth in Attachment 7-A on the basis of the Final Environmental Impact Statement (“FEIS”) prepared for the Power Now! (formerly, the In-City Generation) Project and the Final Supplemental Environmental Impact Statement (“FSEIS”) for the Vernon Boulevard site included in such Project; and be it further

RESOLVED, That the Trustees ratify and approve the Power Now! Project, the proposed action referred to in the Findings set forth in Attachment 7-A, which was the subject of the FEIS and the FSEIS referred to above; and be it further

RESOLVED, That the Director – Environmental Division is directed to sign, in the name of the Trustees, the Certification of Findings associated with the Power Now! Project and the Vernon Boulevard site and cause such Certification to be distributed as may be required by law.

**8. Conditional Transfer of Empire Specialty Steel Inc.'s
Expansion Power Allocation to the Dunkirk Acquisition Corporation**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the conditional transfer of two Expansion Power allocations of, 2,800 kW and 4,000 kW, from Empire Specialty Steel, Inc. (‘Empire Steel’) to the Dunkirk Acquisition Corporation (‘Dunkirk Acquisition’), a wholly-owned subsidiary of Universal Stainless & Alloy Products, Inc. (‘Universal Steel’). As part of the transfer, Dunkirk Acquisition will commit to achieving an employment level in excess of 250 jobs, within three years, at its facility in Dunkirk, N.Y., as an element of the company's five-year business plan, which includes a \$10 million capital investment program. The program is expected to begin in the second quarter of 2002.

BACKGROUND

“Empire Steel was formerly known as Al Tech Specialty Steel Corporation, which filed for bankruptcy in 1997. The company was renamed when it emerged from bankruptcy in November 1999; however, since then, Empire Steel's viability has been challenged by the continued rising costs of energy; an unprecedented level of foreign competition; and a prolonged recession in the metals industry. As a result, Empire Steel officially suspended operations at its Dunkirk facility on June 29, 2001 and the assets of the facility are currently in foreclosure proceedings.

“Dunkirk Acquisition, the proposed new owner of the Dunkirk facility, has announced it intends to purchase the facility's assets and has indicated that both Authority allocations of 2,800 kW and 4,000 kW need to be transferred to the Dunkirk facility in order for the acquisition to be successful. The allocations represent a total combined commitment of 400 jobs.

“In accordance with Paragraph 21 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, Niagara Mohawk Power Corporation and Empire Specialty Steel, Inc. and with Section 460.7 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460(1988)), no voluntary transfer of Expansion Power may be made without the written approval of the Authority.

DISCUSSION

“Dunkirk Acquisition has reached an agreement in principle to purchase all of the assets of Empire Steel and is committed to restoring the full range of operations at the Dunkirk facility. As a result, the facility will once again be one of the largest and highest paying employers in Chautauqua County. However, to operate the facility successfully, the new ownership will operate with fewer employees than in the past and will reduce its costs of production wherever possible. Dunkirk Acquisition has stated that the employment level will be established at 100 initially and increase to an amount in excess of 250, with the planned growth associated with a \$10 million capital expenditure program throughout the five-years of the business growth plan. This transfer is strongly supported by the Empire State Development Corporation, the Chautauqua County Industrial Development Agency, and the United Steelworkers of America.

“It is recommended that the approval of the Trustees should be subject to and contingent upon completion of the purchase transaction, business growth plan, and job commitments as indicated above. Specifically, it is also recommended that should the load requirement not materialize as planned within 36 months from the date the Trustees approve the allocation, any amount of transferred power that has not been scheduled for delivery within such period will become subject to immediate withdrawal by the Authority.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of two allocations of Expansion Power totaling 6,800 kW from Empire Specialty Steel, Inc. to Dunkirk Acquisition Corporation, subject to the conditions indicated above.

“The Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Marketing Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development, and I concur with the recommendation.”

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

Responding to questions from Trustee McCullough, Mr. Pasquale explained the process in place for monitoring and reviewing Dunkirk's compliance with its job commitments.

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

RESOLVED, That the transfer of Empire Specialty Steel Inc.'s Expansion Power allocations of 2,800 kW and 4,000 kW, for a total transfer of 6,800 kW, to the Dunkirk Acquisition Corporation be, and hereby is, approved subject to such conditions as are set forth in the foregoing report of the President; and be it further

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

9. Next Meeting

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

10. **Closing**

Upon motion made and seconded, the meeting was closed at 10:45 A.M.

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

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