

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

March 26, 2002

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 11:05 a.m.

Present: Louis P. Ciminelli, Acting Chairman
Frank S. McCullough, Jr, Trustee
Timothy S. Carey, Trustee
Joseph J. Seymour, Trustee

Trustee Gerard D. DiMarco 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	Senior Vice President – Public and Governmental Affairs
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
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Robert J. Deasy	Vice President – Energy Resource Management
Charles I. Lipsky	Vice President - Chief Engineer
Anne Wagner-Findeisen	Vice President - Ethics & Regulatory Compliance and Deputy Corporate Secretary
James H. Yates	Vice President – Major Account Marketing & Economic Development
Gary Paslow	Executive Director - Policy Development
Gerard V. Loughran	Assistant General Counsel – Human Resources and Labor Relations
Michael Brady	Deputy Treasurer
Arthur M. Brennan	Director – Internal Audit
William Broderick	Director – Civil/Structural Engineering
Thomas J. Concadoro	Director - Accounting
Peter F. Daly	Director – Product Support
Angelo S. Esposito	Director – Energy Services
John J. Hahn	Director – Security
John L. Murphy	Director – Public Relations
Paul F. Finnegan	Legislative Liaison
Helen L. Eisenfeld	Manager – Cost Control
Dayton Richardson	Human Resources – Security Manager
Connie Cullen	Senior Information Specialist
John Grzan	Senior Project Manager
Brian C. McElroy	Senior Investment Analyst
Thomas P. Antenucci	Project Manager
Ronald W. Ciamaga	Regional Manager – Western New York
Randy D. Crissman	Regional Manager – Northern New York
Richard E. Kuntz	Regional Manager – South Eastern New York
James J. McCarthy	Regional Manager – Central New York
Lawrence E. Gomez	Facility Manager

Wayne Gowen	LAN Administrator
MaryJean Frank	Office Manager – Law Department
Bonnie Fahey	Executive Administrative Assistant
Angela D. Graves	Assistant Secretary – Legal Affairs
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs

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 February 26, 2002 were unanimously adopted.

2. **Financial Reports for the Two Months Ending February 28, 2002**

Mr. Urbach provided the final Financial Report for the two months ending February 28, 2002.

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

At President Zeltmann's request, Mr. Hahn reported on certain security matters. Mr. Hahn reported that the Authority has increased its security staff and has been working in conjunction with the New York State Police and the New York State Office of Public Security.

Mr. Hahn also reported that one element of the measures taken is the establishment and implementation of a uniform badge access system for employees at all NYPA facilities.

4. 2001 Annual Report on Investment of Authority Funds

The President submitted the following report:

SUMMARY

“The Trustees are requested to review and approve the attached 2001 Annual Report on Investment of Authority Funds (Exhibit ‘4-A’).

BACKGROUND

“Section 2925 of the Public Authorities Law requires the review and approval of an annual report on investments. Pursuant to the statute, the attached report includes Investment Guidelines that set standards for the management and control of the Authority's investments, a summary of the Guidelines, the total investment income earned in 2001, a statement on fees paid for investment services, the results of an independent audit, a detailed inventory report for each of the Authority's six portfolios at December 31, 2001, and a summary of purchases from dealers and banks. The approved annual report is filed with the State Division of Budget, with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee. The report is also available to the public upon reasonable request therefore.

DISCUSSION

“In 2001, the Authority's investment portfolios, exclusive of the Nuclear Decommissioning Trust Fund, averaged \$661 million and earned \$36 million. This is \$4 million less than in 2000. The decline in investment earnings is due to a decrease in the average size of the portfolio, accounts restricted to investments in tax-exempt securities and substantially lower re-investment rates from 2000 levels. Income for the year from the Authority's portfolios had an average yield of 5.53%, exceeding the Authority's established performance measure by four basis points (4/100 of one percent). The performance benchmark is the three-year rolling average yield on the two-year Treasury note plus 15 basis points.

“At December 31, 2001, the portfolio consisted of 36% in direct obligations of the U.S. Government; 47% in Agencies of the U.S. Government; 4% in Certificates of Deposits and Repurchase Agreements and 13% in Municipal Bonds.

“The Authority's Nuclear Decommissioning Trust Fund (the ‘Trust’) account paid \$864,514 in fees to The Bank of New York, Blackrock and Tattersall Advisory Group for investment management services. The managers are paid a percentage of the funds managed, and in 2001, fees represented approximately 13 basis points. At year-end, the Trust's market value was approximately \$689 million. The Nuclear Regulatory Commission (‘NRC’) mandates that decommissioning reserves meeting certain minimum requirements be segregated from the Authority's other assets and be beyond the day-to-day administrative control of the Authority to afford protection from the claims of creditors in the event of bankruptcy. To comply with this mandate, the Trustees approved a Master Decommissioning Trust at their meeting of June 26, 1990. The Trust allows for investments in a broad range of high quality government and corporate fixed income securities. In March 1997, the Board of Trustees authorized the investment of up to 25% of the portfolio in equity index funds that track the Standard & Poors’ (‘S&P’) 500 Index including up to 5% of the equity portfolio in S&P 500 Index futures. The Master Decommissioning Trust was amended on November 21, 2000 upon the closing of the sale of the Indian Point 3 and James A. FitzPatrick Nuclear Power Plants to Entergy. This amendment increased to 35% the percentage of the portfolio which may be invested in equity index funds. Recognizing the greater flexibility for investment types and duration, the Trust's fixed income performance is measured against the Lehman Bond Index, while the Trust's equity performance is measured against the S&P 500.

“In 2001, the Trust experienced a composite rate of return of 3.49%. The fixed income portion of the Trust experienced a net return of 8.99%, compared to 8.44% for the Lehman Bond Index. Since its inception in August 1990, the fixed income portion of the Trust's annualized total return has been 8.82% and has outperformed the benchmark by 52 basis points. The Trust is currently yielding approximately 5.64%. The return on the equity

portion of the Trust's performance for 2001 was negative 11.83% as compared to a negative 11.89% for the S&P 500 Index. At the end of 2001, approximately 27% of the Trust's book value was invested in equity index funds. The management of these funds is competitively bid on a regular basis.

"In connection with its examination of the Authority's financial statements, PriceWaterhouseCoopers, L.L.P. performed tests of the Authority's compliance with certain provisions of the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Its report, a copy of which is attached as Exhibit '4-B', states that the results of such examination disclosed no instances where the Authority was not in compliance with these Guidelines.

"The Investment Guidelines and procedures have not been amended since last presented and approved by the Trustees at their meeting of March 27, 2001.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the attached 2001 Annual Report on Investment of Authority Funds.

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

Mr. Brady presented the highlights of the 2001 investment report to the Trustees.

Responding to questions from Acting Chairman Ciminelli, Mr. Brady discussed the relationship between the current yield of the Nuclear Decommissioning Trust Fund of 5.64% and its established benchmarks: the benchmark is currently at approximately 5.3%, while, since 1990, the overall annualized yield of the Trust has been around 8.8%.

Mr. Brady also explained that the Authority uses fund management services provided by Blackrock and Tattersall Advisory Group.

Responding to further questions from Acting Chairman Ciminelli, Mr. Blabey added that, under the Authority's agreement with Entergy, the Decommissioning Trust Fund is managed according to certain criteria specified by Entergy in view of the fact that liability for decommissioning the plants ultimately rests with Entergy rather than the Authority.

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

RESOLVED, That the 2001 Annual Report on Investment of Authority Funds be, and hereby is, approved.

March 26, 2002

Exhibit "4-A"
March 26, 2002

**2001 Annual Report on
Investment of Authority Funds**

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Section I

New York Power Authority Guidelines for the Investment of Funds

I. General

These Guidelines for the Investment of Funds (the "Guidelines") are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations, adopted February 24, 1998 (the "Resolution"), the lien and pledge of which covers all accounts and funds of the Authority and which govern the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

II. Responsibility for Investments

The Treasurer and Deputy Treasurer have the responsibility for the investment of Authority funds under the general supervision of the Senior Vice President and Chief Financial Officer. The Treasurer shall ensure that an operating manual is maintained that provides a detailed description of procedures for maintaining records of investment transactions and related information.

III. Investment Goals

The Treasurer and Deputy Treasurer are responsible for maximizing the yield on investments consistent with requirements for safety, minimization of risk and liquidity. Monies will not be invested for terms in excess of the projected use of funds.

IV. Authorized Investments

A. Monies in funds established pursuant to the Resolution shall be invested in Authorized Investments or Authorized Certificates of Deposit, defined as follows:

“Authorized Investments” shall mean:

1. Direct obligations of or obligations guaranteed by the United States of America or the State of New York;
2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks,

Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, or any other agency controlled by or supervised by and acting as an instrumentality of the United States government;

3. Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in any of the three highest long-term Rating Categories, as such term is defined in the Resolution, or the highest short-term Rating Category by a Rating Agency, as such term is defined in the Resolution.
4. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract with the United States of America; or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; provided that such Bonds or Notes are guaranteed by the United States of America.

“Authorized Certificate of Deposit” shall mean a certificate of deposit authorized by the Resolution as an “Authorized Investment.”

B. The Authority, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under the Internal Revenue Code. In no event will Authority funds be invested in a manner that will violate the provisions of such arbitrage regulations.

V. Provisions Relating to Qualifications of Dealers and Banks

- A.1. The purchase and/or sale of Authorized Investments shall be transacted only through banks, trust companies or national banking associations (herein collectively termed "Banks") which are members of the Federal Reserve System and government security dealers (herein termed "Dealers"), which are Banks and Dealers reporting to, trading with, and recognized as primary dealers by the Federal Reserve Bank of New York. Banks and Dealers shall have demonstrated an ability to:
 - a) offer superior rates or prices on the types and amounts of securities required;

- b) provide a high degree of attention to the Authority's investment objectives; and
 - c) execute trades in a timely and accurate manner.
- A.2. Authorized Investments may also be purchased or sold through minority and women owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- A.3.A. Municipal securities qualifying as Authorized Investments may also be purchased or sold through any municipal bond dealer registered in the State of New York who demonstrates the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- B. Authorized Certificates of Deposit and time deposits ("Time Deposits") shall be purchased directly from Banks which:
 - (1) are members of the Federal Reserve System transacting business in the State of New York;
 - (2) have capital and surplus aggregating at least \$50,000,000; and
 - (3) demonstrate all the qualities detailed in clauses (a), (b) and (c) of Section V.A.1.
- C. Authorized Investments purchased by the Authority or collateral securing its investments shall be deposited only with custodians designated by the Authority. Such custodians shall be Banks which are members of the Federal Reserve System transacting business in the State of New York.
- D. The Authority shall file with each qualified dealer a letter agreement that designates the (1) type of authorized investments, (2) Authority employees who are authorized to transact business, and (3) delivery instructions for the safekeeping of investments.
- E. The Authority shall enter into a written contract with any (1) Dealer from whom Authorized Investments are purchased subject to a repurchase agreement and (2) Bank from whom Authorized Certificates of Deposit are purchased.

VI. General Policies Governing Investment Transactions

- A. Competitive quotations or negotiated prices shall be obtained except in the purchase of government securities at their initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and/or Banks, except as indicated above, and the most favorable quote accepted. The Treasurer or Deputy Treasurer may waive this requirement on a single transaction basis only if warranted by market conditions and documented in writing.
- B. Authorized Investments purchased shall be either delivered to the Authority's designated custodian or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, recorded in the Authority's name or in the name of a nominee agent or custodian designated by the Authority on the books of the Federal Reserve Bank of New York or the Depository Trust Company. Payment shall be made to the Dealer or Bank only upon receipt by the Authority's custodian of (1) the securities or (2) in the case of securities held in a book-entry account, written advice or wire confirmation from the Federal Reserve Bank of New York or the Depository Trust Company that the necessary book-entry has been made.
- C. Each purchase or sale of Authorized Investments or Authorized Certificates of Deposit shall be authorized by the Treasurer or Deputy Treasurer. Investment orders may be placed by Authority employees as designated by the Treasurer. The custodian shall have standing instructions to send a transaction advice to the Authority's Controller for purposes of comparison with internal records. The Controller shall advise the Treasurer of any variances, and the Treasurer shall ensure appropriate corrections are provided.

VII. Policies Concerning Certain Types of Investment Diversification Standards Required

A. Authorized Certificates of Deposit and Time Deposits

1. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from a Bank in the primary market.
2. Authorized Certificates of Deposit and Time Deposits shall be continuously secured by Authorized Investments defined in subsection (1) or (2) of Section IV.A., having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such Certificates of Deposit or Time Deposits. Such Authorized Investments shall be segregated in a separate custodian account on behalf of the Authority.
3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25 percent of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed \$25,000,000.

B. Repurchase Agreements

The Authority may from time to time elect to enter into arrangements for the purchase and resale of Authorized Investments (known as "Repurchase Agreements"). This type of investment transaction shall be used only when there is no other viable, short-term investment alternative.

1. A Repurchase Agreement shall be transacted only with a Dealer or Bank qualified to sell Authorized Investments to the Authority which is recognized by the Federal Reserve Bank as a primary dealer.
2. Authorized Investments purchased subject to a Repurchase Agreement shall be marked to market daily to ensure its value equals or exceeds the purchase price.
3. A Repurchase Agreement shall be limited to a maximum fixed term of five business days. Payment for the purchased securities shall be made against delivery to the Authority's designated custodian (which shall not be a party to the transaction as seller or seller's agent) or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the

Depository Trust Company, written advice that the securities are recorded in the Authority's name or in the name of a nominee, agent or custodian designated by the Authority on the books of the Federal Reserve Bank or the Depository Trust Company.

4. No more than \$50 million of Authorized Investments shall be purchased under a Repurchase Agreement with any one Dealer or Bank. This requirement may be waived by the Senior Vice President and Chief Financial Officer on a single transaction basis only if warranted by special circumstances and documented in writing.
5. The aggregate amount invested in Repurchase Agreements may not exceed the greater of 5 percent of the investment portfolio or \$100 million. The Senior Vice President and Chief Financial Officer may waive this requirement on a single transaction basis only if warranted by cashflow requirements and documented in writing.
6. The Authority may not enter into arrangements (known as Reverse Repurchase Agreements) for the purpose of borrowing monies by pledging Authorized Investments owned by the Authority.

VIII. Review

These Guidelines and any proposed amendments shall be submitted for Trustee review and approval at least once a year.

In addition to the Authority's periodic review, the Authority's independent auditors, in connection with their examination of the Authority, shall perform an annual audit of the investment portfolio, review investment procedures and prepare a report, the results of which will be made available to the Trustees.

IX. Reports

- A. The Treasurer shall submit an investment report to the Trustees, at least quarterly. Such report shall contain a (1) detailed description of each investment; 2) summary of the dealers and banks from which such securities were purchased; and (3) a list of fees, commissions or other charges, if any, paid to advisors or other entities rendering investment services.
- B. The Treasurer shall submit an annual report for approval by the Trustees. In addition to the information provided quarterly, the Annual Report shall include (i) a copy of the Guidelines; (ii) an explanation of the Guidelines and any

amendments thereto since the last annual report; (iii) the results of an annual independent audit of investment inventory and procedures, and (iv) a record of income earned on invested funds. The approved report shall be submitted to the Division of the Budget with copies distributed to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Copies shall be made available to the public upon written reasonable request.

- C. Any waivers which occurred during the prior month shall be reported to the Senior Vice President and Chief Financial Officer.

X. Miscellaneous

- A. These Guidelines are intended for guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason, of any requirement or provision thereof.
- B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
- C. No provisions in these Guidelines shall be the basis of any claim against any Trustee, officer or employee of the Authority in his or her individual or official capacity or against the Authority itself.

Section II

EXPLANATION OF INVESTMENT GUIDELINES

Section II Responsibility for Investments

Establishes responsibility for the Investment of Authority Funds and limits the number of individuals authorized to place investment orders.

Section III Investment Goal

Establishes the policy that earning a reasonable return on investments must be consistent with standards set for minimization of risk and availability of funds when needed.

Section IV Authorized Investments

Details the types of investments which the Authority can undertake as prescribed in Section 101 of the Resolution.

This section also requires that investments made in each of the Funds established under the Resolution be invested for a term commensurate with cash flow expectations and that such investments will not violate the arbitrage regulations of the Internal Revenue Code.

Section V Provisions Relating to Qualifications of Dealers and Banks

Establishes criteria for the selection of banks and dealers from which the Authority may buy or sell investments. Business is transacted with firms who have demonstrated financial strength and a high degree of reliability with respect to servicing of the Authority's needs. This section also directs that custody of Authority investments shall be maintained by banks which are members of the Federal Reserve System transacting business in the State of New York.

This section also addresses the subject of contracts with banks and dealers for the purchase or sale of Authorized Investments. The Authority has written Letters of Agreement with authorized dealers that specify the types of securities in which the Authority may invest and identify those Authority individuals authorized to give instructions related to the purchase and sale of securities. In addition, the Authority shall have a written form of agreement for use in repurchase transactions with any authorized dealer with whom the Authority may transact this type of investment.

Section VI General Policies Governing Investment Transactions

Requires that the Authority solicit no less than three bids for the purchase or sale of securities in order to ensure the most favorable rate except when securities are purchased at their initial auction, upon new issue or through negotiated prices.

Requires that the Authority or its custodian, prior to payment, take possession of such securities, or in the case of book entry securities, obtain written advice or wire confirmation that transfer or ownership has been recorded.

Establishes authorized employees to approve the purchase or sale of securities.
Establishes control procedures whereby the Controller shall compare the custodian's confirmation to Authority records.

Section VII Policy Concerning Certain Types of Investment Diversification Standards Required

Establishes a policy concerning the purchase of Authorized Certificates of Deposit and Time Deposits intended to minimize the risk associated with such transactions. Authorized Certificates of Deposit or Time Deposits may be purchased directly from a bank which is a member of the Federal Reserve System transacting business in the State of New York. Such deposits shall be continuously secured by Authorized Investments as outlined in subsection (1) or (2) of Section IV.A. This collateral shall be regularly priced to current market to assure the Authority's security interest is continuously protected. Aggregate holdings of Authorized Certificates of Deposit shall not exceed 25 percent of the Authority's total investment. Authorized Certificates of Deposit purchased from any one bank shall not exceed \$25,000,000.

Establishes a policy intended to minimize the risk associated with arrangements for the purchase and resale of Authorized Investments known as Repurchase Agreements ("Repos"). Repos purchased from any one qualified dealer or bank shall not exceed \$50 million and shall be limited to a maximum fixed term of five business days. Aggregate investments in Repos shall not exceed the greater of 5 percent of the Authority's total investments or \$100 million. All securities purchased under the terms of a Repo shall be held in safekeeping by a designated custodian for the Authority. Such securities shall be priced to market on a daily basis to assure the Authority's security interest. Reverse Repurchase Agreements are not authorized transactions.

Section VIII Review

Establishes policy requiring review of the Guidelines at least once a year. Requires an annual audit by the Authority's independent auditors of the Authority's investment portfolio and compliance with the guidelines established by the Authority and the State Comptroller.

Section IX Reports

Establishes policy requiring submission of reports to the Authority's Trustees concerning the management and performance of the Authority's portfolio.

This Section also requires that an annual report be submitted for approval by the Authority's Trustees. Copies of the approved report shall be sent to the Division of Budget, Office of the State Comptroller, the Senate Finance Committee, and Assembly Way and Means Committee.

Section III

A. Investment Income Record

During 2001 the Authority's average daily investment portfolio was approximately \$661 million and earned \$36 million.

The earnings, by fund, were as follows (dollars in millions):

Operating Fund		\$26
Capital/Construction Funds	8	
Other (Energy Con./Note Res.)	2	
Total	\$36	

The investment income is \$4 million less than the prior year. The average size of the portfolio decreased by \$21 million in 2001. The decrease in the size of the portfolio, accounts restricted to investments in tax-exempt securities and extremely low re-investment rates account for the decline in earnings.

B. Fees Paid for Investment Associated Services

\$403,027	Blackrock
\$398,497	Tattersall Advisory Group
\$ 62,990	The Bank of New York

Investment management fees were paid by the Nuclear Decommissioning Trust Fund. By NRC mandate, the Trust is beyond the Authority's administrative control and is therefore not part of this Annual Report. As a point of information, the Market Value of the Trust was approximately \$689 million at December 31, 2001. The Trust's investments are in high quality fixed income securities and equity index funds, and earned \$46 million in 2001. For the year, the Trust had a composite rate of return of 3.36% after payment of the above management service fees.

C. Results of the Annual Independent Audit

In connection with their examination of the Authority, the Authority's independent auditors, PriceWaterhouseCoopers, LLP reviewed and tested the Authority's compliance with the guidelines established by the Authority, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Their report, a copy of which is attached as Exhibit "B", states that nothing came to their attention that caused them to believe that the Authority was not in compliance with these Guidelines.

5. Procurement (Services) Contracts - Business Units and the Facilities - Awards

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘5-A’ for the Authority’s Business Units/Departments, as well as for the facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year therefore, the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$595,000 to \$1,465,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in support of Business Units/Departments and the Facilities:

“The contract with Ceridian Corp. (PO# TBA) would become effective on April 1, 2002, subject to the Trustees’ approval. The purpose of this contract is to provide for payroll services for all Authority employees. The Authority has utilized ADP to provide such services for the last six years and a major upgrade to the ADP software currently being used is overdue. The Authority’s staff evaluated potential payroll software solutions, including in-house and outsourced solutions, with the assistance of PricewaterhouseCoopers (‘PwC’). Staff also considered the option of processing the payroll in-house with SAP. This option is not being recommended due to the complexity of the process and significant resource commitment required to support processing payroll in-house. The current trend in business is to outsource services of this type that require a high level of specialized expertise. To identify potential outside vendors, staff utilized PwC and also published a notice in the New York State Contract Reporter. As a result of this process, 25 potential providers of payroll services were identified and evaluated. After careful consideration that included, but was not limited to, overall qualifications, reliability and experience, staff concluded that Ceridian was the most qualified external service provider that met the Authority’s requirements. References of

existing Ceridian clients were checked and were found to be positive. The Authority staff visited a number of Ceridian users to review their processes in detail. Staff concluded that Ceridian provides a high degree of reliability and flexibility in processing payroll and a high level of customer service at a reasonable cost. The estimated initial cost, including software licensing and implementation services, for the Ceridian system is \$215,000, with recurring costs estimated to be \$250,000 annually. Over a five-year period, the estimated cost of this contract is projected to be \$1,465,000.

“The contract with **DMJM + Harris (PO# TBA)** became effective on March 7, 2002, subject to the Trustees’ subsequent approval. Due to scheduling constraints, certain preliminary design and engineering tasks were authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures, in the initial not-to-exceed amount of \$230,675. The purpose of this contract is to provide for design, engineering and construction management services for the completion of certain work items pertaining to the Power Now! Project. Such work would include the following major tasks: 1) design of a 30-foot noise and appearance wall (and foundation) at the perimeter of the North 1st Street and Grand Avenue site; 2) relocation of the existing sewer line and revised connection designs at the 23rd Street and 3rd Avenue site; 3) replacement and repair of the bulkhead at the 23rd Street and 3rd Avenue site; and 4) construction management services for the completion and closeout of the punch list of outstanding construction items for the Power Now! Project at the various sites. Due to the overall experience of DMJM + Harris on the Power Now! Project as the Construction Manager, and their knowledge of New York City codes and requirements, as well as the need to proceed on an accelerated basis due to regulatory and community commitments and safety concerns, the award of the subject contract was made on a sole source basis, in the initial not-to-exceed amount of \$230,675. It is currently projected that an estimated additional \$869,325 will be required to complete the aforementioned tasks. The intended term of this contract is approximately eight months, with all work expected to be completed by October 31, 2002. The Trustees are hereby requested to ratify the initial award of the subject contract, to approve the continuation of such services through completion under the subject contract, and to approve the total amount expected to be expended for the term of the contract, \$1,100,000.

“The contract with **Hitachi America Limited (Q-02-2931; PO# TBA)** would become effective on April 1, 2002, subject to the Trustees’ approval. The purpose of this contract is to provide for field advisory engineers to support the Blenheim-Gilboa Pumped Storage Project (‘B-G’), as well as to provide home office consulting services, as needed. Projected work would include the headcover lift for B-G Unit 2, bearing failure, spherical valve problems, and other tasks, as may be required, as well as support for the major overhaul scheduled for 2006. Services would include all technical assistance, drawing updates, and research for preventive, remedial and emergency situations, on an ‘as needed’ basis. The contract is awarded on a sole source basis, since Hitachi is the original equipment manufacturer (‘OEM’) of the pump/turbines and generator/motors and other major equipment installed at B-G. As the OEM, Hitachi owns the proprietary drawings and other documentation required to support and service the equipment. Hitachi has provided satisfactory services to the Authority for many years. They have supported the 20th year mechanical and electrical equipment overhauls at B-G and have provided ongoing on-site field engineering, technical assistance, and home office consulting services, as needed. Authority staff are currently negotiating and finalizing the pricing structure and terms and conditions in order to achieve the most favorable terms for the Authority. The intended term of this contract is five years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$595,000.

“The contract with **Power Engineering (Q-02-2876; PO# TBA)** would become effective on April 1, 2002, subject to the Trustees’ approval. The purpose of this contract is to provide for: 1) the design, fabrication, testing and delivery of a precision proximity probe measurement system mounted on a welded aluminum support arm, which is to be retrofit to an existing sweep fixture, for the purposes of measuring generator rotor profiles; and 2) generator engineering and field support services, including on-site training, for the Niagara Power Project (Robert Moses and Lewiston Pump Generating Plants). The work would include fabrication of the aluminum for the measurement device, in accordance with all applicable codes, standards and specifications. Technical assistance and engineering guidance would include, but not be limited to, the centering and precision optical alignment of various pieces of equipment. The contract would also include an option for additional measurement systems, which would be exercised, as needed, at the discretion of the Authority. Power Engineering was the sole responding bidder of five bids solicited, including notice in the Contract Reporter. Based on the quality of the firm’s proposal and the quality of work it has performed for the Authority in the past, staff recommend the award of a three-year contract,

with an option for an additional year, to Power Engineering for the aforementioned work. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option to extend for an additional year, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, \$750,000.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2002 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Vice President - Procurement and Real Estate, the Vice President – Project Management, the Vice President and Chief Engineer, the Regional Manager – Western New York, and the Regional Manager – Central New York, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '5-A' and as discussed above.

"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, and I concur in the recommendation."

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

Responding to questions from Trustee Seymour concerning the scope of and additional reasons for the additional work to be performed by DMJM + Harris, Mr. Hoff detailed the background underlying the awarding of the original contract to DMJM + Harris, explaining that the additional tasks at several of the Power Now! power plant sites were not included in the previous authorization because of the unique time constraints relating to that Project. He added, however, that the tasks itemized in the memorandum from the President need to be performed to complete the Project.

Trustee McCullough recused himself from voting on that portion of the recommendation concerning the award of a contract to Hitachi America Limited.

The following resolution, as recommended by the President, was adopted by a vote of three in favor with one abstention.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "5-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.

6. Procurement (Services) Contracts – Business Units and Facilities – Extensions, Approval of Additional Funding and Increases in Compensation Ceiling

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘6-A’ in support of projects and programs for the Authority’s Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling to \$4,970,000, from the previously authorized amount of \$725,000, of the procurement services contract with Lewis Tree Service, Inc. for Right-of-Way vegetation management services throughout the Authority’s transmission system; and an increase in the compensation ceiling to \$2,275,000, from the previously approved amount of \$1,775,000, of the procurement services contract with Environmental Resources Management, Inc. for Third Party Contractor services to assist the Federal Energy Regulatory Commission and the New York State Department of Environmental Conservation in the St. Lawrence/F.D. Roosevelt Project relicensing effort. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

BACKGROUND

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

“The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of \$3,000,000.

DISCUSSION

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

“Although the firms identified in Exhibit ‘6-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

“Extension of each of the contracts identified in Exhibit ‘6-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in support of Business Units/Departments and Facilities:

“The contract with **Harris Energy Systems (4500040798)** provides for consulting services in connection with the Authority’s Peak Load Management (‘PLM’) Incentive Program. The intention of the PLM program is to reduce peak load, which can be achieved by either reducing discretionary loads or by turning on emergency generation. When the latter approach is used, or expected to be used, the services of Harris are utilized to evaluate the effectiveness of the emergency generation, thereby insuring the reliability of the resource and, as a result, the effectiveness of the Authority’s PLM program. The original award, which was competitively bid, became effective on April 10, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and to continue such services, as may be required, to coincide with the end of the PLM program. The current contract amount is \$105,000; it is anticipated that no additional funding will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through April 9, 2004, with no additional funding requested.

“The contract with **Haverfield (4500041435)** provides for the comprehensive aerial inspection of designated sections of the Authority’s transmission lines and associated structures, as well as the maintenance/repair of 230kV, 345kV, and 765kV transmission lines located throughout New York State. The maintenance is performed from a helicopter platform on energized lines owned and maintained by the Authority in twenty-three counties in New York State and is scheduled as necessary throughout the year. The original award, which was competitively bid, became effective on May 1, 2001 for an initial term of one-year, with an option to extend for up to two additional years. A twenty-month extension is now requested to exercise the option and to continue the maintenance services through December 31, 2003. The current contract amount is \$176,792; it is anticipated that an additional \$200,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through December 31, 2003 and to approve the additional funding requested.

“The contract with **John McManaman (4500031667)** provides for consulting services in connection with the New York State Employee Retirement System pension plan, as well as other related compensation matters for pension and retirement purposes. The original contract became effective on August 1, 2000 for an initial term of less than one year. At their meeting of June 26, 2001, the Trustees approved a one-year extension of and additional funding for the subject contract to provide for the continuation of such services in order to address continuing pension review obligations related to the Purchase and Sale Agreement with Entergy, as well as to facilitate the resolution of questions concerning inclusion of variable pay in employees’ annual compensation for Retirement System purposes. An additional one-year extension is now requested in order to continue the consultant’s services in helping the Authority evaluate any retirement incentive legislation that the legislature is expected to pass during this session. The current contract amount is \$47,500; it is projected that an additional \$18,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through June 30, 2003 and to approve the additional funding requested.

“Pursuant to the Authority’s lease agreement with **the New York State Office of Alcohol and Substance Abuse Services (‘OASAS’)**, the Authority is required to provide for janitorial services for the space leased by OASAS on the eighth and ninth floors of 501 Seventh Avenue in New York City. The contract with Laro Service Systems, Inc. (4500022824) provides for such janitorial services for OASAS as well as for the Authority’s New York Office. Services include rubbish removal; maintenance of carpet, kitchen and coffee station, glass entrance door and partition and tile floor; providing lavatory supplies; and optional exterminating services. The original award, which was competitively bid, became effective on May 1, 2000 for an initial term of one year, with an option to extend for two additional years. Services have continued to be provided. A one-year extension is now requested in order to exercise the option to extend services for the remaining year of the contract. The current contract amount is \$80,000; it is anticipated that an additional \$70,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through April 30, 2003, and to approve the additional funding requested. It should be noted that any expenses incurred in excess of the base (i.e., first year) expenses for such services shall be reimbursed to the Authority as additional rent.

“The contract with **Modern Disposal Services, Inc. (4500043129)** provides for non-hazardous waste disposal for the Niagara Project. Services include trash and general industrial refuse disposal and recycling services (including container service with weekly, bi-weekly or as-needed pickup) for construction and demolition waste, wood, concrete, insulation, cardboard, paper lunchroom waste, glass and oil, rags, pads, and asbestos waste disposal, as well as sanitary landfill to dispose of intake trash and debris. The original award, which was competitively bid, became effective on June 1, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services for the extended term. The current contract amount is \$75,000; it is anticipated that an additional \$75,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through May 31, 2004 and to approve the additional funding requested.

“The contract with **Modern Portable Toilets (4500043117)** provides for the rental of portable toilets and tanks, including servicing, sewage holding tank pump-out and disposal services at an approved sewage treatment facility, for the Niagara Project. The original award, which was competitively bid, became effective on June 1, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services for the extended term. The current contract amount is \$30,000; it is anticipated that an additional \$30,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through May 31, 2004 and to approve the additional funding requested.

“The contract with **PACE Global Energy Services, LLC (4500042228)** provides for energy risk management consulting services to the Authority. Such services were required in order for the Authority to be prepared for the summer capability period in 2001, due to the possibility of summer outages and high prices, which could have resulted in large energy risk exposures to the Authority and the loss of millions of dollars, if not handled properly. The original award became effective on April 1, 2001 for a term of one year. The original scope of work involved four key tasks: assisting the Authority in filling energy risk management staffing needs; assessing the Authority’s risk exposures, including contingent risks; developing recommended risk tolerance boundaries to be imposed by management and protocols for constraining exposures to those boundaries; and providing onsite assistance with the implementation of risk management business systems by providing transitional staffing at the Authority’s White Plains Office for an initial six-month period. A nine-month extension is now requested in order to continue such support services and to include the following four related tasks in 2002: providing guidance to the Authority’s Energy Risk Management Committee (with required attendance at such meetings by a specified senior officer); training of personnel on how to use the Energy Risk Management System; and system enhancements; as well as training classes and background material on statistical analysis, ‘Black Scholes’ pricing models and option valuation, volatility calculations, and option strategies and simulations. In addition, the subject extension is also requested in order to support three new tasks needed by Power Generation: developing a position report (to give electric traders reports on the hourly long/short position of the Authority for up to a month’s time, and monthly peak/off-peak, long/short position for the next two years); developing a benchmarking model (to determine the best electric bidding strategy for the Blenheim-Gilboa Project, based on a ‘look back’ basis); and developing a scenario generator (to allow the Authority to query its risk system database and run various scenarios to test different hedging strategies). The current contract amount is \$975,000; it is anticipated that an additional 475,000 will be required for the extended term (\$325,000 to support the four additional risk management tasks and \$150,000 to support the three new tasks in support of Power Generation). The Trustees’ approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

“The contract with **Security Solutions Company Inc. (4500040893)** provides for security guard services for the Authority’s White Plains Office (‘WPO’), the Power Now! Generation Projects, and the Richard M. Flynn Plant. Services for WPO and the Power Now! sites are provided on a continuous basis, twenty-four hours per day/seven days per week), and support the day shift on weekdays only at the Richard M. Flynn Plant. It should be noted that the original award for such services was made to Armrest Security, but was terminated due to the firm’s internal administrative issues. As a result, an expedited competitive search was conducted of firms providing such services, as well as those under contract with the New York State Office of General Services. Four proposals were received in response to this solicitation, and based upon competitive prices, sound financial condition, and overall qualifications, a replacement contract was awarded to Security Solutions with a branch office in White Plains, New York. The subject contract became effective on April 11, 2001 for an initial term of one year, with an option to extend for up to two additional years. A two-year extension is now requested in order to continue services. The current contract amount is \$1,018,456. It is anticipated that an additional \$1,063,440 will be required for the

extended term, to be allocated as follows: \$590,000 for WPO, \$393,120 for Power Now!, and \$80,000 for the Flynn Plant. The Trustees' approval is requested to extend the subject contract through April 30, 2004 and to approve the additional funding requested.

"The Authority is currently implementing circuit breaker monitoring technology (MONITEQ) on critical circuit breakers throughout the transmission system. The monitoring system provides the capability to assess the condition of the circuit breakers in real time and provides information on their operational status. Since implementation, the system has identified problems on critical circuit breakers and has prevented a potential failure. The contract with **SNEMO Ltd. (4500039399)** provides for maintenance service and upgrade support for the fifteen (15) Moniteq circuit breaker monitoring systems installed at Authority substations and power plants in Massena, Marcy and Blenheim-Gilboa, New York. Services include factory application telephone support, hardware and software troubleshooting and repairs, as well as field support including training, troubleshooting and repairs. The original contract became effective on March 8, 2001, for a one-year term. Such service is required to maintain the hardware and software components and to provide enhancements to the system that will provide the capability to identify and alert substation personnel of potential circuit breaker malfunctions or problems. Since SNEMO is the original equipment manufacturer and the system requires their expertise in software coding and hardware structure, it is advantageous to continue the service agreement with SNEMO for an additional three years. The current contract amount is \$40,000; it is anticipated that an additional \$100,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through March 7, 2005 and to approve the additional funding requested.

"The contract with **TriState Special Marketing Corp. (4500043820)** provides for third-party flexible benefits administration services for the Authority's Flexible Benefits Administration enrollment program for all salaried employees. Services include, but are not limited to: programming and generating personalized annual enrollment forms, worksheets and confirmation statements; programming and administering an interactive voice response system for telephone enrollment, as well as a web-based Internet enrollment service option; printing and mail fulfillment services; and other related tasks, as may be required. It should be noted that the original award for such services was made to another vendor (Inktel BCS) in 2000, but was terminated after one year when the original firm was no longer able to complete the scope of services. This replacement contract was subsequently awarded to TriState, the next lowest bidder of the proposals originally received for such services. The subject contract became effective on June 1, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services, including flex pricing and advisory services, open enrollment, compliance issues, critical feedback on proposed plan changes and voice/web benefit enrollment costs, and postage and mailing. TriState has performed in an exemplary manner and has provided services that have been very well received by Authority employees, in addition to providing excellent customer service to the Authority's benefits staff. Rebidding this program at this time would not be feasible and could result in significant expense for the Authority in start-up fees for a new vendor, due to additional programming, testing and establishing new interfaces with SAP. The current contract amount is \$170,000; it is anticipated that an additional \$300,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2004 and to approve the additional funding requested.

"The contract with **Truecom Inc. (4500037595)** provides for the services of operating engineers for the Authority's Clarence D. Rappleyea Building (the White Plains Office). Such engineers are primarily affiliated with Local 30 of the International Union of Operating Engineers ('IUOE'). In addition to providing the services of approximately six operating engineers who oversee all aspects of the physical plant associated with the safe, efficient operation of the building, services also include administration of the collective bargaining agreement with the IUOE and, upon its expiration, negotiations with the local for the next term. The original award, which was competitively bid, became effective on February 5, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services. The current contract amount is \$650,000; it is anticipated that an additional \$1,867,557 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 2004 and to approve the additional funding requested.

"The contract with **UniFirst Corp.(4600000574)** provides for the rental and cleaning of walk-on carpet mats and runners for the St. Lawrence – F.D. Roosevelt Project. Services also include the weekly delivery and placement of approximately thirty (summer) to eighty (winter) cleaned mats of various dimensions, per Authority

specifications and requirements. The original award, which was competitively bid, became effective on March 29, 2001 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services. The current contract amount is \$8,300; it is anticipated that an additional \$20,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 31, 2004 and to approve the additional funding requested.

“The Authority’s operating facilities, substations, electrical transmission facilities, and maintenance and support facilities store and use various types of oils or oil products in their normal operating practices. Government regulations require that owners and operators of facilities that store oil and have the potential to spill oil to land or to waters of the United States or adjoining shorelines prepare Spill Prevention Control and Countermeasure (‘SPCC’) Plans. In addition, government regulations require that a strong spill contingency plan be contained in the SPCC plan, which provides a written commitment of manpower, equipment and materials required to expeditiously control and remove any harmful quantity of oil discharged. Significant efforts are made to prevent oil spills at all Authority projects. The Authority’s operating facilities have sufficient equipment and trained personnel to respond to and clean up minor oil spills. In the event that an oil spill should exceed the capability of the project’s resources, contractors that can furnish clean-up expertise, manpower and equipment are listed in each facility’s SPCC plan. Authority facilities employ such contractors on an ‘as needed’ basis to provide emergency oil spill containment and clean-up services.

“To ensure that each Authority facility would have sufficient resources to control and clean up discharged oil in a reliable and timely manner, in compliance with government regulations, and to establish long-term relationships with cost-effective and consistent oil spill clean up service providers in the proximity of Authority facilities, contracts were awarded to the following firms: **Miller Environmental Group (C97-Z0086/460000415)**, **Environmental Products & Services (C97-Z0092)**, and **OP-TECH Environmental Services (C97-Z0033)**. The original awards, which were competitively bid, became effective on January 1, 1997 for a five-year term, as approved by the Trustees at their meeting of December 17, 1996. The three firms selected have been ranked as primary and secondary respondents for each specific site/facility based on their geographic proximity to the job location, as well as their response time and availability of resources. The three firms have provided excellent services over the past five years, when called upon, and continue to meet the stringent Authority criteria set forth in the original contractor selection process (viz., two hour response time; cleanup capabilities for land and surface water spills; equipment availability; certification by the United States Coast Guard; waste transporter permits in compliance with the New York State Department of Environmental Conservation (‘DEC’); and health and safety training programs). In addition, these three firms are currently listed as oil spill response contractors in twenty Authority SPCC Plans covering every Authority facility throughout the state. They have demonstrated the ability to deal with emergent issues proactively, thereby averting possible facility-crippling incidents. For example, the Miller firm responded to a leak in Poletti’s No. 6 fuel oil line last July, and their prompt action and professionalism was noted to the Authority by government agency representatives who came to the site. The addition of the Power Now! generation plants and the proposed Poletti 500MW expansion project place additional demands and require superior performance from the response contractors to remain in compliance with government regulations. The Authority is currently in the midst of a two-year remedial action plan negotiated with those same agencies, and they are expecting the same type of professional results. During the next two years, the Authority will be working with the DEC to resolve site contamination issues at three Power Now! sites, and will continue to support compliance activities relative to turbine lube oil, turbine water wash, transformer oil and aqueous ammonia storage. The services of these contractors are expected to be invaluable in maintaining an error-free and economical response during this transition period. At this time when the Authority’s environmental performance is under close scrutiny, we cannot afford to risk losing these firms as primary response contractors. A two-year extension (with an option for an additional year) is now requested in order to continue the aforementioned services, in the best interests of the Authority and its customers. The subject extension is contingent upon a ‘competitive search’, to be conducted by staff this year in order to identify any additional firms that may be qualified to provide such services. It is currently projected that additional funding in the combined amount of \$378,000 will be required for all facilities during the extended term (including the option year). It should be noted that approval of funds is requested on a project basis and funding for each facility will be included in the annual budget submittal for each respective facility. The Trustees’ approval is requested to extend the subject contracts through December 31, 2003 (with the option to extend for one additional year in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures) and to approve the additional funding requested.

Increases in Compensation Ceiling:

“The Authority’s existing Federal Energy Regulatory Commission (‘FERC’) license for the St. Lawrence/F.D. Roosevelt Power Project (‘Project’) expires in October 2003. In 1996, the Authority initiated relicensing activities with the FERC and the New York State Department of Environmental Conservation (‘DEC’). In accordance with the provisions of a Memorandum of Understanding with the DEC and FERC, the Authority’s selection of an independent Third Party Contractor (‘TPC’), to assist the FERC and DEC in their environmental reviews of the Authority’s application for a new license for the St. Lawrence Project, required approval by both the FERC and the DEC. Requests for Proposals for TPC services were issued to 27 firms prequalified by FERC to prepare Environmental Impact Statements (‘EIS’) for hydroelectric projects. The competitive bidding process resulted in the award of a multi-year contract to **Environmental Resources Management, Inc. (‘ERM’; C96-Z0018)**, as approved by the Trustees at their meeting of April 30, 1996, in the initial amount of \$800,000. The subject contract, which became effective on May 1, 1996, provides for TPC services through 2003 to assist the FERC and the DEC during the consultation process and in the preparation of a multipurpose environmental assessment document in support of the application for relicensing the St. Lawrence – F. D. Roosevelt Project and a new DEC Water Quality Certificate. The TPC has also been responsible for holding public meetings, preparing scoping documents, reviewing environmental and engineering studies as well as the applications to the FERC and DEC, and providing post-application assistance to these agencies. At their meeting of October 27, 1998, the Trustees approved an additional \$975,000, since the utilization of ERM by the FERC and DEC exceeded the original projection. The current contract amount is \$1,775,000. An additional \$500,000 will be required for 2002 to fund the following work: preparation of various notices and responses; assistance in outreach to various groups; solicitation and resolution of final terms and conditions; preparation of the draft EIS and a draft WQC; holding public meetings; and providing administrative support to the FERC and DEC. The Trustees’ approval is requested to approve the additional funding to the subject contract, thereby increasing the compensation ceiling to \$2,275,000.

“As the result of the reorganization of the management of the Authority’s transmission system, a completely new system of Right-of-Way (‘ROW’) vegetation management was implemented last year. This included: 1) the utilization of contractors to manage the vegetation on the ROW; 2) complete, end-to-end treatment of each transmission facility selected for vegetation management in a given year; and 3) a four-year treatment cycle was implemented, whereby each line would be treated once every four years. The contract with **Lewis Tree Service, Inc. (460000581)** provides for ROW vegetation management services, including various chemical and manual/mechanical treatments of a range of vegetation sites within the ROW of various high voltage transmission lines under the maintenance jurisdiction of the Authority, covering approximately 15,000 acres. The contractor supplies all necessary labor, supervision, materials, chemicals, tools and equipment for the control of undesirable target trees along over 1,400 miles of high voltage transmission lines. These tall growing species are removed by both mechanical means (such as hand cutting with chainsaws) and by chemical methods (employing the selective use of herbicides in a stump application or by a low volume foliar technique, for example). Lewis Tree Service is a licensed pesticide applicator in New York State and also a line clearance contractor, in compliance with ANSI standards. The original award, which was competitively bid, became effective May 1, 2001 for an initial term of one year, with an option to extend for up to three additional years. Work performed during the initial year of the contract included complete coverage of the double circuit 345kV Niagara – Adirondack Transmission Line (‘NATL’) from the Niagara switchyard to the Edic 345kV Substation near Utica and the single circuit 345kV Gilboa – New Scotland Line (‘GNL’), with some limited ‘spot’ treatments on certain other ROW sites located on other lines, as needed. A three-year extension is now requested to exercise the option in order to complete the first four-year vegetation management cycle. The planned vegetation management work includes: the Gilboa – Frasier (‘GF’) line and the southern portion of the 765kV (i.e., south of the Adirondack Substation) in 2002; the entire Marcy South (‘MS’) and the Utica – Edic (‘UE-1’) lines in 2003; and the FitzPatrick – Edic (‘FE’), Gilboa – Leeds (‘GL’), Moses – Adirondack (‘MA’), and Scriba lines in 2004. The current contract amount is \$725,000. It is anticipated that an additional \$4,245,000 will be required for the extended term, in order to complete the first four-year vegetation management cycle. The Trustees’ approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$4,970,000. By the end of 2004, the incompatible vegetation (mostly tall growing trees) along the entire Authority transmission system will have been completely treated. The second ROW treatment cycle (to commence in 2005) should incur significantly lower costs, due to the reduction in tree stem densities during the first cycle, as a result of the extensive selective use of herbicides that thwart the tremendous growth potential when trees are only cut mechanically.

FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2002 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Vice President - Procurement and Real Estate, the Regional Manager - Northern New York, the Regional Manager – Western New York, the Regional Manager - Central New York, the Director – Transmission Maintenance, the Director - Corporate Support Services, the Director - Security, Director – Employee Benefits, the Director - Research and Technology Development, the Director – Environmental Programs, and the Director – Licensing, recommend the Trustees’ approval of the extensions, additional funding and increases in compensation ceiling of the procurement contracts with Environmental Resources Management, Inc. and Lewis Tree Service, 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 – Marketing, Economic Development and Supply Planning, the Senior Vice President - Energy Services and Technology, the Senior Vice President – Public and Governmental Affairs, and I concur in the recommendation.”

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

Responding to questions from Trustee McCullough, Mr. Hoff reported that the Miller Environmental Group maintains offices in Newburgh as well as other locations throughout the state.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "6-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Environmental Resources Management, Inc. and Lewis Tree Service, Inc., be, and hereby are, approved as recommended in the foregoing report of the President in the amounts and for the purposes listed below:

<u>Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<p>Provide independent Third Party Contractor services to assist the FERC and DEC in their environmental reviews of the Authority's application for a new license and a Water Quality Certificate for the St. Lawrence /F.D. Roosevelt Project:</p> <p>Environmental Resources Management, Inc. C96-Z0018</p>		
Additional Funding Requested	\$ 500,000	12/31/03
Previously Approved Contract Amount	<u>\$1,775,000</u>	
REVISED COMPENSATION CEILING	<u>\$2,275,000</u>	

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<p>Provide Right-of-Way vegetation management services throughout the Authority's transmission system:</p> <p>Lewis Tree Service, Inc. 4600000581</p>		
Additional Funding Requested	\$4,245,000	12/31/04
Previously Authorized Contract Amount	<u>\$ 725,000</u>	
REVISED COMPENSATION CEILING	<u>\$4,970,000</u>	

7. **Review of Employment Commitments**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize a one year moratorium against taking enforcement action against Power for Jobs (‘PFJ’) customers when their actual employment levels fall short of their agreed upon employment commitments.

BACKGROUND

“This proposed action is submitted in response to discussion of the quarterly review of PFJ employment commitments at the Trustees' last meeting in February and addresses that portion of the report which was adjourned for reconsideration at a later date.

“Each year, the Authority initiates a review of all PFJ business power allocations and the customers performance against agreed upon job commitments. All of the 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.

DISCUSSION

“Recent reviews of customer job commitments have been conducted against the backdrop of a national economic downturn. Consequently, some PFJ customers are having difficulty meeting their job commitments due to economic forces well beyond their control. Reducing their allocations would only add to the financial distress of such enterprises. In addition, the power freed up by such a reduction cannot be re-allocated. The moratorium would be retroactive to January 1, 2002 and cover four Power for Jobs quarterly commitment reviews. Each of these job commitment reviews will be conducted on the normal schedule and the Trustees will receive informational reports during 2002 following approval of the attached resolution.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve a one year moratorium, retroactive to January 1, 2002, against taking enforcement action against PFJ customers when their actual employment levels fall short of their agreed upon employment commitments.

“The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, 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. Mr. Yates explained that the currently proposed action was consistent with the Trustees' initial reaction and discussion of the quarterly review of PFJ employment commitments at their meeting of February 26, 2002. The instant recommendation pertains to that portion which was tabled by the Trustees for reconsideration following additional research by staff.

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

RESOLVED, That the Authority hereby approves a one year moratorium, retroactive to January 1, 2002, against taking enforcement action against Power for Jobs customers when their actual employment levels fall short of their agreed upon employment commitments; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance will submit informational reports on Power for Jobs customers performance against agreed upon employment commitments to the Trustees on a regularly scheduled basis.

**8. Energy Services and Technology Program Offerings –
Modification of Financing Terms**

The President submitted the following report:

SUMMARY

" The Trustees are requested to approve a modification to the financial terms of projects under the Energy Services and Technology Programs to allow a maximum cost recovery period of twenty years. This will allow the Authority to assist public agencies in meeting the ambitious energy saving goals of Governor Pataki's Executive Order 111. In addition, it will bring the Authority's financing terms in line with new legislation recently passed that governs project financing relative to public school building aid and will allow more comprehensive energy saving projects to be implemented. The extended terms would only be offered in cases where investments are made for capital improvements which have a useful life of 20 years or longer and require a longer loan amortization period for the project to be viable.

"In connection with such extended-cost-recovery-period projects, the Trustees are also requested to authorize the execution of interest rate cap agreements to protect against the risk of interest rate fluctuations over these extended time periods.

BACKGROUND

"In 1989, the Authority launched its first full-scale, nonresidential, energy efficiency program targeting the public facilities that the Authority serves electrically in the Southeast New York ('SENY') service territory. The program format employed a turn-key approach to identifying, procuring, implementing, and financing energy saving solutions for program participants. This first program, the SENY High Efficiency Lighting Program ('HELP'), targeted lighting measures which had very short payback periods. Since that time, the Authority has expanded the market base of this program format to include all public sectors in the state. In addition, the measures addressed have expanded from just lighting to a complete facility review including heating ventilating and controls, boilers, chillers, building shell, and combined heat and power measures. These programs have been so successful, that today, the Authority leads the state with an annual investment in energy efficiency of over \$100 million annually, resulting in savings to date of over \$74 million per year for the citizens of the State.

"Common to all program offerings is financing which the Authority provides. Originally, in 1989, the cost recovery term for most programs was limited to five years. In 1992, when work in public schools on Long Island began, the Trustees approved cost recovery terms of up to seven years. This was due to the very poor condition of the schools, to the lower operating hours, and the associated longer paybacks for measures installed in these facilities. In 1994, the Trustees authorized financing terms of up to ten years. This was due to the expansion of the programs to be more comprehensive and include measures which involve longer payback periods, such as boilers, chillers, and windows in facilities which are typically in very poor condition, and experience low operating hours.

DISCUSSION

"Recently there have been three distinct initiatives that impact the Authority and its program offerings. First is Governor Pataki's ambitious energy conservation goals outlined in Executive Order 111. Second is recent legislation that has been passed that governs how public schools collect building aid on capital reconstruction projects. Lastly, facility managers are seeking a 'total building view' of energy saving opportunities that blend shorter payback measures (like lighting) with longer payback measures (like windows) to provide total projects with modest savings but very large positive impact to building tenants.

"Governor Pataki's ambitious energy saving goals are outlined in Executive Order 111 (the 'Order'). In this Order, the Governor directs all agencies, departments, and public benefit corporations to achieve a thirty five

percent reduction in energy use by 2010 using 1990 as a base year. The Authority has worked with many of these agencies in the past implementing short payback measures like lighting and motors in many facilities. The Authority is now being requested to return to these and other facilities to further investigate energy saving opportunities like heating, ventilating and controls, chilling, and combined heat and power opportunities. In addition, the Order directs that in the case of substantial renovation, that buildings exceed the current State Energy Conservation Construction Code by ten percent. Lastly, agencies are directed to purchase at least twenty percent of their power from green sources by 2010. These green sources are defined as wind, solar thermal, photovoltaics, biomass, tidal, geothermal, methane waste and fuel cell, making them available as facility options that could be addressed with facility managers as opposed to base load endeavors. The Authority Chairman is named to the Advisory Council on State Energy Efficiency to support implementation of the Order.

“Recent legislation has changed the way public school districts receive state building aid on reconstruction projects. According to the State Education Department guidelines, programs like the projects the Authority implements are considered reconstruction projects. State building aid is the lifeblood of most school districts. State aid varies by district, but the average district receives fifty-percent reimbursement through state aid for capital improvements made to district facilities. In the past this aid was paid to the district in the year following the actual expense. To reduce the short term payment of aid the legislature passed new guidelines where districts will now receive building aid for reconstruction projects over a minimum of fifteen years, regardless of actual cash outlay by the district. This creates a mismatch between Authority financing, currently limited to ten years, and the collection of state aid by the district, which is now mandated to be a minimum of fifteen years. The impact is a reduction in cash flow to the district during the ten-year period that the Authority costs are being repaid.

“Facility managers and large agencies like the State University of New York, the Office of General Services (‘OGS’), the City of New York and the Metropolitan Transportation Authority are taking a broader view of energy services and the benefits that projects bring to their facilities. This is being driven by an aging infrastructure, the variability of energy costs, and agency desires to achieve the goals of the Order. For instance, in the heat wave of August 2001, the Empire State Plaza had curtailed load dramatically, but was still paying a dollar per kilowatt-hour for a two-hour period when the area peak was at its highest. This has driven OGS to review viable alternative energy solutions, such as combined heat and power options, as a means of controlling costs.

“In connection with such extended-cost-recovery-period projects, the Trustees are also requested to authorize the execution of interest rate cap agreements to protect against the risk of interest rate fluctuations over these extended time periods. These interest rate cap agreements will ensure that the Authority would not pay an interest rate for debt which finances these projects greater than a specified amount. The cost of each such interest rate cap agreement will be borne by the customer whose project is covered by such interest rate cap agreement. The aggregate notional amount of such interest rate cap agreements shall not exceed \$50 million, with staff being required to seek approval of the Trustees for any greater amount.

FISCAL INFORMATION

“No increase in total authorization is being requested for the Energy Services and Technology Programs at this time. As in the past, the cost of offering this financing, together with the cost of advancing funds and Authority overheads as well as program costs, will be recovered directly from participants. In addition, the participants will be responsible for any fluctuation in interest rates during the extended repayment period. To ensure full interest rate recovery, in addition to variable rate debt instruments, financing may also be provided through fixed rate instruments having terms equal to the extended cost recovery period. The Authority may also enter into interest rate cap agreements covering the extended period, the cost of which would be borne by the customer, to fix the maximum interest rate to be paid to finance a project.

RECOMMENDATION

“The Senior Vice President - Energy Services and Technology and the Director - Energy Services recommend that the Trustees authorize a maximum cost recovery period of 20 years for Energy Services and Technology Programs projects implemented in the future, provided that the Senior Vice President-Energy Services and Technology determines that such extended cost recovery period of 20 years, or a lesser number of years, is necessary or advisable to render a proposed project economically viable, and provided further, that the equipment to

be financed under such project have a useful life equal to or longer than the cost recovery period chosen. The Trustees are also requested to authorize interest rate cap agreements in connection with such extended-cost-recovery-period projects, as discussed above.

" 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 presented the highlights of staff's recommendations to the Trustees.

Responding to questions from Trustee Seymour, Messrs. Tscherne and Urbach explained the impact the proposed action would have on the Authority's balance sheet; i.e. to the extent that the Authority undertakes to finance energy efficiency programs over a twenty year term, the Authority's "accounts payable" and "accounts receivable" will be concomitantly increased. Mr. Tscherne underscored that the proposed modification of the financial terms for such Energy Services and Technology programs would allow for additional programs as well as more funding for research.

Messrs. Blabey and Tscherne then responded to questions from Acting Chairman Ciminelli and President Zeltmann concerning the possibility of the Authority entering into interest rate cap agreements, in which the program customers would assume the costs.

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

RESOLVED, That in support of Governor Pataki's comprehensive energy conservation goals outlined in Executive Order 111, the changes effectuated by the State Legislature to public school building aid formulas, and the desire of agencies to control their energy costs, the Trustees hereby authorize a maximum cost recovery period of 20 years for projects implemented after the date hereof under the Authority's Energy Services and Technology Programs, provided that (1) the Senior Vice President-Energy Services and Technology determines that such extended cost recovery period of 20 years, or a lesser number of years, is necessary or advisable to render a proposed project economically viable, (2) the equipment to be financed under such project have a useful life equal to or longer than the cost recovery period chosen, (3) the cost of these projects, including financing costs, will be recovered directly from participants, with the participants being responsible, among other things, for interest rate costs during the extended repayment period, and (4) in addition to variable rate debt instruments, financing may be provided (i) through fixed rate debt instruments having a term equal to the term of the extended cost recovery period or (ii) through an interest rate cap agreement which would fix the maximum interest rate to be paid for the financing for the term of such extended cost recovery period for such project; and be it further

RESOLVED, that the Treasurer and the Deputy Treasurer are, and each hereby is, authorized to enter into such interest rate cap agreements as such officer deems necessary or advisable to fix the maximum rate of interest to be paid for financing in connection with the extended cost recovery period projects discussed in the foregoing President's Report, with each such interest rate cap agreement having such terms and conditions as such officer deems necessary or advisable, provided that the aggregate notional amount of such interest rate cap agreements shall not exceed \$50 million and provided further that the cost of each such interest rate cap agreement shall be paid by the customer whose project is covered by such interest rate cap agreement; and be it further

March 26, 2002

RESOLVED, that all officers of the Authority be, and each of them hereby is, authorized for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the purposes of this Resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

9. Niagara Economic Development Fund - Authorization to Modify Niagara Economic Development Fund Agreements

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize certain modifications to the Niagara Economic Development Agreement (the ‘Development Agreement’), the Niagara Economic Development Fund (‘Niagara Fund’) Trust Agreement (the ‘Trust Agreement’) and the Niagara Economic Development Fund Administrative Agreement (the ‘Administrative Agreement’) (collectively, the ‘Agreements’). The modifications would authorize the Niagara Fund to provide up to \$2 million in grant monies to the USA Niagara Development Corporation (‘USA Niagara’) for economic development purposes within the City of Niagara Falls and for the purpose of promoting the scenic beauty of Niagara Falls. The modifications would also authorize (i) an increase in the maximum principal amount of any loan that could be made by the Niagara Fund to such level as deemed advisable by the Vice President – Major Accounts, Marketing and Economic Development and as approved by the other members of the Niagara Fund Board, and (ii) such revisions to the guidelines for determining entities eligible for the loan program as deemed advisable by the Vice President – Major Accounts, Marketing and Economic Development and as approved by the other members of the Niagara Fund Board.

DISCUSSION

“At their meeting of April 24, 1990, the Trustees authorized the transfer of \$5,000,000 to the Job Development Authority (‘JDA’), as trustee under a trust agreement, to establish an economic development loan fund for Niagara County. The Niagara Fund was established to further economic development in the Niagara County area and operates under the direction of a five-member board (the ‘Niagara Fund Board’). The Niagara Fund Board consists of representatives of the Authority, the New York Job Development Authority, the New York State Urban Development Corporation, the Niagara County Industrial Development Agency (‘Niagara IDA’) and the City of Niagara Falls. By further resolution adopted August 25, 1998, the Trustees authorized the transfer of the trust fund and responsibility for administering the loan program to the Niagara IDA. This entity currently administers a Niagara Fund loan program to effectuate economic development in the Niagara County area. To date, it has loaned approximately \$3.12 million and has approximately \$4 million in uncommitted funds in the trust fund.

“USA Niagara is a wholly owned subsidiary of the Empire State Development Corporation and is dedicated solely to the support and promotion of economic development initiatives in Niagara Falls by leveraging private investment and encouraging growth and renewal of the tourism industry in the City of Niagara Falls.

“Because of USA Niagara’s mission to redevelop the business district of the City of Niagara Falls and thereby improve the scenic beauty of the Niagara Falls, so as to attract additional tourists and promote economic development, staff is requesting the Trustees to authorize modifications of the Agreements to permit the Niagara Fund to use up to \$2 million of its principal for grants to USA Niagara. Such grants shall be solely for the purposes of promoting economic development within the City of Niagara Falls and/or for promoting the scenic beauty of Niagara Falls.

“Staff is also recommending modifications to the Agreements to increase the maximum principal amount of a loan that could be made by the Niagara Fund, and to revise the guidelines for determining entities eligible for the loan program, so as to increase flexibility under the loan program. The form such modifications would take would be determined by the Vice President – Major Accounts, Marketing and Economic Development, as he deems advisable, and the other members of the Niagara Fund Board.

RECOMMENDATION

“The Senior Vice President - Public and Governmental Affairs recommends that the Trustees approve modifications to the Agreements (1) to permit the Niagara Fund to provide up to \$2 million in grant monies to USA Niagara for economic development within the City of Niagara Falls and/or for promoting the scenic beauty of

Niagara Falls, and (2) to increase the maximum principal amount of any loan that could be made by the Niagara Fund, and (3) to revise the guidelines for determining entities eligible for the loan program, with such increase and revisions taking such form as deemed advisable by the Vice President – Major Accounts, Marketing and Economic Development, and as approved by the other members of the Niagara Fund Board.

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

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

Responding to questions from Acting Chairman Ciminelli, Mr. Barden explained that the proposed modifications do not call for any additional funds but rather represents a formal ratification by the Trustees which is required to effectuate any changes to the Fund Agreements. Responding to questions from Trustee Seymour, Mr. Barden reported that the Niagara County Industrial Development Agency ("IDA") has not yet articulated support for the proposed modifications but that NYPA staff would be meeting with the IDA representatives soon.

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

RESOLVED, That it is hereby authorized that the Niagara Economic Development Agreement (the “Development Agreement”), the Niagara Economic Development Fund Trust Agreement (“Trust Agreement”) and the Niagara Economic Development Fund Administrative Agreement (“Administrative Agreement”) be amended (1) to permit the use of Niagara Fund monies in an aggregate amount of up to \$2 million for grants to the USA Niagara Development Corporation for economic development purposes within the City of Niagara Falls and/or for the purpose of promoting the scenic beauty of Niagara Falls, and (2) to increase the maximum principal amount of any loan that could be made by the Niagara Fund to such level as deemed advisable by the Vice President – Major Accounts, Marketing and Economic Development, and as approved by the other members of the Niagara Economic Development Fund Board, and (3) to revise the guidelines for determining entities eligible for the loan program, with such revisions having such terms and conditions as deemed advisable by the Vice President – Major Accounts, Marketing and Economic Development, and as approved by the other members of the Niagara Economic Development Fund Board; and be it further

RESOLVED, That subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel or his designee, the Vice President – Major Accounts, Marketing and Economic Development or his designee be, and hereby is, authorized to execute such amendments to the Development Agreement, Trust Agreement and Administrative Agreement, and to any other related agreements, as such officer may deem necessary or advisable to effectuate the purposes of this Resolution, with such amendments or agreements having such terms and conditions as he may deem necessary or advisable, and to execute all other certificates, documents or agreements which he may deem necessary or advisable to effectuate this Resolution; and be it further

RESOLVED, That the Vice President – Major Accounts, Marketing and Economic Development is authorized to propose to the Niagara Economic Development Fund Board such changes to the Development Agreement, the Trust Agreement and the Administrative Agreement as may be necessary or advisable to effectuate the intent of this Resolution; and be it further

March 26, 2002

RESOLVED, That all officers of the Authority be, and each of them hereby is, authorized for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the purposes of this Resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

10. **Motion to Conduct 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.

At this time, President Zeltmann relayed kudos Authority staff had received from the American Public Power Association ("APPA") by earning that organization's highest award for safe operating practices for the sixth consecutive year. He noted that, at the awards ceremonies, APPA Chairman Richards had also spoken at length about the value of the Authority's Power Now! Project especially during the post-9/11 scenario faced by New York City. President Zeltmann added that the prestigious safety award is a tribute to the hard work and dedication of Messrs. Hiney, Deschamps, Dube, their staffs and all those who work to make the Authority's facilities operate safely. Acting Chairman Ciminelli reiterated wholehearted congratulations on behalf of the Trustees.

On motion duly made and seconded, an Executive Session was held, at approximately 11:40 a.m., in connection with matters concerning the financial history of particular corporations and matters leading to the award of contracts to particular corporations.

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

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

On motion duly made and seconded, the meeting resumed in open session at approximately 12:15 p.m.

12. Next Meeting

The Annual Meeting of the Trustees will be held on **Tuesday, April 30, 2002** at the **White Plains Office** at **11:00 a.m.**, unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

13. **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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