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

February 25, 2003

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the White Plains Office at 12:00 a.m.

Present: Louis P. Ciminelli, Chairman
Frank S. McCullough, Jr., Vice Chairman
Timothy S. Carey, Trustee

Gerard V. DiMarco, Trustee (Excused)
Joseph J. Seymour, Trustee (Excused)

Eugene W. Zeltmann	President and Chief Executive 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 – Business Services and Administration
Peter A. Barden	Senior Vice President – Public & Government Affairs
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
H. Kenneth Haase	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael N. Urbach	Senior Vice President & Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President – Controller
Thomas P. Antenucci	Vice President – Project Management
Robert Deasy	Vice President – Energy Resource Management & Fuels Operation
Anne Wagner-Findeisen	Vice President – Ethics & Regulatory Compliance
Charles I. Lipsky	Vice President - Chief Engineer
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
Dennis T. Eccleston	Chief Information Officer
Peter Scalici	Acting Inspector General
Michael Brady	Acting Treasurer
Angela D. Graves	Acting Deputy Secretary
Gary Paslow	Executive Director – Policy Development
Arthur M. Brennan	Director – Internal Audit
Angelo S. Esposito	Director – Energy Services
John L. Murphy	Director – Public Relations
William V. Slade	Director – Environmental Division
Helen L. Eisenfeld	Manager – Cost Control
James F. Pasquale	Manager – Business Power Allocations & Compliance
Wayne Gowen	Senior Network Specialist
Benjamin C. Wong	Project Engineer
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Noelle M. Zandri	Secretary to General Counsel
Teresa M. Barrett	Law Assistant
Bonnie Fahey	Executive Assistant
Wayne Gowen	Senior Network Specialist
Brian C. McElroy	Senior Investment Analysis

Duaine Smith	Client Service and Engagement Partner, PricewaterhouseCoopers
George Vande Vrede	Audit Director, PricewaterhouseCoopers
Lynnette J. Taylor	Temporary Executive Assistant

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

1. Approval of the Minutes

The minutes of the regular meeting of January 28, 2003 were unanimously adopted.

2. <u>Financial Reports for the Year Ended December 31, 2002 (Final) and the Month Ended January 31, 2003</u>

Mr. Bellis provided the final Financial Report for the year ended December 31, 2002 as well as the Report for the month ended January 31, 2003.

Responding to questions from Chairman Ciminelli, Mr. Bellis discussed the reasons for the disparity between actual and budgeted O&M expenses for January.

Responding to questions from Trustee Carey, Mr. Hiney reported that water levels in the Great Lakes are significantly lower than the previous year and are reminiscent of 2001. Mr. Hiney noted that greater precipitation in the Midwest is needed to raise water levels in the Great Lakes.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Mr. Scalici who gave a general presentation on the Authority's heightened security measures in response to the recent decision by the federal Department of Homeland Security to temporarily raise the national Threat Condition to "Orange" on the Homeland Security Advisory System.

Responding to questions from Chairman Ciminelli and Mr. Vesce, Mr. Scalici noted that augmented security measures at Authority facilities have been implemented and discussed possible contingencies for future Authority events.

Chairman Ciminelli and Vice Chairman McCullough requested that Mr. Scalici report back to the Trustees on security related topics in executive session at the next Trustees' meeting.

At this time, President Zeltmann thanked Mr. Scalici for his report and introduced Mr. Brady, who provided a status report on Authority debt and Trustee-authorized actions.

Mr. Brady summarized the Authority's 2002 debt transactions and Financial Market Transactions authorized by the Trustees. He also provided an overview of the Authority's interest rate swaps and caps in place as well as the effect of actions taken regarding the Authority's variable debt exposure. Mr. Brady then reported on the Authority's true variable rate exposure and outstanding debt and outlined the Authority's future financing programs and overall debt reduction strategy.

Responding to questions from Chairman Ciminelli and Trustee Carey, Mr. Brady explained that the rating agencies generally considered the amount of variable rate debt acceptable, to be in the range of 20-25% of total debt outstanding, with S&P being less flexible than Moody's and Fitch. Mr. Brady discussed the method by which the rating agencies evaluate the Authority's financial standing v. private sector entities. He reported that the rating agencies look at the Authority's debt coverage ratio (cash flows to debt service). He further stated that the Authority's coverage ratio is close to 3, which is higher than the acceptable range of 1.5 to 2.

4. <u>Quarterly Review of Power for Jobs Employment Commitments</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"At their meeting of January 28, 2003, the Trustees approved a one year extension to the moratorium against taking enforcement action against customers when their actual employment levels fall short of their agreed upon employment commitments. Customers are having difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium extension retroactive to January 1, 2003. As a result, the following discussion of PFJ customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit '4-A'.

BACKGROUND

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

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the 2nd Quarter of 1998, 1999, 2000 and 2001. The Authority had 49 customers with 53 contracts first receiving power in the 2nd Quarter of 1998, 50 customers with 55 contracts first receiving power in the 2nd Quarter of 1999, 38 customers with 40 contracts first receiving power in the 2nd Quarter of 2000 and seven customers with seven contracts first receiving power in the 2nd Quarter of 2001.

DISCUSSION

"Staff reviewed a total of 141 customers with 155 contracts. This initial review resulted in a detailed examination of 44 contracts with 41 customers that were below the 90% job commitment threshold. Five customers with five contracts did not report – two customers were not renewing their contracts for Phase 5, one customer was released from the program after Authority's analysis determined they were not benefiting from the program, one customer went out of business, and one customer closed operations at the location receiving PFJ.

"The 155 contracts reviewed represent overall power allocations of 125.784 MW and total employment commitments of 63,767 jobs. In the aggregate, these customers reported actual employment of 62,831.41 positions, which represents some 98.68% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 41 customers whose actual job levels are below the minimum threshold."

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

Responding to questions from Trustee Carey, Mr. Pasquale explained the reasons why five of the Power for Jobs customers did not report their job commitments during this period. Specifically, Mr. Pasquale noted that two customers were not renewing their contracts for Phase 5 of the program, one was released after the Authority's analysis determined that the customer was not benefiting from the program, one went out of business, and one closed operations at the location receiving power allocations.

Airsep Corporation, Buffalo, Erie County

Allocation: 1,200 kW of Power for Jobs Power
Jobs Commitment: 420 jobs

Background: Airsep Corporation ('Airsep'), founded in 1987 designs and manufactures medical equipment primarily in the oxygen generation market. The company also manufactures circuit boards. The circuit board business had a difficult year due to the downturn in the telecommunications industry. For the past year Airsep Corporation averaged 312.50 jobs, i.e., 74.40% of its employment commitment. Airsep's business has improved such that they now employ 70 full time contract workers, which brings the company into compliance.

Alvin J. Bart & Sons Inc., Brooklyn, Kings County

Allocation: 700 kW of Power for Jobs Power
Jobs Commitment: 171 jobs

Background: Alvin J. Bart & Sons, Inc. ('Alvin J. Bart') is a service oriented printing firm that runs 24 hours a day, seven days a week. They print books, pads, internal newspapers, quarterly reports, four color brochures, mail pieces and other commercial printing. September 11th and the downturn in the economy hurt Alvin J. Bart's business this past reporting period. For the past year Alvin J. Bart & Sons Inc. averaged 149.00 jobs, i.e., 87.13% of their commitment. The company's last reported quarter averaged just two jobs short of meeting their commitment.

Anacote Corporation, Long Island City, Queens County

Allocation: 375 kW of Power for Jobs Power – **Phase 5 Not Approved**
Jobs Commitment: 46 base jobs and 5 created jobs by end of third year

Background: Anacote Corporation ('Anacote') specializes in metal finishing for manufactured aluminum parts. Anacote's job level was affected by several factors this past reporting period, including, closing one platform and moving surplus metal finishing to another plant, For the past year Anacote Corporation averaged 32.17 jobs, i.e., 69.93% of their commitment. Anacote's contract terminates at the end of May 2003 and its Phase 5 re-application was not approved upon review.

Anorad Corporation, Hauppauge, Suffolk County

Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 398 Jobs

Background: Anorad Corporation ('Anorad'), founded in 1972, manufactures precision motion control equipment in the semiconductor industry. The semiconductor industry as a whole had a hard downturn last year, which affected Anorad. For the past year Anorad Corporation averaged 232.08 jobs, 58.31% of their new commitment. The company expects a recovery by mid 2003.

Audio Sears Corporation, Stamford, Delaware County

Allocation: 187 kW of Power for Jobs Power
Jobs Commitment: 105 jobs

Background: Audio Sears Corporation ('Audio Sears') founded in 1956, manufactures telecommunications equipment for the military and commercial contracts. Audio Sears had a very difficult year but business has improved recently. For the past year Audio Sears Corporation averaged 83.17 jobs, i.e., 79.21% of their commitment. The company hired four new people recently and foresees continued growth.

Beech-Nut Nutrition Corporation, Canajoharie, Montgomery County

Allocation: 1,500 kW of Power for Jobs Power
Jobs Commitment: 406 jobs

Background: Beech-Nut Nutrition Corporation ('Beech-Nut') was founded in 1891 to produce smoked hams and sliced bacon in glass jars. In 1931, Beech-Nut introduced baby food in glass jars, which is its current business at this site. Reflective of the industry as a whole, baby food sales were down this past year. However, Beech-Nut has attempted to reverse this trend and is working very hard to market new products and expand manufacturing. For the past year Beech-Nut averaged 336.67 jobs, i.e., 82.92% of their commitment. In 2002, the company launched two new product lines, invested millions in new equipment, and signed a co-packing agreement.

Brunswick Hospital, Amityville, Suffolk County

Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 1,150 jobs

Background: Brunswick Hospital ('Brunswick'), established in 1887, is a 472 bed multi-service hospital center. Brunswick has a general medical and surgical facility, an acute physical medicine and rehabilitation facility, a psychiatric facility and a nursing home. For the past year Brunswick Hospital averaged 996.08 jobs, i.e., 86.62% of their commitment. Brunswick has grown since reporting, with the latest job data at 1,054.87 jobs, i.e., 91.73% of its commitment.

Catholic Medical Center (Saint Joseph's Hospital), Flushing, Queens County

Allocation: 150 kW of Power for Jobs Power – **Phase 5 Approved**
Jobs Commitment: 506 jobs

Background: Part of the Catholic Medical Center system, St. Joseph's Hospital ('CMC St. Joseph's') provides inpatient and outpatient care. Inpatient care includes intensive care, physical rehabilitation, and skilled nursing care. Outpatient care includes a 24 hour emergency department, clinical lab, diagnostic imaging and ambulatory surgery. For the past year Catholic Medical Center (Saint Joseph's Hospital) averaged 452.00 jobs, i.e., 89.33% of their commitment. CMC St. Joseph's is less than one job short of its commitment.

Catholic Medical Center (Saint Mary's Hospital), Brooklyn, Kings County

Allocation: 150 kW of Power for Jobs Power – **Phase 5 Approved**
Jobs Commitment: 1,478 jobs

Background: Part of the Catholic Medical Center system, St. Mary's Hospital ('CMC St. Mary's') provides inpatient and outpatient care. Inpatient care includes intensive care, physical rehabilitation, and skilled nursing care. Outpatient care includes a 24 hour emergency department, clinical lab, diagnostic imaging and ambulatory surgery. For the past year Catholic Medical Center (Saint Mary's Hospital) averaged 1,123.17 jobs, i.e., 75.99% of their commitment.

Corning, Inc., Canton, St. Lawrence County

Allocation: 1,500 kW of Power for Jobs Power – **Phase 5 Approved**
Jobs Commitment: 272 jobs

Background: Corning, Inc. ('Corning') has been in business since 1868, with the Canton facility in operation for a few decades. The Canton facility falls within the Corning Technologies sector, which develops and maintains Corning's glass and ceramics forming and melting technologies. The plant produces high purity fused silica and microlithograph lenses. For the past year Corning, Inc. averaged

228.58 jobs, i.e., 84.04% of their commitment. Though the economic downturn has impacted the level of employment, the Corning's five-year plan for expansion is basically on track. The company forecasts that they will be meeting their commitment in 2003, as they have a new product coming on line by the end of 2002.

Deck Brothers, Inc., Buffalo, Erie County

Allocation: 179 kW of Power for Jobs Power
Jobs Commitment: 57 jobs

Background: Deck Brothers, Inc. ('Deck') has been in business as a machine shop since 1866. It has the same two owners since 1977. Deck business is custom precision machining. For the past year Deck averaged 26.50 jobs, i.e., 46.49% of their commitment. The company's largest customer sent part of their business overseas, which resulted in a layoffs. However, Deck is negotiating with this customer to bring back some of the work sent overseas in 2003. Deck is actively seeking new customers, more work from current customers and believes they will be in compliance within a year as they have some excellent prospects for orders.

Dinaire LLC, Buffalo, Erie County

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 152 jobs

Background: Dinaire LLC ('Dinaire'), founded in 1946, is a furniture manufacturer. Dinaire makes wood tables, chairs and case goods for kitchens and dining rooms. For the past year Dinaire LLC averaged 114.83 jobs, i.e., 75.54% of its commitment. Dinaire has had a difficult year and does not foresee growth in the coming year.

Hammond & Irving, Inc., Auburn, Cayuga County

Allocation: 450 kW of Power for Jobs Power
Jobs Commitment: 85 jobs

Background: Hammond & Irving, Inc. ('Hammond'), founded in 1919, manufactures seamless rolled rings and open die forgings for the bearings industry. Hammond experienced a downturn in business in the past year. For the past year Hammond & Irving averaged 74.17 jobs, i.e., 87.25% of their commitment. The high cost of natural gas has hurt them, as their bill was 65% higher for this reporting period compared with the prior period. Hammond is doing all it can to keep things stable. The company is only two jobs short of its commitment.

Harding Manufacturing Corporation, Rome, Oneida County

Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 75 base jobs and 22 created jobs by end of third year

Background: In business since 1981, Harding Manufacturing Corporation ('Harding') is a custom injection molding plastics manufacturer. The company serves the automotive, medical, and telecommunications industries. Harding lost its biggest customer this past year to foreign competition forcing them to reduce their workforce. For the past year Harding Manufacturing Corporation averaged 43.42 jobs, i.e., 57.89% of their commitment. The company is working hard to increase their customer base and has recently added two new customers. Harding plans on adding employees in January 2003 and expects to meet its commitment in 2003.

J.P. Morgan Chase Corporation, Lake Success, Nassau County

Allocation: 1,295 kW of Power for Jobs Power
Jobs Commitment: 1,050 jobs

Background: J.P. Morgan Chase Corporation ('Morgan Chase') is one of the largest banks in the world, with Chase having its roots in New York date back to 1799. This Long Island location houses a data center that provides support and administrative functions for the company's credit card business, as well as, serves deposit and investment functions. For the past year J.P. Morgan Chase Corporation averaged 911.83 jobs, i.e., 86.84% of their commitment. Due to September 11th Morgan Chase moved part of their data center to other locations.

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

Allocation: 300 kW of Power for Jobs Power – **Phase 5: 170 kW of Power for Jobs Power**
Jobs Commitment: 420 jobs – **Phase 5: 227 jobs**
Background: Jacmel Jewelry, Inc. ('Jacmel'), a privately owned company was founded in 1977. Jacmel designs, manufactures and ships fine jewelry. During this past reporting there was a significant downturn in the jewelry business and the company was forced to lay people off. For the past year Jacmel Jewelry, Inc. averaged 226.92 jobs, i.e., 54.03% of its commitment. Jacmel is holding its own and does not see job growth in the near future. However, Jacmel is at 99.96% of its Phase 5 job commitment.

Jerrico Tools, Inc., Alden, Erie County

Allocation: 20 kW of Power for Jobs Power
Jobs Commitment: 10 jobs

Background: Jerrico Tools, Inc. ('Jerrico'), builds plastic injection molds. Due to the small job commitment, just having a few workers less than the contractual requirement would render a dramatic showing of non-compliance. For the past year Jerrico Tools, Inc. averaged 7.33 jobs, i.e., 73.33% of their commitment. Since reporting, business has dramatically increased, resulting in the hiring of a new employee. Jerrico expects to bring on a new customer with a large order by the end of the year, which would require adding an additional worker. The company should be meeting their commitment by the end of 2002, with a 9.5 jobs FTE.

Johnson & Hoffman Manufacturing Corporation, Carle Place, Nassau County

Allocation: 225 kW of Power for Jobs Power
Jobs Commitment: 85 jobs

Background: In business since 1949, Johnson & Hoffman Manufacturing Corporation ('Johnson & Hoffman') manufactures precision metal stampings, deep drawn components for the automotive air bag, electronics, ordnance and other commercial industries. For the past year Johnson & Hoffman Manufacturing Corporation averaged 54.58 jobs, i.e., 64.21% of their commitment. Johnson & Hoffman's contract expired and will not be renewed as the company no longer benefits from the continuation of the program.

Johnstown Leather Corporation, Johnstown, Fulton County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 35 jobs

Background: Johnstown Leather Corporation ('Johnstown') has been in business for nearly forty years and is owned by one family. The company is a leather tannery. Raw deer hides are processed into leather for customers that manufacture gloves and shoes. The company is in severe distress and may close. For the past year Johnstown averaged 17.75 jobs, i.e., 50.17% of their commitment. The company's overseas business is what is keeping the business viable.

Kintz Plastics Incorporated, Howe's Cave, Schoharie County

Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 127 jobs

Background: Founded in 1976, Kintz Plastics Incorporated ('Kintz') manufactures thermoformed machined plastic parts for the biomedical and electronics industries. The economic downturn hurt Kintz's business dramatically. In response employment levels dropped dramatically as well. The company closed its New Hampshire facility to consolidate the business into its NY location. For the past year Kintz Plastics Incorporated averaged 103.50 jobs, i.e., 81.50% of their commitment. The company has started to rebound and expects to meet its commitment in about a year.

KMS Plastics LLC, Oneonta, Otsego County

Allocation: 240 kW of Power for Jobs Power and
Jobs Commitment: 40 Jobs

Background: KMS Plastics LLC ('KMS'), an affiliate of the Audio Sears Corporation, manufactures injection molded plastic parts - cell phone equipment. For the past year KMS Plastics LLC averaged 18.75 jobs, i.e., 46.88% of their commitment. In January 2002, KMS Plastics became a wholly owned subsidiary of Audio Sears Corp. Due to the downturn in the economy KMS is only able to maintain its current level of 10 workers.

Knight Marketing Corporation, Johnstown, Fulton County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 171 jobs

Background: In business over 50 years, Knight Marketing Corporation ('Knight') began manufacturing cleaners and degreasers for the automotive industry. The company's flagship product is Spray Nine, the first ready to use all purpose disinfectant cleaner to appear in the U.S. market. Knight (now, Spray Nine Corporation, as Knight Marketing changed its name) was impacted by the economic downturn. For the past year Knight Marketing Corporation averaged 124.67 jobs, i.e., 72.90% of their commitment. Since reporting there has been an upswing in business and Knight Marketing is looking to hire several new employees. The company foresees strong growth in early 2003.

Lancaster Knives Incorporated, Lancaster, Erie County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 53 jobs

Background: Lancaster Knives Incorporated ('Lancaster'), in business since 1896, manufactures industrial knives used in cutting, peeling and slicing such things as paper, plywood, metal, and plastics. During the past year Lancaster's customers in the plywood business have dramatically curtailed orders, hurting business. Lancaster has been very proactive in seeking out new customers and is looking to South America as a good market. For the past year Lancaster Knives Incorporated averaged 43.08 jobs, i.e., 81.29% of their commitment. There has been a turnaround in the softwood plywood market and the company is interviewing people for three immediate openings, which would bring them to within one job of their commitment. Lancaster is optimistic that growth will continue.

Madelaine Chocolate Novelties, Inc., Rockaway Beach, Queens County

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

Background: Madelaine Chocolate Novelties, Inc. ('Madelaine') has been a family business since 1949. The company manufactures chocolate as per the requests of its customers, in all shapes, forms and quantities. For the past year Madelaine Chocolates averaged 512.92 jobs, i.e., 82.60% of their commitment. The company has been upgrading their equipment, which added efficiencies that resulted in some job reduction. Madelaine believes that they should have their commitment reduced without reducing their allocation, as they made productivity improvements resulting in their inability meet their commitment. The company expects their employment level to remain stable or grow slightly.

Manitoba Corporation, Lancaster, Erie County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 42 base jobs and 3 created jobs by the end of third year

Background: Manitoba Corporation ('Manitoba'), founded in 1916, recycles non-ferrous scrap metals to be used for manufacturing new products. Manitoba has been deeply impacted by the economic downturn and continues to lose business to foreign competition. The company is hopeful that the metals market will improve. For the past year Manitoba Corporation averaged 32.83 jobs, i.e., 78.17% of their commitment. Manitoba is actively seeking new business and expects that employment will remain stable.

Marquardt Switches, Inc., Cazenovia, Madison County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 252 jobs

Background: Established in 1981, Marquardt Switches Inc. ('Marquardt') manufactures electro-mechanical, as well as, electronic switches for the automotive, power tool and appliance industries. For the past year Marquardt Switches, Inc. averaged 225.46 jobs, i.e., 89.47% of their commitment. Marquardt is less than one job short of its job commitment.

Multimatic Products, Inc., Hauppauge, Suffolk County

Allocation: 90 kW of Power for Jobs Power
Jobs Commitment: 69 jobs

Background: Multimatic Products, Inc. ('Multimatic'), in business since 1960, is a jobbing machine shop that manufactures metal component parts for the microwave electronics industry. For the past year Multimatic Products, Inc. averaged 27.67 jobs, 40.10% of their commitment. NYPA has done a savings analysis on Multimatic's allocation and discovered that the company is not saving money through PFJ and as such, will be allowed to be released from the program.

Niagara Fiberboard Inc., Lockport, Niagara County

Allocation: 216 kW of Power for Jobs Power
Jobs Commitment: 33 Jobs

Background: Niagara Fiberboard Inc. ('Niagara') has been in business under its current owner since 1987 but the company dates back to 1910. Niagara manufactures recycled paperboard products for manufactured housing and recreational vehicles, as well as, products for the graphic art market. Niagara Fiberboard's sales are down, as the industrial packaging and manufactured housing markets are down 45 percent. For the past year Niagara Fiberboard, Inc. averaged 27.58 jobs, i.e., 83.59% of its commitment. Niagara is aggressively trying to replace the lost business and add new accounts. All the while they were able to keep steady employment with no lay-offs. The company recently started a new product line which will require an additional two people soon, which will make Niagara one job short of its commitment.

Norwich Aero Products, Inc., Norwich, Chenango County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 115 jobs

Background: Norwich Aero Products, Inc. ('Norwich Aero') manufactures temperature sensors and accessories for the Aerospace industry. Norwich Aero has been deeply affected by the slump in the aviation industry this past year and has stabilized employment at 72 FTEs after large employment reductions. For the past year Norwich Aero Products averaged 91.00 jobs, i.e., 79.13% of their commitment. Recently, they received some new orders and are hiring a new employee immediately. The company is cautiously optimistic about future growth.

Optical Gaging Products Incorporated, Rochester, Monroe County

Allocation: 650 kW of Power for Jobs Power
Jobs Commitment: 244 jobs

Background: In business for 57 years, Optical Gaging Products Incorporated ('Optical Gaging'), manufactures precision measurement instruments, particularly, contour projectors and video measurement instruments used in the automotive, aerospace, ceramics, biomedical, plastics and electronics industries. Optical Gaging has been impacted by the economic downturn but believes that the worst is behind them. The company has stabilized and is currently at 198 FTEs. For the past year Optical Gaging Products Incorporated averaged 209.92 jobs, i.e., 86.03% of their commitment. Optical, cautiously optimistic as some of their global business is increasing, is hiring three people immediately.

Photocircuits Corporation, Glen Cove, Nassau County

Allocation: 4,000 kW of Power for Jobs Power
Jobs Commitment: 2,028 jobs

Background: Founded in 1986, Photocircuits Corporation ('Photocircuits'), is one of the largest manufacturers of printed circuit boards in North America. Photocircuits services the automotive and electronics industries, which have been hit very hard by the economic downturn, and has affected the company as such. For the past year Photocircuits Corporation averaged 1,354.75 jobs, i.e., 66.80% of their commitment. The company does not foresee any growth for the next year.

Racemark International, LP, Malta, Saratoga County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 234 jobs

Background: Racemark International, LP ('Racemark'), is a privately held company in business over thirty years. Racemark manufactures auto-mats for automotive manufacturers. Though the company had been impacted by the downturn in the economy, business has improved. For the past year Racemark International, LP, averaged 169.92 jobs, i.e., 72.61% of its commitment. The company recently added a third shift and with a new product in development, foresees meeting their commitment within a few months.

Rhodia, Inc., Troy, Rensselaer County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 43 jobs

Background: Rhodia, Inc. ('Rhodia'), is one of the world's leading specialty chemical manufacturers. The company manufactures silicone mold-making compounds, grease coatings and encapsulents for the automotive, aerospace, electronics and entertainment industries. For the past year Rhodia, Inc. averaged 31.67 jobs, i.e., 73.64% of their commitment. Rhodia is moving out of state. They will be closing their facility in NY by the end of December.

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

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 61 jobs

Background: Rich Plan of Utica, Inc. ('Rich'), has been in business since 1953. Rich processes meat and packs frozen foods for delivery to homes. The economic downturn impacted business strongly, resulting in a much reduced workforce. For the past year Rich Plan of Utica, Inc. averaged 40.42 jobs, i.e. 66.26% of their commitment. Business has picked up recently and the company is planning on adding several employees, but they are unable to predict when they will meet their commitment.

Sag Harbor Industries, Sag Harbor, Suffolk County

Allocation: 150 kW of Power for Jobs Power
Jobs Commitment: 64 jobs

Background: Sag Harbor Industries ('Sag Harbor'), founded in 1946 by Thomas Edison's son, manufactures coils, transformers, printed circuit assemblies and surface mount assemblies designed and produced to customer specifications. The company is starting to grow again and will be adding three jobs in the next few months. For the past year Sag Harbor Industries averaged 45.92 jobs, i.e., 71.74% of their commitment. Sag Harbor's contract expired this year and NYPA has done a savings analysis on Sag Harbor's allocation. NYPA discovered that the company is not saving money through PFJ and as such, will be not be renewed for Phase 5 of the program.

Seneca Foods Corporation, Geneva, Ontario County

Allocation: 1,000 kW of Power for Jobs Power
Jobs Commitment: 321 jobs **– Phase 5: 278 jobs**

Background: Seneca Foods Corporation ('Seneca'), is a leader in the food processing industry, especially in the canned and frozen vegetables sector, as well as, apple products. Seneca manufactures canned vegetables at this location. For the past year Seneca Foods Corporation averaged 254.42 jobs, i.e., 79.26% of their commitment. However, Seneca is at 91.52% of its Phase 5 commitment.

Seneca Foods Corporation, Leicester, Livingston County

Allocation: 1,000 kW of Power for Jobs Power **– Phase 5 Approved**
Jobs Commitment: 176 jobs

Background: Seneca Foods Corporation ('Seneca'), is a leader in the food processing industry, especially in the canned and frozen vegetables sector, as well as, apple products. Seneca manufactures canned and frozen vegetables at this location. For the past year Seneca Foods Corporation averaged 133.83 jobs, i.e., 76.04% of their commitment.

Southern Container Corporation, Hauppauge, Suffolk County

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 227 jobs

Background: Southern Container Corporation ('Southern Container'), in business over 50 years, manufactures packaging cartons of various sizes and shapes. Though this past year was difficult, Southern Container is now growing. This past year Southern Container Corporation averaged 191.25 jobs, i.e., 84.25% of their commitment. The company anticipates meeting its commitment in 2003.

Spectronic Instruments Corporation, Rochester, Monroe County

Allocation: 800 kW of Power for Jobs Power
Jobs Commitment: 178 jobs

Background: Spectronic Instruments Corporation ('Spectronic'), spun off from Bausch & Lomb in 1985, manufactures ultra-violet, visible, color and fluorescence spectrophotometers and diffraction gratings. Spectronic's employment is slightly below commitment level due to the decline in the semiconductor and telecom markets. For the past year Spectronic Instruments Corporation averaged 158.75 jobs, i.e., 89.19% of their commitment. The facility is being upgraded so that it may grow as the market returns. However, the spectroscopy business is being moved out of state by their parent company, resulting in a decline of 80 employees beginning in the second quarter 2003. Spectronic's gratings business will stay in Rochester.

TMP Technologies, Inc., Wyoming, Wyoming County

Allocation: 268 kW of Power for Jobs Power
Jobs Commitment: 60 jobs

Background: TMP Technologies, Inc. ('TMP'), is a privately held company and in business since 1954. TMP manufactures highly-engineered polyurethane foam, rubber and plastic products for business machines, consumer, medical, household and industrial markets. This location is the site of the Advanced Foam Products Division. Though business was impacted by the economic downturn, TMP has made major improvements in their products, increased their operational efficiency and is now running at full capacity. For the past year TMP Technologies, Inc. averaged 46.50 jobs, i.e., 77.50% of their commitment. The company is meeting its commitment now, as they are employing 15 new full time contract workers, who are all in a probationary period before being hired on as permanent employees. Within six months the company expects to be well over its commitment.

TMP Technologies, Inc., Buffalo, Erie County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 89 jobs

Background: TMP Technologies, Inc. ('TMP'), is a privately held company and in business since 1954. TMP manufactures highly-engineered polyurethane foam, rubber and plastic products for business machines, consumer, medical, household and industrial markets. This location is the site of the Truly Magic Products Division. Due to the economic slowdown in the computer industry business has been down. For the past year TMP Technologies, Inc. averaged 63.25 jobs, i.e., 71.10% of its commitment. The company's customers are the big computer printer companies, such as Xerox, Canon and Lexmark. TMP is aggressively seeking new business and is expecting a major new account that will require two new shifts with eight people per shift. If TMP gets the new account, the additional staff needed to maintain the account would bring them into compliance.

Tompkins Metal Finishing, Inc., Batavia, Genesee County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 91 jobs

Background: Tompkins Metal Finishing, Inc. ('TMF'), was established in 1993 as a metal finishing line (anodizing) where they perform chromate conversion coatings and electro-nickel plating on steel. All of TMF's customers are metal manufacturers, stampers and machine shops in the Buffalo and Rochester area. As the economies of Buffalo and Rochester are distressed, this has in turn impacted the company. For the past year Tompkins Metal Finishing, Inc. averaged 70.25 jobs, 77.20% of their commitment. TMF is currently adding a new line, which will be in place by the end of March 2003 and will require three more employees. The company foresees continued growth.

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

Allocation: 275 kW of Power for Jobs power
Jobs Commitment: 32 jobs

Background: W & H Stampings, Inc. ('W & H') is a company whose business is precision metal stamping for such items as fuses and small caliber weapons. W & H anticipates adding one additional employee. For the past year W & H Stampings, Inc. averaged 27.21 jobs, i.e. 85.03% of its commitment. The company is less than two jobs off of its employment commitment.

White Mop Wringer Company, Fultonville, Montgomery County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 76 jobs – **Phase 5: 61 jobs**

Background: White Mop Wringer Company ('White Mop') has been in business since 1890. The company manufactures metal commercial cleaning equipment. The founder had the first known squeeze mop wringer patented. White Mop is working harder to find a niche, as plastics have become dominant. Steel costs dramatically increased this past year, which impacted the company's bottom line, as they could not pass on these added costs. For the past year White Mop Wringer Company averaged 58.25 jobs, i.e., 76.64% of their commitment. The company has stabilized and even added three workers since reporting, bringing them back over 80% of their commitment. Furthermore, White Mop is now over 100.00% of its Phase 5 commitment.

Exhibit "4-A"
February 25, 2003

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average '01-'02 Jobs	Average Annual % Achieved
Airsep Corporation	2/29/00	PFJ	1200	420	312.50	74.40
Alvin J. Bart & Sons	5/1/98	PFJ	700	171	149	87.13
Anacote Corp.	3/28/00	PFJ	375	51	32.17	69.93
Anorad Corp.	3/31/98	PFJ	600	398	232.08	58.31
Audio Sears	3/31/98	PFJ	187	105	83.17	79.21
Beechnut Nutrition Corp.	11/24/98	PFJ	1500	406	336.67	82.92
Brunswick Hospital	2/24/99	PFJ	300	1150	996.08	86.62
Catholic Medical Center (St. Joseph's)	2/24/99	PFJ	150	506	452.00	89.33
Catholic Medical Center (St. Mary's)	2/24/99	PFJ	150	1478	1123.17	75.99
Corning, Inc.	1/26/00	PFJ	1500	272	228.58	84.04
Deck Bros., Inc.	3/31/98	PFJ	179	57	26.50	46.49
Dinaire LLC	3/30/99	PFJ	500	152	114.83	75.54
Hammond & Irving, Inc.	1/27/98	PFJ	450	85	74.17	87.25
Harding Manufacturing Corporation	1/30/01	PFJ	300	75	43.42	57.89
J.P. Morgan/Chase	3/31/98	PFJ	1295	1050	911.83	86.84
Jacmel Jewelry, Inc.	3/30/99	PFJ	300	420	226.92	54.03
Jerrico Tools, Inc.	3/31/98	PFJ	20	10	7.33	73.33
Johnson & Hoffman Mftg Corporation	2/24/99	PFJ	225	85	54.58	64.21
Johnstown Leather Corp.	2/29/00	PFJ	150	35	17.75	50.17
Kintz Plastics, Inc.	1/30/01	PFJ	300	127	103.5	81.5
KMS Plastics LLC	3/31/98	PFJ	240	40	18.75	46.88
Knight Marketing Corporation	10/27/98	PFJ	400	171	124.67	72.90
Lancaster Knives, Inc.	3/31/98	PFJ	400	53	43.08	81.29
Madelaine Chocolate Novelties, Inc.	1/25/00	PFJ	700	621	512.92	82.6
Manitoba Corporation	1/30/01	PFJ	250	42	32.83	78.17
Marquardt Switches, Inc.	2/24/99	PFJ	200	252	225.46	89.47
Multimatic Products, Inc.	3/31/98	PFJ	90	69	27.67	40.10
Niagara Fiberboard Inc.	3/31/98	PFJ	216	33	27.58	83.59
Norwich Aero Products, Inc.	3/31/98	PFJ	200	115	91.00	79.13
Optical Gaging Products Inc.	3/31/98	PFJ	650	244	209.92	86.03
Photocircuits Corporation	1/27/98	PFJ	4000	2028	1354.75	66.8
Racemark International, Inc.	11/24/98	PFJ	250	234	169.92	72.61
Rhodia, Inc.	1/25/00	PFJ	200	43	31.67	73.64
Rich Plan of Utica, Inc.	3/31/98	PFJ	200	61	40.42	66.26
Sag Harbor Industries	3/30/99	PFJ	150	64	45.92	71.74
Seneca Foods Corporation	2/24/99	PFJ	1000	321	254.42	79.26
Seneca Foods Corporation	2/24/99	PFJ	1000	176	133.83	76.04
Southern Container Corp.	1/30/01	PFJ	500	227	191.25	84.25
Spectronic Instruments	3/31/98	PFJ	800	178	158.75	89.19
TMP Technologies, Inc.	3/31/98	PFJ	268	60	46.5	77.5
TMP Technologies, Inc.	3/31/98	PFJ	250	89	63.25	71.1
Tompkins Metal Finishing, Inc.	3/31/98	PFJ	400	91	70.25	77.2
W & H Stampings, Inc.	3/31/98	PFJ	275	32	27.21	85.03
White Mop Wringer Company	2/24/99	PFJ	400	76	58.25	76.64

5. Power Allocations under the Power for Jobs Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve 24 allocations of available power under the Power for Jobs ('PFJ') program to the businesses listed in Exhibit '5-A' which have been recommended for such allocations by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for Power for Jobs electricity.

"The Power for Jobs program originally made available 400 megawatts ('MW') of power. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature amended the Power for Jobs statute to accelerate the distribution of the power, making of total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted which authorized another 300 MW of power to be allocated under the PFJ program. The additional MW were described in the statute as 'phase four' of the program. Customers who received allocations in Year One were authorized to apply for reallocations. Over 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki, which authorized another 183 MW of power to be allocated under the program. The additional MWs are described in the statute as 'phase five' of the program. Customers who received allocations in Year Two or Year Three will be given priority to reapply for the program. Any remaining power will be made available to new applicants.

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

"The program is designed to assist New York State enterprises that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through January 2003, the Trustee's approved allocations to 1,189 employers under the PFJ program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges and cultural institutions across the state.

DISCUSSION

"Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Twenty-four applications were deemed highly qualified and presented to the EDPAB for its review on February 25, 2003.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees {approve} the allocations to the 24 businesses listed in Exhibit '5-A'. Exhibit '5-A' lists those businesses that were recommended to have their existing allocation extended under phase five of the program. Collectively, these organizations have agreed to create or retain over 10,000 jobs in New York State in exchange for allocations totaling 20.16 MW. The allocation contracts will be for a period of up to three years. The power will be wheeled by the investor-owned utilities as indicated in the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '5-A'.

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

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

Chairman Ciminelli noted his abstention from voting on the proposed allocation to Outokumpu American Brass. Mr. Blabey responded that, because of the lack of a quorum on this proposed allocation, it would be re-submitted for approval at the next Trustees' meeting.

The following resolution, as submitted by the President and Chief Executive Officer, was adopted by the members present, but needs to be ratified at their meeting of March 20, 2003, as Chairman Ciminelli abstained from voting on the Outokumpu American Brass allocation.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 20.16 MW of allocations of Power for Jobs power to the companies listed in Exhibit "5-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "5-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That a total of 20.16 MW of power purchased by the Authority for Power for Jobs be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

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

6. Use of Operating Fund Monies for Payment, Purchase, Defeasance and/or Redemption of Authority Debt

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the use of up to $250 million Operating Fund monies through 2005, for the purpose of the payment, purchase, defeasance, and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes.

DISCUSSION

"The Trustees are requested to expand the authorizations previously granted by the Trustees in February and October 1998, July 2000 and September 2001, which allowed for the use of Operating Fund monies, in an aggregate amount not to exceed $500 million through 2004, for the payment, purchase and/or defeasance of Revenue Bonds, Subordinate Revenue Bonds and Commercial Paper Notes.

"To date, all but $13.5 million of the authorization has been utilized. The Trustees are requested to authorize the use of up to an additional $250 million of Operating Fund monies for the payment, purchase, defeasance, and/or redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes. Such authorization would extend through 2005. Current projections indicate the Authority will generate sufficient cash flows during this period which may be used for this purpose. Prior to any withdrawal for such purpose, the Authority staff would determine that the funds to be withdrawn are not needed for the payment of operating expenses, debt service, or any of the other purposes specified in the Authority's General Resolution authorizing Revenue Obligations.

RECOMMENDATION

"The Acting Treasurer recommends that the Trustees authorize the use of up to $250 million of Operating Fund monies through 2005, for the payment, purchase, redemption, and/or defeasance of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes.

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

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

Responding to questions from Chairman Ciminelli, Mr. Brady discussed the effect of the proposed transaction on the Authority's operating reserves.

Responding to questions from Vice Chairman McCullough, Mr. Brady explained the scope of the authorization recommended to the Trustees and that further Trustee action would not be required to use the $250 million to retire debt.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Trustees are requested to authorize the use of up to $250 million in Operating Fund monies through 2005 for the purpose of the payment, purchase, defeasance, and/or

redemption of Revenue Bonds, Subordinate Revenue Bonds, Commercial Paper Notes and Extendible Municipal Commercial Paper Notes, which authorization shall be in addition to the authorizations set forth in the resolutions adopted by the Trustees in February and October 1998, July 2000 and September 2001; and be it further

RESOLVED, That as a prerequisite to any withdrawal pursuant to the foregoing Resolution, the Treasurer or the Acting Treasurer, as the case may be, shall certify that such amount to be withdrawn is not then needed for any of the purposes specified in Section 503 (1)(a)-(c) of the General Resolution Authorizing Revenue Obligations, as amended; and be it further

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

7. Procurement (Services) Contracts – Refrigerator
<u>Contract – Public Housing Energy Efficiency Program – Award</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve the award of a procurement contract to General Electric Corporation ('GE') for energy efficient refrigerators available for the Authority's Public Housing Energy Efficiency Program. The contract will have a term of one year. The total cost of the contract is $7.2 million.

<u>BACKGROUND</u>

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year or for contracts in excess of $3 million.

"At their meeting of February 28, 1995, the Trustees approved a New York Public Housing Energy Efficiency Program. The center piece of this program is the procurement and installation of energy efficient apartment size refrigerators primarily for the New York City Housing Authority ('NYCHA'). To date, about 157,000 refrigerators have been delivered to NYCHA apartments. A total of approximately 180,000 refrigerators will be delivered upon program completion in early 2004.

<u>DISCUSSION</u>

"Since 1995, four separate bid solicitations were conducted with awards to General Electric (22,800 units), as well as Maytag (127,400 units), and PC Richard (W.C. Woods model) 6,400 units. In October 2002, a RFP was developed for the procurement of the final 23,000 -15 cubic foot refrigerators and 3,000 -12 cubic foot refrigerators. Delivery of these final units will allow the complete replacement of all NYCHA tenant refrigerators and will produce energy savings for NYCHA in excess of $7 million per year.

"GE and Whirlpool were the only two companies to submit bids for both sizes. Maytag informed the Authority that they would not be producing a sufficient number of 15 cubic foot refrigerators to meet NYCHA demands in 2003. Maytag does not manufacture 12 cubic foot refrigerators. Evaluation of bids was based on a life cycle cost analysis which accounts for initial cost as well as operating costs. Whirlpool was the lowest bidder for both the 12 cubic foot and 15 cubic foot model refrigerators. However, Whirlpool's 12 cubic foot model is manufactured by W.C. Woods which has been disqualified by NYCHA due to an increased number of failures of units delivered in previous years. In addition, the Whirlpool 15 cubic foot model has an overall depth of 32-1/8' which does not meet the maximum depth requirement of 31'. As such, GE is recommended for contract award in 2003 for both the 12 cubic foot model and the 15 cubic foot model. The energy cost savings from the refrigerators recommended for procurement are substantial. Exhibit '7-A' provides a comparison to the average unit, which exists at NYCHA sites.

<u>FISCAL INFORMATION</u>

"No increase in total authorization is being requested at this time. The proposed capital expenditure will be paid from the Energy Conservation Effectuation and Construction Fund. The total cost of the contract to be awarded will not exceed $7.2 million. These costs will be recovered from NYCHA, including the cost of advancing funds and Authority overheads.

RECOMMENDATION

"The Director – Energy Services Division recommends that the Trustees approve the award of material procurement contract to General Electric Corporation for energy efficient refrigerators in the amount of $7.2 million.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Public and Governmental Affairs, and I concur in the recommendation."

Mr. Esposito presented the highlights of staff's recommendations concerning the Public Housing Energy Efficiency Program to the Trustees.

At the conclusion of the presentation, Trustee Carey noted that this is an excellent program.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract, subject to approval as to form thereof by the Executive Vice President, Secretary and General Counsel, for a period of one year commencing March 1, 2003 to General Electric Corporation in the amount not to exceed $7.2 million for the purchase of energy efficient 12 and 15 cubic foot refrigerators for the New York City Housing Authority program as recommended in the foregoing resolution of the Senior Vice President – Energy Services and Technology.

Contractor	**Contract Approval**
General Electric Corporation	**$7.2 million**

8. Protective Relay Replacement Program
Capital Expenditure Approval

The President and Chief Executive Officer submitted the following report:

SUMMARY:

"The Trustees are requested to authorize capital expenditures of $19.3 million to replace certain components of the Protective Relay Systems for Niagara, St. Lawrence, Blenheim Gilboa and Clark Energy Center over a five-year period. The expenditures of $3.6 million for 2003 were identified in the 2003 approved Capital Budget. There will also be $2.2 million associated O&M charges for removal of existing relays which will be included in the O&M budget approval over the five-year period.

BACKGROUND:

"The Authority's electric power facilities are protected against faults and abnormal operation by extensive high-speed protective relaying systems, which are designed to rapidly isolate affected lines and equipment in order to minimize damage to the equipment and to protect public health and safety. Proper operation of these systems is crucial to minimizing adverse effects on the bulk power systems and ultimately for preventing cascading system outages and wide-scale blackouts. Some of the Authority's protective relaying systems are becoming obsolete and unmaintainable, compromising the operation of the system and representing a liability which cannot be ignored.

DISCUSSION

"The Authority is facing a growing need to replace existing protective relay systems at its facilities. The Protective Relay Replacement and Upgrade Program will accomplish the planned replacement of affected Protective Relaying Systems Authority-wide. The key decision drivers for making replacements are poor performance, unavailability of manufacturer support and expertise and spare parts. This systematic strategy offers significant advantages to the Authority as compared to the default approach of making emergency ad-hoc replacements of individual failed systems and components that are beyond repair.

"These advantages include:

- Needed replacements and upgrades can be planned in advance with view to optimize all resource requirements, including financial, procurement, engineering, construction, operations/maintenance, training, etc.
- Outages and inter-utility coordination and scheduling can be better addressed
- A degree of design uniformity, including standardization of Relay Panel layouts within NYPA stations, can be introduced both within the facilities and Authority-wide
- A big-picture view of the system requirements allows judicious application of the best available microprocessor-based technologies to improve NYPA protection system performance and reliability
- Spare parts optimization.

"In order to address the Relay Replacement concerns, the Power Generation Department's Protective Relaying Committee (PRC) established a working subcommittee to assess NYPA's existing Protective Relaying Systems on the Bulk Power System. Its goal was consistent with Power Generations' Mission Statement to provide safe, reliable power and our commitment to achieve and maintain operating excellence through strategic investment in new technology and systems.

"The Subcommittee completed the evaluation and assessment of the Authority's Relay Systems at the operating facilities and developed a prioritized replacement program.

"The Relay Replacement Program applies to the prioritized bulk power relay systems 115kV and above that are becoming obsolete with the unavailability of manufacturer support and/or spare parts resulting in the inability of a relay system to be maintained satisfactorily. The remaining phases may be implemented at a later time as warranted by equipment performance and reliability.

"The following table summarizes the expenditure estimate for the work planned for each operating facility:

Operating Facilities	**Protective Relay Replacement Program Estimate ($ Thousand)**
B.G.	608
C.E.C.	2,239
Niagara	6,020
St. Lawrence	6,730
St. Lawrence Relay Relocation and Plattsburg Building Expansion	3,745
TOTAL	**19,342**

"The Capital Funding request is for the Protective Relay Replacement work requirement for years 2003 through 2007.

FISCAL INFORMATION

"Payment associated with this project will be made from the Capital Fund for Capital Expenditure and O&M Expenditure will be from the Operating Fund.

RECOMMENDATION

"The Vice President-Project Management, the Vice President and Chief Engineer, the Regional Managers, and the Project Manager recommend that the Trustees authorize Capital Funding of $19,342,000 for the Relay Replacement Program.

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

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

RESOLVED, That the Protective Relay Program is approved and that capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedure in the amount listed below:

Protective Relay Replacement Program for St. Lawrence, Niagara, Blenheim-Gilboa, and Clark Energy Center	**Current Expenditure Request**
Capital	**$19,342,000**

9. New York State 2003 "Keep Cool" Program, ENERGY STAR®
<u>Public Awareness Campaign and Air Conditioner Replacement Bounty</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority ('NYSERDA') to support the coordinated 2003 statewide 'Keep Cool' program effort to increase public awareness of the need for energy efficiency, promote the use of energy-efficient ENERGY STAR® products and provide a bounty program to replace old air conditioners with new high efficiency units.

<u>BACKGROUND</u>

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

<u>DISCUSSION</u>

"The focus of the public awareness campaign is the education of consumers on the value of energy-efficiency, providing advice on ways to keep cool during the summer months while controlling energy costs. The public appeal highlights the need to use power sensibly, coupled with ways to be more energy efficient. The program has employed assorted communications media, including television, radio, newspapers and direct mail. Promotional material direct consumers to the ENERGY STAR® retailer partners, participating state government websites, and the toll-free consumer hotline: 1-877-NYSMART. It is noteworthy that statewide consumer recognition of the ENERGY STAR® label has grown to 72%, compared to 34% in 1999.

"Under the 2001 and 2002 'Keep Cool' Air Conditioner Replacement Bounty Program, state residents could receive a $75 bounty when they turn in their old, working room air conditioner and purchase an ENERGY STAR® model. In 2003, the bounty will be reduced to $35. The bounty program is designed to ensure that old, inefficient air conditioners are taken out of circulation, recycled and replaced with highly efficient ENERGY STAR® models. The market share of ENERGY STAR® room air conditioners increased from 14% in 1999 to 53% in 2002, with the greatest increase occurring over the past two years. In 2002, more than 160,000 old units were turned in. Nearly 600 retailers across the state participated in the program.

"NYPA participation in the program enabled residential customers of municipal electric systems and rural electric cooperatives to become eligible for the bounty program. In 2002, municipal and cooperative customers turned in nearly 3,000 units, compared to 500 units in 2001.

<u>FISCAL INFORMATION</u>

"In 2001, the Trustees authorized a contribution of up to $2 million for the 'Keep Cool' program, of which $1.097 million was transferred to NYSERDA for the program. In 2002, the Trustees authorized a contribution of up to $2 million, of which $1.47 million was transferred to NYSERDA for the program. In 2003, the Trustees are requested to authorize a contribution of up to $1.25 million, which would be withdrawn from the NYPA's Operating Fund.

RECOMMENDATION

"The Senior Vice President – Public and Governmental Affairs and the Senior Vice President – Energy Services and Technology recommend that the Trustees authorize the President and Chief Executive Officer to enter into an agreement with the New York State Energy Research and Development Authority for the purpose of providing New York Power Authority support to New York State's 2003 'Keep Cool' electricity demand reduction program.

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

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

Responding to questions from Vice Chairman McCullough, Mr. Bellis explained that the funding related to the "Keep Cool" program was not an expense provided for in the Authority's 2003 budget but that it was anticipated in the Authority's operating forecast.

Trustee Carey opined that the ENERGY STAR® program is very worthwhile.

The following resolution, as submitted by the President and Chief Executive Officer, was unanimously adopted.

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

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

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

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

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

RESOLVED, That the President and Chief Executive Officer of the Authority be, and hereby is, authorized to execute, on behalf of the Authority with the New York State Energy Research and Development Authority, an agreement to provide support by the Authority, including a contribution of up to $1,250,000 for the New York State 2003 "KEEP COOL" public awareness campaign and air conditioner bounty program, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

10. **Next Meeting**

The next Regular Meeting of the Trustees will be held on Thursday, March 20, 2003, at 11:00 a.m., at the New York Office, unless otherwise designated by the Chairman with the concurrence of the Trustees.

On motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:39 p.m.

11. Closing

Upon motion duly made and seconded, the meeting was closed at 12:39 P.M.

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