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

September 23, 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 12:05 p.m.

Present:	Louis P. Ciminelli, Chairman
	Frank S. McCullough, Jr., Vice Chairman
	Timothy S. Carey, Trustee
	Gerard V. DiMarco, Trustee
	Joseph J. Seymour, Trustee

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 and Governmental Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Joseph J. Carline	Assistant General Counsel – Power and Transmission
William Ernsthaft	Assistant General Counsel – Finance and Risk Management
Arnold M. Bellis	Vice President and Controller
John M. Hoff	Vice President – Procurement and Real Estate
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Michael E. Brady	Acting Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
Craig D. Banner	Director – Electric System Marketing and Customer Billing
Frederick E. Chase	Director – Community Relations
Keith G. Silliman	Director – Niagara Relicensing
James F. Pasquale	Manager – Business Power Allocations and Compliance
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Roger W. Busha, Jr.	Security Specialist
Bonnie Fahey	Executive Administrative Assistant
Nicolina Marchese	Communications Associate II
Wayne Gowen	Senior Network Specialist
Kevin Brocks	Attorney, Read & Laniado LLP
Wilson Menash	Board Member, Ceres
Stephen Lynch	Engineer, Ceres

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

1. <u>Approval of the Minutes of the Meeting held on June 24, 2003</u>

The minutes of the meeting of June 24, 2003 were unanimously adopted.

2. <u>Minutes of the Meeting held on July 22, 2003</u>

The minutes of the meeting of July 22, 2003 were unanimously adopted.

3. <u>Financial Reports for the Eight Months Ended August 31, 2003</u>

Mr. Bellis provided the Financial Report for the eight months ended August 31, 2003.

4. <u>Report from the President and Chief Executive Officer</u>

President Zeltmann gave a brief overview of the August 14 blackout and expressed his appreciation to the Authority's staff for their remarkable efforts in restoring the electrical system. He especially commended the staff at the Poletti station for their efforts in assuring the return of that plant to service. He then asked Mr. Hiney and Mr. Haase to elaborate, pointing out that Governor Pataki had appointed Mr. Haase as a member of the Electric System Working Group of the joint U.S. Department of Energy/Canadian Task Force that is working to determine what caused the blackout and why it spread so quickly. President Zeltmann congratulated Mr. Haase for this honor and noted it was based on his substantial skills and abilities.

Mr. Hiney likened the initial swing in power to a tidal wave and noted that the Authority was the anchor for timely restarting the rest of the system. Mr. Haase went through the sequence of events that led to the blackout based on both Authority data and data that was publicly reported. He then gave an update on the work of the Task Force, which is filtering all of the data related to the blackout coming from the U.S. Department of Energy and the North American Electric Reliability Council (NERC). The Task Force is scheduled to produce an interim report in October (including a more detailed sequence of events than has previously been reported) and a final report in December (although it is unclear whether that final report will contain the Task Force's recommendations for steps to be taken to prevent future blackouts).

Mr. Zeltmann then referred to the monthly progress report on the 500 MW combined-cycle power plant, which is now 17.6% complete, with a current cost estimate of $650 million, and asked Mr. Hiney to comment on the project's progress. Mr. Hiney said that the project is advancing well and that the Authority is continuing its vigilance in overseeing it.

5. Proposed Contract Amendment – Municipal and Rural Electric Cooperative System Customers – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Secretary to transmit the proposed amendment ('2003 Amendment'), attached as Exhibit '5-A', to the current contracts between the Authority and its 51 Municipal Electric and Rural Electric Cooperative System Customers (hereinafter, 'Customers') to the Governor for his approval pursuant to Section 1009 of the Power Authority Act. .

BACKGROUND

"The Authority's current power sales agreements ('Agreements') with its Customers became effective in 1986. The Agreements were amended in 1991 to extend the term from 2007 to the year 2013, subject to the renewal of the Authority's Niagara Power Project ('Project') license. The proposed 2003 Amendment would extend the term of each of the Agreements to September 1, 2025.

"At their meeting of June 24, 2003, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Power Authority Act, on the proposed amendment.

"The Customers requested that the Authority consider extension of the Agreements to September 1, 2025. Their request was based on the importance of the preference power allocations to the economic vitality of their communities. Most of the Customers' wholesale electricity supply is comprised of Project power. The continued sale of Project power to the Customers is essential to their power supply plans. The Customers are the only entities in New York that qualify as public bodies and non-profit cooperatives entitled to preference power rates and priority in the allocation of power under the Niagara Redevelopment Act ('NRA').

"The proposed contract extensions, which would be effective from the end of the summer capability period in 2013 through September 1, 2025, are predicated on the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission ('FERC').

DISCUSSION

"Pursuant to Section 1009 of the Power Authority Act, notice of a public hearing to obtain the views of interested parties concerning the Authority's proposed action to amend the power sales agreements was appropriately advertised. The hearing was held on August 19, 2003 at the Authority's White Plains Office.

"Statements were made by Michael Darroch, Deputy General Manager, Jamestown Board of Public Utilities ('Jamestown'), Jamestown, New York, and Kevin Brocks, Esq., representing the Municipal Electric Utilities Association ('MEUA').

- Michael Darroch, on behalf of Jamestown, 'strongly supports the proposed extension of the New York Power Authority's contracts for sales of 'project power' to qualified 'public bodies' under the Niagara Redevelopment Act.' He further stated that extension of the contracts promotes much needed economic development in New York, best promotes the public interest, and assists Jamestown in continuing in its role as an innovator and leader on environmental matters.

- Kevin Brocks, Esq. from the firm of Read and Laniado spoke on behalf of the MEUA, which represents 46 of the 51 municipal and rural cooperative electric utility systems in New York State. Mr. Brocks stated that the MEUA strongly supports the proposed contract extensions and that 'extension of the Niagara Project Purchase Power Agreements are critical to the economic and social vitality of the 46 MEUA member communities.' He explained how the original 1986 contracts were amended in 1991, ten years prior to their scheduled expiration in 2001, to extend the term of the contracts to 2013. Now again, it is ten years prior to expiration and by extending those contracts now, 'the parties will be repeating the highly successful course set in 1991.' And, similarly, as in 1991, 'the MEUA and NYPA have addressed contract extension in a broader context. That context now includes relicensing, energy conservation, environmental protection, economic development, and system reliability.'

"Written comments for the record were received from Richard A. Moyle, General Manager, Steuben Rural Electric Cooperative, Inc. ('Steuben Cooperative'), Robert H. Murdock, CEO, Otsego Electric Cooperative, Inc. ('Otsego Cooperative'), and Paul A. Dyster, PhD, City Councilman, Niagara Falls, NY.

- Richard Moyle's statement on behalf of Steuben Cooperative, which serves 6000 rural members, with average incomes well below the State average, supports the approval of the proposed contract extensions. The Steuben Cooperative is very concerned with the availability of low-cost and reliable power. He asserts that the proposed extensions will provide this reliable power in a stable, long-term relationship between the Authority and the Steuben Cooperative.

- Robert Murdock's statement on behalf of Otsego Cooperative, which serves 4200 consumers in the rural areas of Otsego County and portions of Chenango, Herkimer, and Madison counties, fully supports approval of the proposed contract extensions. The average personal income in this rural area is well below the State average and the Otsego Cooperative is very concerned about the availability of reasonably priced and reliable power and energy for its members. He, too, asserts that the proposed extensions will provide this reliable power through a stable, long-term relationship between the Authority and the Otsego Cooperative.

- Paul Dyster, City Councilman, Niagara Falls, NY, issued a statement requesting that the Authority delay 'any consideration of extension of existing Muni arrangements until we in Niagara Falls have an opportunity to consider whether a full-blown feasibility study exploring creation of a Niagara Falls Municipal Power entity should go forward.'

RESPONSE TO PUBLIC COMMENT

"It is appropriate that these municipal and electric cooperative entities have the assurance of continued receipt of this power under a renewed long-term contract, subject, of course, to the Authority receiving a new license from the FERC to continue to operate the Project. The Customers share the Authority's goal of minimizing the costs and the consequent rate impacts associated with relicensing. In consideration of securing the contract extensions, the Customers have also agreed to work closely with the Authority to implement expanded energy efficiency, energy conservation, and economic development programs for their own use and for that of their retail customers. These efforts would optimize the use of Authority-generated low-cost hydroelectric power. The Customers are also supportive of the life-extension and turbine upgrade work at the Project.

"Councilman Dyster's request to delay decision on the proposed contract extensions should be rejected. First, it must be noted that the Councilman's comments are his own and do not purport to represent the views of the City of Niagara Falls. Niagara Falls and other communities have had many years to study creating their own municipal power systems. However, Niagara Falls has taken no concrete steps to create such a system and, based on the experience of other communities, the process would be long, expensive and of uncertain outcome. The current Customers, who are the only public bodies and rural electric cooperatives in New York entitled to receive preference power under the NRA, should not be required to wait to receive the assurance of longer term contracts while Niagara Falls, or any other community, ponders its power supply options. Even if the City were to decide on a course of action, other entities might come forth with similar requests to further delay action, essentially leaving the current Customers in a perpetual state of uncertainty. In any event, withdrawal of Project power from the Customers to serve other municipalities, even if ultimately qualified as preference systems under the NRA, would not serve the overall public interest. Any benefit received by systems not now receiving Project power would be more than offset by the economic harm that would befall those systems whose allocations were reduced. The Authority is under no obligation to wait indefinitely for Niagara Falls or any other entities that may or may not ever qualify for preference power. The public interest is better served by giving certainty to those municipal and electric cooperative systems that rely on the power to which they are uniquely qualified to receive.

FISCAL INFORMATION

"The contract extensions would ensure continued revenues from sales to these 51 Customers. Sales in 2003 are estimated to be $31.3 million.

RECOMMENDATION

"The Director – Electric Systems Marketing & Customer Billing recommends that the Trustees approve the proposed contract extension of the Hydroelectric Power Agreements with the Municipal and Rural Electric Cooperative System Customers, and that pursuant to Section 1009 of the Power Authority Act, the Authority should recommend that the Governor approve such contract extensions. In addition, in accordance with the Power Authority Act, the Secretary should transmit copies of the proposed contract extensions with the record of the public hearing to the Governor and the Legislative leaders.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Marketing, Economic Development and Supply Planning, and the Vice President – Controller and I concur in the recommendation."

Mr. Banner presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman Ciminelli about the specifics of expanded energy efficiency programs under the contract, Mr. Banner said that the Municipal Electric Utilities Association ("MEUA") has an electric vehicle program in place supported by the Authority and that a team comprising staff from the Authority, MEUA, and the municipal electrics and cooperatives are looking at ways of better using the existing set-aside of 54 megawatts of hydro power for economic development that will create more jobs. In response to Trustee Seymour's question on how to accomplish this objective, Mr. Banner mentioned the possibility of using set-aside power for companies developing the tourism industry. There was an ensuing discussion about the amount of power allocated to the industrial/commercial sector vs. the residential sector.

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

RESOLVED, That the Trustees hereby approve the proposed contract extensions described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Authority recommend to the Governor that he should approve such contract extensions, and that the Secretary transmit copies of such proposed contract extensions with the record of the public hearing to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee, pursuant to Section 1009 of the Power Authority Act; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

Bound document. Copies available upon request in the Secretary’s Office.

6. Transfers of Industrial Power and Job Commitment Revision

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of power allocations for 16 existing customers that have name changes for various business reasons. As part of the allocation transfers, all 16 of the transferees will honor the associated job commitments. The Trustees are also requested to approve a job commitment revision to BAE Systems Controls, Inc.

BACKGROUND

"Sixteen companies have requested that the Authority grant approval to their requests for the continued delivery of Authority power allocations to facilities that have all gained prior approval for an allocation with pre-existing company names and ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the power allocations that were granted to the previous company names and ownership associated with these facilities.

"The Trustees have approved transfers of this nature in past meetings.

DISCUSSION

"The proposed transferees are as follows:

- **Aerospace Avionics** was approved for a 650 kW Power for Jobs allocation on March 30, 1999. The company produces electronic components and accessories for the aerospace industry. The ownership of Aerospace Avionics was acquired by Smith Industries Aerospace & Defense Systems Inc., a division of Smith Industries. The company is now called Smith Aerospace, Inc. Electronic Systems ('Smith Aerospace'). Smith Aerospace will maintain the original job commitment of 226 jobs at its Bohemia facility.

- **At-A-Glance Corporation** ('At-A-Glance') was approved for 2,500 kW Power for Jobs allocation on February 29, 2000. They manufacture and sell a full line of planning, organizing and record-keeping products. The Mead Corporation acquired the At-A-Glance Group and merged it with its School and Office Products division. Subsequently, the Westvaco Corporation acquired the Mead Corporation to form the Mead Westvaco Corporation. This new corporation will maintain the job commitment of 1,195 jobs.

- **Avon Injected Rubber and Plastics** ('Avon') was approved for a 750 kW Expansion Power ('EP') allocation for its Lockport facility at the Trustees' meeting of August 29, 1989, in return for 163 jobs, and a 400 kW Power for Jobs allocation for its Albion location at the Trustees meeting of January 27, 1998 in return for 97 jobs. Avon engaged in plastic injection molding. In October 2001, Avon sold the business in a full asset sale to Viking Industries, LLC, which continued the plastic molding business as Par Lockport from October 2001 until June 1, 2003. On June 1, 2003, they discontinued the plastic molding business and began a new light assembly business called Viking Lockport, LLC. They have also requested that at the time of the transfer of power their EP allocation be reduced from 700 kW to 300 kW.

- **City of Niagara Falls** ('CNF') was approved for a 3,644 kW Replacement Power allocation by the Trustees in 1985. The CNF has requested that this hydro allocation be transferred to the newly created Niagara Falls Public Water Authority. There are no job commitments associated with this allocation.

- **Eastern Casting Corporation** ('ECC') was approved for a 250 kW Power for Jobs allocation for 33 jobs at the Trustees' meeting of May 25, 1999. ECC is an aluminum foundry company located in

Cambridge, NY. As of July 1, 2003, the assets and liabilities of ECC were sold to Eastern Casting Company, Inc.

- **Knight Marketing Corporation** (‘KMC’) is a manufacturer of specialty cleaning chemicals. They were awarded a 400 kW Power for Jobs allocation for 171 jobs at the Trustees’ meeting of October 27, 1998. They are located in Johnstown, NY. KMC changed its name to Spray Nine Corporation. KMC’s only change was in the name itself. All aspects of its business remain the same. There was no change in ownership. KMC made the name change for name recognition in its industry.

- **Lawson Mardon Label, Inc**. (‘Lawson Mardon’) was approved for an 850 kW allocation of Economic Development Power for 141 jobs at the Trustees’ meeting of May 29, 1991. Lawson Mardon was the packaging division of Alcan Packaging Food Tobacco Inc. On April 29, 2003, Lawson Mardon changed its legal name to that of its parent company, Alcan Packaging Food Tobacco Inc. This name change was done for marketing reasons and for name recognition in its industry.

- **Lion Brand Incorporated** (‘Lion Brand’) is a manufacturer and supplier of restaurant seating. At the Trustees’ meeting of April 28, 1998, Lion Brand was approved for 500 kW Power for Jobs allocation. Lion Brand went bankrupt in 2002. LB Furniture Industries, LLC acquired all of the assets of Lion Brand and pledges to maintain the original commitment of 237 jobs at its Hudson, NY facility.

- **Magnus Manufacturing Corporation** (‘MMC’) was approved for a 275 kW Power for Jobs allocation at the Trustees’ meeting of March 28, 2000. MMC is a precision machine tool and die manufacturer and committed 62 jobs in return for the allocation. Floturn, Inc., a Cincinnati, Ohio-based corporation, purchased all the assets of MMC and renamed it Magnus Precision Manufacturing, Inc. The company will continue to honor the existing job commitment at its Phelps facility.

- **Rexam DSI**(‘Rexam’) was approved for a 400 kW Power for Jobs allocation by the Trustees at their meeting of June 21, 2002, with an associated total job commitment of 130 jobs. Rexam is the leading worldwide producer of latex-saturated decorative materials for specialty packaging, book production and office products markets. Rexam was purchased by FiberMark, Inc. In addition, effective January 1, 2003, FiberMark’s North American operations took on a new legal name, FiberMark North America Inc. The company will continue to honor the existing job commitments at its Lowville facilities.

- **Richardson Brands Co.** (‘Richardson Brands’) makes candy and other confectionery products. At their meeting of April 27, 1999, the Trustees approved a 700 kW Power for Jobs allocation. It now does business under the name Joyco USA Confectionery, Inc. This represents only a name change from Richardson Brands. The ownership did not change. The company remains in Canajoharie, NY and have a job commitment of 147 jobs.

- **Rich Plan of Utica, Inc**. (‘Rich Plan’) is a meat processing and frozen food storage facility located in New York Mills. At their meeting of March 31, 1998, the Trustees approved a 200 kW allocation of Power for Jobs for 61 jobs. Rich Plan has changed its name to Rich Plan Food Services. There was no change in ownership. The company changed its name to better identify who it is and what services it provide.

- **St. Mary Manufacturing Corporation** (‘St. Mary’) produces fabricated structural metal products for industrial machinery. At their meeting of April 27, 1999, the Trustees approved a 230 kW allocation of Power for Jobs power for 60 jobs. St. Mary, and its sister corporation, Ascension Sheet Fabrication, merged to form Ascension Industries. The new entity carries on the same line of business as the previously merged corporations. The merger took place solely to reap the economic benefits of running one company versus the two that existed previously. Corporate ownership remains the same.

- **Suzorite Mineral Products, Inc**. (‘SMP’) provides talc products for the cosmetic and pharmaceutical industries. At their meeting of May 25, 1999, the Trustees approved a 100 kW Power for Jobs allocation for 10 jobs for SMP. The assets and liabilities of SMP were sold to IMIFABI (Diana) LLC. Although under new ownership, the management and workforce remain the same.

- **Taylor Pohlman, Inc**. ('TPI') was a machine and aluminum casting shop. At their meeting of May 25, 1999, the Trustees approved an 800 kW Power for Jobs allocation for 200 jobs. Due to the severe decline in the economy, TPI found it necessary to sell a significant amount of its assets. TPI sold the aluminum casting portion of its business and as a condition of sale changed its name to Taylor Metalworks. The Trustees reduced TPI's allocation to 400 kW and its job commitment to 100 jobs on June 23, 2003. TPI remains at the same location in Orchard Park.

- **Ultra Tool and Plastic, Inc**. ('Ultra Tool') was approved for a 1,000 kW Replacement Power allocation for 60 jobs at the July 31, 1986 Trustees' meeting, a 500 kW Expansion Power allocation for 124 jobs at the May 30, 1999 Trustees' meeting, and a 150 kW Power for Jobs allocation for 463 jobs at the April 27, 1999 Trustees' meeting. Ultra Tool is a custom injection molding and tooling shop. Renaissance Plastics, Inc. purchased Ultra Tool and subsequently went bankrupt in March 2002. Viking Industries, LLC acquired the business assets from the bankruptcy process in June 2002, and operates the business as a unit of PAR Industries, LLC.

"In accordance with Section 186 of Article 6 of the Economic Development Law, and with Section 460.7 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1988)), no voluntary transfer of Economic Development Power may be made without the written approval of the Authority.

"The new corporate entities have agreed to assume all of the obligations of the present allottee, and honor all of the commitments made to the Authority with respect to jobs and reporting requirements.

BAE Systems Controls, Inc. ('BAE Systems')

"BAE Systems had been approved for a 2,000 kW Power for Jobs allocation by the Trustees at their meeting of July 22, 2003. Their allocation was based on their commitment to retain or create jobs as indicated in the application they submitted to the Trustees. Subsequent to the Trustees' approval, but before entering into contract with the Authority, BAE Systems has requested that its job commitment be revised to more accurately reflect its future employment levels. BAE Systems had originally indicated that, in addition to retaining 1,228 jobs, it would create 163 positions over the next three years. The additional jobs were to result from a planned consolidation with an out-of-state facility. BAE Systems has decided not to proceed with the consolidation. However, it will be able to commit to adding 30 new jobs over the next three years. The total job commitment will be 1,258 positions; therefore, the reduction of 133 positions is insignificant in total and does not require a change to the amount of the allocation.

RECOMMENDATION

"The Manager – Business Power Allocation and Compliance recommends that the Trustees approve the transfers of Authority power allocations to the 16 companies as described herein and a job commitment revision to BAE Systems Controls, Inc.

"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 in the recommendation."

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

RESOLVED, That the Authority hereby authorizes the transfers of Industrial Power allocations and the revision to a customer's job commitment as described in the foregoing report of the President and Chief

Executive Officer and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

7. Suffolk County Electrical Agency – Allocations of Industrial Power and Extension of the Term of Service to an Existing Customer

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve two allocations of industrial power to the Suffolk County Electrical Agency ('SCEA') for resale to Plascal Corporation ('Plascal') and Air Industries Machining Corporation ('Air Industries'). The Trustees are also requested to approve an extension of the term of service to Sage Enterprises, Inc. ('Sage'), an existing SCEA customer.

BACKGROUND

"The Authority has reserved a total of 94,870 kW of industrial power for sale to downstate municipal distribution agencies ('MDA's'), including the SCEA, under Service Tariff 35. Of this amount, 5,000 kW is reserved for the SCEA. This power is resold to industrial consumers designated by the MDA's and approved by the Authority. The SCEA has proposed the allocations to Plascal and Air Industries, and the extension in the term of service to Sage from this block of power.

"At their meeting of January 25, 1994, the Trustees approved an allocation of 400 kW to SCEA for resale to Sage. At their meeting of July 25, 2000, the Trustees approved an increase to 500 kW. The current contract with Sage expired in March 2003, and has been renewed on a month-to-month basis since that time.

"At its meetings of April 30, 2003 and June 26, 2003, respectively, the SCEA voted unanimously to approve allocations of industrial power to Air Industries and Plascal. SCEA also approved a two-year extension to the term of service to Sage.

DISCUSSION

"Plascal is an energy-intensive manufacturer of vinyl sheeting products. The vinyl film it produces has numerous end uses. It is used for building flashing, swimming pool liners, loose-leaf binders, and in various automotive products. One hundred percent of the vinyl used in Plascal's manufacturing process comes from recycled material. Electric energy expenditures represent 14-½ % of the cost of production for Plascal (including labor costs). In return for an allocation of 600 kW from SCEA, Plascal has committed to retain 70 full-time employees and create three new full-time positions. The proposed allocation will be for a term of two years and will result in annual savings of approximately $90,000 over the Long Island Power Authority's ('LIPA') standard rates.

"Air Industries manufactures complex aircraft structural parts and assemblies for the commercial and defense aerospace industry. Their biggest customers are Boeing Aerospace, Sikorsky Aircraft, and Northrup Grumman. The aerospace industry has experienced a deep decline in business activity which has tremendously affected Air Industries. Nonetheless, Air Industries is committed to retaining 120 employees in return for an allocation of 500 kW from the SCEA. Electric expenditures represent 4% of the total cost of production. Air Industries has installed energy-efficient lighting where applicable and also implemented a nightshift operation to lower its energy costs. The proposed allocation will be for a term of two years and will result in annual savings of approximately $90,000 over LIPA's standard rates.

"Sage is an in-flight refrigerated food supplier to the airline industry. The company's customers include most of the major airlines including American Airlines, Continental, Delta, and United. Sage is a national company that owns and operates facilities in Los Angeles, Miami, Atlanta, Dallas, and Hauppauge, NY. Sage's Hauppauge facility in Suffolk County serves most of the airports in the Northeast as far south as Atlanta and north to Maine. Electric energy purchases account for 15% of the total cost of operation and is a significant cost to a refrigerated food supplier like Sage. In return for a two-year extension of Sage's allocation by the SCEA, Sage has committed to retaining 37 full-time employees at its facility in Hauppauge. The proposed allocation will be for a term of two years and will result in annual savings of approximately $120,000 over LIPA's standard rates.

"The proposed allocations to SCEA has been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The standard contracts between the companies described herein and SCEA provide for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority by the SCEA as provided by Part 460.4 (21 NYCRR 460.4 (1988)) of the Authority's Rules and Regulations and pursuant to the contract between the Authority and SCEA.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of industrial power to Plascal Corporation and Air Industries Machining Corporation along with the two-year extension in the term of service to Sage Enterprises, Inc.

"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 in the recommendations."

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. Responding to questions from Trustee Seymour, Mr. Pasquale said that we could not serve the end-user directly, that the blended rate for this power is five to eight cents a kilowatt-hour and that none of the power comes from the Authority's hydropower plants. He also noted that the rate was competitive and would save the customer a substantial amount of money.

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

RESOLVED, That the Authority hereby approves the allocations of Industrial Power to the Suffolk County Electrical Agency for resale to Plascal Corporation, Air Industries Machining Corporation and the extension in the term of service to Sage Enterprises, Inc. as described in the foregoing report of the President and Chief Executive Officer and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. County of Westchester Public Utility Service Agency – Allocations of Industrial Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve three allocations of industrial power to the County of Westchester Public Utility Agency ('COWPUSA') for resale to the companies listed in Exhibit '8-A'.

BACKGROUND

"The Authority has reserved a total of 94,870 kW of industrial power for sale to downstate municipal distribution agencies ('MDA's'), including COWPUSA, under Service Tariff 35. Of this amount, 20,000 kW is reserved for COWPUSA. This power is resold to industrial consumers designated by the MDA's and approved by the Authority. COWPUSA has proposed the allocations listed in Exhibit '8-A' from this block of power.

"At their meeting of January 31, 1989, the Trustees approved an initial allocation of 1,000 kW to Engelhard Corporation ('Engelhard' – formerly known as the Mearl Corporation). The Trustees approved an additional allocation of 700 kW to Engelhard at their meeting of June 29, 1993 for a total job commitment of 405 jobs associated with the total allocation of 1,700 kW and a jobs/MW ratio of 238.

"At its meeting of September 24, 2002, COWPUSA voted unanimously to increase the allocation of Engelhard by an additional 1,300 kW for a total job commitment of 380 jobs.

DISCUSSION

"Engelhard Corporation is a closely held corporation with headquarters in Ossining and manufacturing facilities throughout the world. The company produces pigments for the cosmetics and coating industries at facilities in Peekskill. Engelhard is competing for business with other companies on a global basis. The costs of the company's operation are extremely high and an additional allocation of industrial power will further help Engelhard retain its current employment level. The proposed allocation will be for a term of ten years. Engelhard will commit to retain 380 jobs, for an additional allocation of 1,300 kW.

"Del Global Technologies Corporation is a manufacturer of electronic sub-systems. The company has plans to consolidate its Nassau County operations with its Westchester facility located in Valhalla, New York. Del Global currently employs 55 people in Westchester and will relocate 65 additional jobs as a result of the consolidation. The company will commit to a total of 120 jobs for an allocation of 350 kW. The proposed allocation will be for a term of ten years.

"Sigmund Cohn Corporation ('SCC') is a leading manufacturer of precious metal wire and products comprised of precious metals. Among the market segments it services are automotive, medical products, and temperature sensing. The company's manufacturing facility is located in Mount Vernon, where it currently employs 68 workers. In order to maintain its profitability, SCC is focused on controlling its expenses and is considering a reduction in its workforce. A reduction in its energy costs will allow SCC to maintain its current level of employment. The proposed allocation will be for a term of ten years.

"The proposed allocations to COWPUSA have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1988)). The standard contracts between the companies listed in Exhibit '8-A' and COWPUSA provide for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority by COWPUSA as provided by Part 460.4 of the Authority's Rules and Regulations (Job and Usage Requirements) (21 NYCRR 460.4 (1988)), and pursuant to the contract between the Authority and COWPUSA.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve allocations of Industrial power to the County of Westchester Public Utility Agency for resale to the companies listed in Exhibit '8-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 in the recommendations."

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

Responding to a question from Vice Chairman McCullough, Mr. Pasquale explained that, even though this is a ten-year contract, the job commitments are reviewed regularly.

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

RESOLVED, That the Authority hereby approves the allocations of 2,025 kW of industrial power to the County of Westchester Public Utility Service Agency for resale to the companies listed in Exhibit "8-A", in the foregoing report of the President and Chief Executive Officer and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

September 23, 2003
Exhibit "8-A"

Allocations of Industrial Power

Company	*County*	*Utility*	*(kW)*	*Job Jobs Commit.*	*MW*	*Term*
Industrial (MDA) Power						
Del Global	Westchester	CONED	350	120	343	10 Yrs.
Engelhard Corp.	Westchester	CONED	1,300	380	300	10 Yrs.
Sigmund Cohn Corp.	Westchester	CONED	375	68	181	10 Yrs.

9. Productivity Improvement Request Reductions

The President and Chief Executive Officer submitted the following report:

SUMMARY

"It is requested that the Trustees approve reductions to the employment commitment for each of the four companies listed in Exhibit '9-A'. These customers have clauses in their contracts which allow them to request a reduction in their commitment if the reduction is due to productivity improvements. Each of the four companies that made the productivity improvement requests met the appropriate criteria.

BACKGROUND

"Each year, Authority staff initiates a review of all business power allocations and the customers' performance against agreed upon job commitments. In 2002, the Authority had 306 contracts with 194 business customers, excluding Power for Jobs agreements. At their meeting of July 22, 2003, the Trustees took no action concerning the 45 customers that were below their contractual commitment, allowing the continuation of those allocations with no change. In 2002, four customers (with nine contracts) requested a reduction to their base employment commitment due to productivity improvements made during the reporting period.

"The contracts contain a customer commitment to retain or add a specific number of jobs. A company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology. Relocation of specific activities away from the facility will not be considered an increased efficiency, improved technology or productivity improvement. Employment reductions made due to reduced production or sales volume will not be considered an increased efficiency, improved technology or productivity improvement.

DISCUSSION

"Staff recommends that the Trustees approve action regarding the four customers meeting the productivity improvement requirement for a reduction to their employment commitments in nine contracts. Brief descriptions of those companies who meet the productivity improvement employment reduction requirements are listed in Section I.

"A summary of all contracts discussed in this item is provided as Exhibit '9-A'.

Section I.
Allocations To Continue With Job Commitment Changes For Productivity Improvements

Ceres Corporation, Niagara Falls, Niagara County
Allocation: 1,700 kW of Replacement Power and 1,300 of Replacement Power
Jobs Commitment: 104 jobs and 83 jobs consecutively
Background: Ceres Corporation ('Ceres'), founded in 1976 was the first US producer of cubic zirconia. Ceres was the first cubic zirconia manufacturer to develop and sell colored cubic zirconia. The product is used in the gem cutting industry but recently has also been used in jewelry. Ceres developed and sells the industry leading diamond testing instruments. For the past year Ceres averaged 66.42 jobs, i.e., 63.86% and 80.02% of its contractual commitments. Ceres requested a 22 employee reduction to its employment commitment due to productivity improvements made during 2002. Four administrative positions were reduced through office automation. Eight kiln/skull based positions were reduced through the purchase of new temperature controls and larger skulls. One shipper and one inventory manager were reduced through the consolidation of buildings and installation of a new rack feed and storage system. Five sorters and three cutters were reduced through a new sorting and conveyer system in addition to a change in product mix.
Recommendation: Staff recommends that the Trustees reduce Ceres' 1,700 kW Replacement Power allocations' employment commitment by 22 jobs to 82 positions and their 1,300 kW Replacement Power allocations' employment commitment by 1 job to 82.

<u>Delphi Automotive Systems</u>, Lockport, Niagara County
Allocation: 14,300 kW of Expansion Power
Jobs Commitment: 5,825 jobs
Background: Delphi Automotive Systems ('Delphi'), formerly a division of General Motors, manufactures radiators, condensers and heaters for GM and other automobiles. For the past year, Delphi averaged 4,915jobs, i.e., 84.39% of its contractual commitment. The company requested a productivity improvement reduction of its job commitment by 234.5 jobs. The reductions were accomplished through rebalancing of job duties (53 jobs); new methods of manufacturing parts and new parts/machines replacing outdated parts and machines (114 jobs); and, automation of inspection and machining (four jobs). Nineteen and a half of the requested job reductions did not qualify for a commitment reduction.
Recommendation: Staff recommends that the Trustees reduce Delphi's expansion power allocation's employment commitment by 215 jobs to 5,610 positions.

<u>Ford Motor Company</u>, Buffalo, Erie County
Allocation: 4,300 kW of Expansion Power and 2,900 of Expansion Power
Jobs Commitment: 2,074 jobs and 2,074 jobs consecutively
Background: Ford Motor Company ('Ford') opened its Buffalo Stamping Plant in 1950. Currently, Ford stamps doors, floor pans, quarter panels and some inner body components for the Windstar, Taurus and Crown Victoria models. The components then go to other Ford Assembly plants and distribution centers throughout the U.S. and Canada. For the past year, Ford averaged 1940.58 jobs, i.e., 93.57% of its contractual commitment. The company requested a productivity improvement reduction of its job commitment by 108 jobs. Ford's reduction comes from automation of the inspection of parts and various handling processes – 67 positions, and new manufacturing processes – 41 positions.
Recommendation: Staff recommends that the Trustees reduce Ford's two expansion power allocations employment commitments by 108 jobs to 1,966 positions each.

<u>General Motors Corporation – Powertrain</u>, Buffalo, Erie County
Allocation: 1,100 kW and 800 kW of Expansion Power and 2,000 kW (this allocation is not required to report yet) and 725 kW of Replacement Power
Jobs Commitment: Reporting allocations – 3,889 jobs and Not Reporting allocation – 3,889 base jobs with 44 created jobs
Background: GM Powertrain ('GM') manufactures engines for several of GM's automobile models including the Chevy Cavalier, GMC Trucks (V8) and Saturn. For the past year, GM averaged 3,513.92 jobs, i.e., 90.36% of its contractual commitment. The company requested a productivity improvement reduction of its job commitment by 98 jobs. GM's reduction comes from rebalancing of job duties along the assembly lines – 7 positions, job consolidation – 25 positions, automation of job processes – 8 positions, new manufacturing processes – 15 positions, new machines that required less maintenance – 4 positions and changes to job procedures combined with new machines – 39 positions.
Recommendation: Staff recommends that the Trustees reduce GM's expansion power and replacement power allocations' employment commitment by 98 jobs to a base of 3,791 positions. The replacement power allocation that is not due to report yet will have its employment commitment reduced to 3,791 base jobs with 44 created jobs (3,835).

<u>RECOMMENDATION</u>

"The Manager – Business Power Allocations and Compliance recommends that the Trustees adjust the job commitments for four companies due to productivity improvements as described above and set forth in Exhibit '9-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 in the recommendation."

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

Chairman Ciminelli said that he would have to recuse himself from voting on the sections of this item related to Ford and GM, since both are customers of his company.

A discussion ensued between Trustees Carey and Seymour about the fact that granting these requests means that the Authority is rewarding the companies for investing in capital improvements to their plants, rather than rewarding them for cutting their job commitments – a distinction well understood by the Trustees and staff.

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

RESOLVED, That the Authority hereby adjusts the future job commitment levels for four companies that made productivity improvements described in the foregoing report of the President and Chief Executive Officer and as set forth in Exhibit "9-A"; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance hereby is authorized to provide written notice to these companies whose job commitments are being reduced; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

September 23, 2003
Exhibit "9-A"

I. ALLOCATIONS TO CONTINUE WITH JOB COMMITMENT CHANGES FOR PRODUCTIVITY IMPROVEMENTS

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2002 Jobs	Average Annual % Achieved	Revised Jobs
Ceres Corporation	Niagara Falls	Jun. 00	RP	1,700	104	66.42	63.86	82
Ceres Corporation	Niagara Falls	Apr. 94	RP	1,300	83	66.42	80.02	82
Delphi Automotive Systems LLC	Lockport	Dec. 88	EP	14,300	5,825	4,915.92	84.39	5,610
Ford Motor Company	Buffalo	Dec. 94	EP	4,300	2,074	1,940.58	93.57	1,966
Ford Motor Company	Buffalo	Feb. 93	EP	2,900	2,074	1,940.58	93.57	1,966
G. M. Powertrain – Tonawanda Plant	Buffalo	Sep. 97	EP	1,100	3,889	3,513.92	90.36	3,791
G. M. Powertrain – Tonawanda Plant	Buffalo	Jun. 96	EP	800	3,889	3,513.92	90.36	3,791
G. M. Powertrain – Tonawanda Plant	Buffalo	Aug. 97	RP	725	3,889	3,513.92	90.36	3,791
G. M. Powertrain – Tonawanda Plant	Buffalo	Jun. 00	RP	2,000	3,933	NA		3,835

EP = Expansion Power, **RP** = Replacement Power,

10. Transfer of Replacement Power – Ceres Corporation

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of 4,600 kW of Replacement Power ('RP') from the Ceres Corporation ('Ceres') to a new company ('NEWCO'). The new company's name will be determined at a later date. As part of the transfer, NEWCO will commit to an employment level of 60 jobs. NEWCO is acquiring of all of Ceres' assets located in Niagara Falls. NEWCO will undertake a $1 million capital expenditure program by the end of 2006.

BACKGROUND

"At their meeting of April 30, 1991, the Trustees approved an allocation of 1,600 kW of RP for the creation of 65 jobs. At their meeting of April 26, 1994, the Trustees approved an additional allocation of 1,300 kW of RP for the creation of an additional 18 jobs. At their meeting of June 27, 2000, the Trustees approved a third allocation of 1,700 kW of RP for the creation of 21 jobs. The total current amount of power being allocated is 4,600 kW and requires Ceres to commit to a maximum of 104 jobs.

"For the year ended December 31, 2002, Ceres reported actual employment of 66 positions. At their meeting of July 22, 2003, the Trustees authorized staff to take no action against Ceres for the two allocations which had job shortfalls.

"Earlier at this meeting, in a companion item, staff has recommended that Ceres' job total commitments be reduced to 82 positions as a result of productivity improvements made by the company.

"Ceres was the first US producer of cubic zirconia and also the first to develop and sell colored cubic zirconia.

"The past two years have been extremely difficult for Ceres as severe price competition from overseas manufacturers has had a dramatic adverse effect upon the pricing of the company's products which has forced the company to file for bankruptcy protection.

"The current plan being discussed, which is subject to the Trustees' approval, is that the Niagara Falls facility would be acquired by NEWCO and the entire 4,600 kW of RP would be assigned to NEWCO as part of an asset purchase transaction.

DISCUSSION

"NEWCO plans to become one of the most productive employers in Niagara County. The employment level is initially expected to be 50 and is expected to increase to more than 60 employees over the next four years. On or about September 23, 2003, NEWCO will sign an asset purchase agreement with Ceres that includes all of the assets located at the Liberty Drive facility in Niagara Falls.

"As the new owners of Ceres' former Niagara Falls facility, NEWCO has indicated that all three Authority allocations (1,600 kW, 1,300 kW, and 1,700 kW) of RP need to be transferred in order for the company's acquisition to be successful.

"The new ownership must move to enhance efficiencies, operate with fewer employees than in the past and cut costs wherever possible. NEWCO has indicated that an important part of its plan is that strategic investments be made to improve the efficiency of the Niagara Falls facility. The improved efficiencies in operations will allow NEWCO to gain competitive strength and provide opportunities for increased employment.

"The Trustees' approval shall be subject to, and contingent upon, the Bankruptcy Court's approval of NEWCO's filings and its planned reorganization, business efficiency plan, and commitments as indicated above.

"In accordance with Section 460.8 of the Authority's Rules and Regulations (Transfers of Industrial Power) (21 NYCRR 460 (1988)), any transfer of an Industrial Power allocation from one customer to a new customer shall be specifically subject to Authority approval.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the transfer of 4,600 kW of Replacement Power subject to the conditions described herein.

"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 recommendations. "

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

Responding to a question from Vice Chairman McCullough, Mr. Pasquale said that the transfer is also subject to bankruptcy court approval.

Responding to a question from Trustee Seymour about the fact that this allocation represents a significant amount of power, Mr. Pasquale said that the company makes cubic zirconia. He then introduced Stephen Lynch, a Ceres representative, who gave an overview of the company's manufacturing process and stated that Ceres is the only company in the U.S. that makes cubic zirconia. He also noted that the cost of electricity was 20-30% of his production costs.

Responding to a question from Chairman Ciminelli, Mr. Lynch said that the new company will keep the current level of job commitment and expand the plant as well.

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

RESOLVED, That the transfer of the Ceres Corporation's 4,600 kW Replacement Power allocations to NEWCO to create and maintain a total of 60 jobs, be, and hereby is, approved; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolutions, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

11. Alternative Cost Recovery Agreement

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve and ratify an agreement (the 'Agreement') executed by New York State Division of the Budget (the 'DOB') and the President and Chief Executive Officer which resolved issues concerning assessments made and to be made by the DOB against the Authority under Section 2975 of the Public Authorities Law ('PAL'), which established the Governmental Cost Recovery System.

DISCUSSION

"Section 2975 of the PAL established a Governmental Cost Recovery System, pursuant to which certain public benefit corporations, defined as having three or more members appointed by the Governor, purports to subject public benefit corporations to assessment for the costs of central governmental services attributable to such corporations, pursuant to a statutory assessment methodology. Such a public benefit corporation may, however, pursuant to Section 2975, opt to enter into an agreement with the Director of the Budget providing for alternative cost recovery to the State.

"To resolve issues relating to the applicability of the assessment made by the DOB against the Authority for payments under Section 2975 for State fiscal year 2001-2002 and for future assessments through and including the State's fiscal year 2005-2006, the President and Chief Executive Officer executed the Agreement, with a term ending December 31, 2005, whereby the Authority would pay into the State General Fund $5 million and also provide business travel service arrangements to certain State personnel. It was contemplated that the $5 million payment would be made within the current State fiscal year. The DOB has agreed to accept the Agreement as an alternative cost recovery, as discussed above.

FISCAL INFORMATION

"The Agreement would require the Authority to make payment of $5 million to the State General Fund and to provide the aforementioned services to the State, which services would have a minimal cost associated with them to the Authority.

RECOMMENDATION

"The Executive Vice President, Secretary and General Counsel recommends that the Trustees approve and ratify the Agreement.

"The Executive Vice President – Business Services and Administration and I concur in the recommendation."

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

RESOLVED, That the Agreement executed by the President and Chief Executive Officer and the New York State Division of the Budget, dated February 28, 2003, relating to the Governmental Cost Recovery System assessments made and to be made against the Authority (the "Cost Recovery Agreement") is hereby approved and ratified; and be it further

RESOLVED, That $5 million in Operating Fund monies are authorized to be used to make the payment required by the Cost Recovery Agreement, provided that as a condition to such withdrawal for such purpose, the Acting Treasurer certify that such monies are not needed for any of the purposes specified in Section 503 (1)(a)-(c) of the Authority's General Resolution Authorizing Revenue Obligations, adopted February 24, 1998, as amended and supplemented; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

12. Niagara Power Project Relicensing – Additional Capital Expenditure Authorization Request, Contract Extension and Increase in Compensation Ceiling for URS Corporation <u>(Relicensing Consulting and Project ManagementServices)</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to approve an additional $20.9 million in capital expenditures for licensing related activities in 2003 and 2004 at the Niagara Power Project ('Project'), bringing the total authorization to $52.1 million. The expenditures for 2004 will be incorporated in the Public and Governmental Affairs 2004 budget request for Niagara Relicensing ('Relicensing').

"The Trustees are further requested to authorize an increase in the compensation ceiling from $8.6 million to $24.5 million for the relicensing, consulting and project management services contract awarded to URS Corporation. This increase incorporates an additional $2.0 million to support the ongoing 2003 study effort, as well as an additional $13.9 million to support consulting and project management services through December 31, 2004. It is further requested that the Trustees authorize the extension of the subject contract through June 30, 2006, as provided for under the contract.

<u>BACKGROUND</u>

"The total authorized amount for the Relicensing effort, as last approved by the Trustees at their meeting of March 20, 2003, is $31.2 million. The Trustees are requested to approve an additional $20.9 million in capital expenditures for licensing related activities in 2003 and 2004 at the Project.

"At their meeting of June 26, 2001, the Trustees approved the award of a competitively bid contract to URS Corporation (Contract No. 4500044288) for relicensing, consulting and project management services for the Project for an initial three-year term (through June 30, 2004), with the option to extend it for two additional years. The Trustees also approved the release and allocation of $8.6 million to the subject contract. It is anticipated that funding under this contract will be exhausted in September 2003. In order to complete anticipated 2003 work activities, another $2 million needs to be assigned to the contract. An additional $13.9 million is requested to support consulting, studies and project management services in 2004. This request and funding for other relicensing expenditures, of about $5 million, will be incorporated in the Public and Governmental Affairs 2004 budget request for Relicensing.

"In accordance with the Authority's Expenditure Authorization Procedures, the Trustees' approval is required for personal services contracts where the cumulative Change Order limit will exceed the previously-approved contract amount by more than $500,000.

<u>DISCUSSION</u>

"Before commencing the Relicensing effort, the Authority determined that the most effective approach to relicensing would be an open and participatory, but still controlled, alternative process that invites Stakeholders to play a role in the development of a new license application. The Authority crafted an alternative licensing process ('ALP') designed to both facilitate Stakeholder involvement and control the overall cost and impact of relicensing with regard to scoping of studies, development of licensing documents, and the identification of settlement issues. The primary vehicle of the ALP is an Applicant Prepared Environmental Assessment ('APEA') developed in conjunction with the ALP Stakeholders. The APEA represents the Authority's best opportunity to maintain a schedule that provides the information needed in order to complete licensing documents to pursue a comprehensive settlement prior to the filing of the License Application.

"The ALP is a process built around developing information that meets the regulatory/ public affairs needs of the Authority as well as the settlement interests of the Stakeholders. The ALP embodies a broader public and community affairs perspective, supported by the more narrowly defined regulatory process. The information developed in the ALP would be used to complete the requisite licensing documents, but would also meet perceived needs of Stakeholders entering settlement negotiations. By agreeing to the expanded scope of studies and information gathering, the Authority garnered support for the ALP itself, building legitimacy and credibility for the alternative licensing approach. The Authority has received considerable positive reaction to its licensing approach from Stakeholders, resource agencies, opinion leaders and the media. To date, we have avoided negative media coverage because of our open and inclusive approach to Niagara's relicensing.

"Development of the ALP commenced in 2001, through a comprehensive public outreach campaign to explain the licensing process to the Stakeholders. In 2002, a series of meetings were held with state and federal resource agencies and the Tuscarora Nation to begin the process of identifying issues of concern and the general level of study effort needed to address those issues. The purpose of reaching out early to the agencies and the Tuscarora Nation was to foster cooperative resolution of regulatory relicensing issues prior to moving into the larger, more public, Stakeholder meetings to be held in 2003.

"In 2003, the ALP process commenced with the cooperative scoping of the APEA. Scoping focused upon the development of issue sheets, which provided the outline for studies designed to meet either a regulatory requirement or settlement information need. As a result of working with the larger Stakeholder group, the number of studies needed increased, and, in some instances, the level of study effort originally anticipated in 2002 was expanded.

"Identified below for each of the resource categories are the number of studies identified during the agency/Tuscarora Nation meetings in 2002; the number and type of studies identified during the 2003 ALP; and the number of studies where increases in the level of study effort were expanded.

- Water Quality. Seven water quality studies were identified in 2002. The 2003 ALP meetings resulted in increases in the level of study effort for three of those studies. Three more water quality studies were identified in 2003: determine if Project operations affect surface water quality; determine if Project operations influence sedimentation in the Niagara River; and describe contaminant levels in fish in Lewiston Reservoir.

- Terrestrial. No terrestrial studies were identified in 2002[1]. The 2003 ALP meetings resulted in the identification of two terrestrial studies: describe the effects of Project construction on the surrounding environment; and determine if Project operations affect critical federal and state RTE species habitat and unique natural communities.

- Aquatic. Seven aquatic studies were identified in 2002. The 2003 ALP meetings resulted in increases in the level of study effort for three of those studies.

- Climate/geology. No climate/geology studies were identified in 2002. The 2003 ALP meetings resulted in the identification of three climate/geology studies: determine if Project operations impact air quality; determine if the Ice Boom has climatic, aquatic, land management and aesthetic effects; determine if Project operations affect shoreline erosion on the Niagara River (including tributaries).

- Land management/aesthetics. Six land management/aesthetics studies were identified in 2002. The 2003 ALP meetings resulted in an increase in the level of study effort for one of the land management studies.

- Recreation. Four recreation studies were identified in 2002. No increases in the level of study effort, or additional recreation studies, were identified in 2003.

[1] Phase I Terrestrial studies were already in progress when the Authority and resource agencies/Tuscarora Nation met in 2002.

- Cultural. One cultural (historic properties) study was identified in 2002. No increases in the level of study effort, or additional cultural studies, were identified in 2003.

- Socioeconomics. Two socioeconomic studies were identified in 2002. The 2003 ALP meetings resulted in the identification of two additional socioeconomic studies: assess the effect of the Project's presence/operation on public health and safety; and assess the Project's hydropower resource capability, utilization, and products including the opportunities and constraints. Additionally, the 2003 ALP meetings increased the level of effort for one of the socioeconomic studies.

"The number of studies identified during the 2002 meetings was used to estimate 2003 study budgets. However, the level of effort for these studies increased and additional studies were added in 2003 which led to unanticipated 2003 costs. Although very successful, the ALP scoping process has taken longer than anticipated, which further compresses the time allocated to conduct studies and gather information. This time compression, coupled with the additional studies and/or expanded level of study effort, has increased the relicensing costs beyond those anticipated in 2001 at the time of the initial contract award.

"Following scoping, in 2003 and early 2004, the Authority will focus on conducting studies and gathering information. Draft results of these efforts are due to the Stakeholders in the spring of 2004. The results of the studies will then be discussed with the Stakeholders during the commencement of settlement discussions in the second quarter of 2004. Supplemental studies may be required in 2004, depending upon the results of the initial round of studies and discussion with the Stakeholders, and this request anticipates these costs.

"The Authority will circulate a draft license application and APEA in 2004; the final license application and APEA will be filed with the Federal Energy Regulatory Commission in August 2005. It is the Authority's goal to have the license filing supported by a comprehensive settlement agreement.

"The URS Team will be needed to support the relicensing efforts through June 2006, and possibly beyond. They have had an outstanding performance record in the ALP and have developed an excellent rapport with the Stakeholders. The URS Team has performed very well, providing the Authority with technical support and studies of good quality. The URS Team has been very responsive in providing assistance to the Authority's staff at times under very aggressive schedules. The URS Team's knowledge of the Authority, the Project and study data makes them unique to be considered for this work.

"Approval of these requests will permit the continuation of the overall approach to the Project's relicensing, which seeks to accommodate Stakeholder interests and achieve settlement, while preserving the Authority's legal arguments, promoting the Authority's role in the community, minimizing adversarial proceedings, and controlling overall settlement/relicensing costs.

<u>FISCAL INFORMATION</u>

"Payments will be made from a combination of Niagara Bond proceeds and Commercial Paper proceeds.

<u>RECOMMENDATION</u>

"The Senior Vice President of Public & Governmental Affairs recommends that the Trustees:

- approve additional capital expenditures of $20.9 million for the Niagara Power Project relicensing effort in 2003 and 2004;

- authorize an increase in the compensation ceiling for the relicensing, consulting and project management services contract awarded to URS Corporation from $8.6 million to $24.5 million for consulting and project management services through December 31, 2004; and

- authorize the extension of the subject contract through June 30, 2006.

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

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

A discussion ensued among the Trustees, Mr. Chase, Mr. Barden and Mr. Vesce about the past, present and future scope of the relicensing effort. Mr. Seymour opined that the Trustees need to see a roadmap of where the project is going and at what cost. It was agreed by staff that such a roadmap (including best/worst case scenarios, strategy, list of stakeholders and a cost breakdown) would be presented at the November 25 Trustees' Meeting.

In response to questions from the Chair, Mr. Chase explained that most of the studies identified by stakeholders were being pursued and that there would only be a need for additional studies for "fine tuning." He further explained that the funding request covered all study costs, as well as potential additional study work through 2004. He then informed the Chairman that the Authority's contract with URS could be extended through 2006.

In further response to questions from Trustee Seymour, Mr. Silliman estimated that approximately $10-13 million in additional relicensing expenditures above the funding request might be necessary to prepare the application.

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

RESOLVED, That pursuant to the Authority's Expenditure Authorization procedures, an additional 20.9 million dollars is hereby approved for Niagara Power Project relicensing expenditures as recommended in the foregoing report of the President and Chief Executive Officer, bringing the total Capital expenditure to $52.1 million, and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization procedures, an increase in the compensation ceiling of the relicensing, consulting, and project management services contract with URS Corporation, be, and hereby is, approved as recommended in the foregoing report of the President and Chief Executive Officer in the amount of 15.9 million dollars to 24.5 million dollars, and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the relicensing, consulting, and project management services contract with URS Corporation is hereby extended through June 30, 2006, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

13. Procurement (Services) Contracts – Business Units and the Facilities – Awards

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '13-A' for the Authority's Business Units/Departments, as well as for its 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 the 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, requires the Trustees' approval.

DISCUSSION

"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 $50,000 to $5,000,000. 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 **American Hydro Corp. (Q-02-3218; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for labor, equipment, materials, supervision, testing, and transportation to rebuild, upgrade and deliver miscellaneous turbine components for the overhaul of five units at the St. Lawrence/FDR Project, as part of the Life Extension and Modernization Program. Twelve firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; four proposals were received and evaluated. Based on their qualifications, ability to perform such work and meet the Authority's schedule, in addition to their competitive pricing, staff recommends the award of the subject contract to American Hydro Corp., the low bidder. In addition, the contractor is a recognized leader in the hydro turbine industry, with a reputable quality assurance program, and has previously performed such rehabilitation work for two other units at the St. Lawrence/FDR project in a satisfactory manner. The intended term of this contract is three 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, $458,115.

"At their meeting of October 30, 2001, the Trustees approved capital expenditures of $3,318,000 for a three-phased upgrade of the existing Supervisory Control and Data Acquisition ('SCADA') system hardware and software at the St. Lawrence/FDR Project. The initial phase of the implementation effort involved system modifications to existing Authority-licensed SCADA software and integration of such software onto a new hardware platform. Later phases will replace the major software components of the JC6000 over time to move the SCADA towards a current supportable system configuration. The contract with **ARINC, Inc. (PO # TBA; formerly GE-Harris Harmon Control and Information Systems)** would provide for services in connection with Phase 2 of the upgrade implementation effort comprised of software licenses and required installation, configuration and customization services to replace existing SCADA front-end processors with current generation compatible software and hardware. This contract is awarded on a sole source basis, since ARINC is the original supplier of the St. Lawrence/FDR Project's SCADA system and the only vendor qualified to participate in an upgrade effort at this time. In addition, utilizing this vendor enables the Authority to proceed with this upgrade in a timely and cost-effective manner and allows the Authority to preserve its investment in licenses and operating software. The subject contract would become effective on October 1, 2003, for an intended term of approximately eighteen months, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the release and allocation of funding to the subject contract from the aforementioned previously approved total, in the total amount expected to be expended for the term of the contract, $350,000.

"The contract with **Cianbro Corp. (Q-02-3220; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for the furnishing of labor, equipment and materials to transport, sandblast, clean and paint a total of 120 wicket gates for the overhaul of five units at the St. Lawrence/FDR Project, as part of the Life Extension and Modernization Program. After cleaning and painting, the wicket gates are sent to the Clark Energy Center for machining by Authority staff before being returned to the St. Lawrence/FDR Project for reassembly. Thirty-eight firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; four proposals were received. Based on the contractor's qualifications and ability to perform such work, in addition to its competitive pricing and ability to meet schedule requirements, staff recommends the award of the subject contract to Cianbro Corp., the low bidder. In addition, this firm has provided such services to the Authority under a previous contract in a timely and satisfactory manner. The intended term of this contract is three years, with an option to extend for one additional year, 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, $158,904.

"In response to mandates by the North American Electric Reliability Council ('NERC') and Federal Energy Regulatory Commission ('FERC'), as well as a recent internal study on network security vulnerability, the Authority has sought proposals for managed security monitoring services on a 7x24x365 basis. Such services would include: providing managed security monitoring of the Authority's essential computer network assets; designing an architecture that meets the Authority's requirements for monitoring; installing all hardware and software required to implement monitoring; and implementing a system at Authority facilities to monitor, diagnose, notify, interpret, and report important system events throughout the network, including unauthorized behavior, malicious hacks, denials of service, anomalies, and trend analyses. Forty-one firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. Fifteen proposals were received and evaluated by an Authority Team. Based on an extensive list of evaluation criteria including, but not limited to, the following categories: implementation approach, methodology, security and capacity of the monitoring facility, experience of the company and qualifications of the staff, monitoring services and equipment, reporting capability, etc., staff determined that the proposal submitted by CompuCom Systems, Inc., in partnership with Symantec Corporation, was the lowest evaluated most technically qualified bid. Staff therefore recommends the award of the subject contract to CompuCom. The contract with **CompuCom Systems, Inc. (Q-02-3173; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. In partnership, CompuCom and Symantec will tailor management and support elements to the Authority's network environment, forming a comprehensive support framework. CompuCom, an industry-recognized leader in enterprise security practice, would be responsible for administering the contract, performing quarterly vulnerability scans, and providing managed security implementation, coordination and consulting services, as needed; Symantec, an industry-recognized expert and leader in managed security monitoring, would perform the actual monitoring services. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $1,000,000.

"The contract with **Corporate Aviators, Inc. (Q-02-3221; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for supplemental co-pilot services to assist in the operation of the Authority's corporate aircraft (Beechcraft B-200 and B-350 King Air), on an 'as required' basis. The estimated need for such services is approximately 50 days per year. Such supplemental personnel must have all requisite licenses, certificates, and ratings and may not be substituted without the Authority's prior approval. Corporate Aviators was the sole responding bidder of two firms invited to bid.

Although a notice was published in the Contract Reporter, no additional respondents were identified. Based on its qualifications and ability to perform such work (as evidenced by its satisfactory performance under an existing contract), in addition to its competitive pricing, staff recommends the award of the subject contract to Corporate Aviators. In addition, this firm has provided such services to the Authority under an existing contract in a timely and satisfactory manner. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $51,000.

"The four contracts with **Dana L. Drake, LS, GEOD Corp., Sear Brown Group, and TVGA Engineering, Land Surveying, PC (Q-02-3225, PO #s TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of these contracts is to provide for regional surveying and mapping services in support of the routine operation and maintenance of all Authority facilities and offices, as well as ancillary projects and transmission lines, as may be required. In addition to real property surveys, these services are required to support engineering, construction, licensing, transmission, environmental, and, occasionally, legal and marketing initiatives. Forty-seven firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; twenty-one proposals were received and evaluated. The evaluation criteria included each firm's experience, qualifications of their staff, technical proposal, methodology, organization, ability to meet schedules and deadlines, and quality assurance/quality control, in addition to geographic proximity to the work. The proposals were evaluated separately for each region. Each firm selected will provide services for Authority facilities in a specific region of the state (St. Lawrence, White Plains Office/Poletti/PowerNow!, Blenheim-Gilboa, and Niagara and Clark Energy Center regions and/or related counties, respectively). The four aforementioned firms were the most technically qualified firms providing such services at reasonable prices. In addition, these firms have provided such services to the Authority under previous contracts in a timely and satisfactory manner. The intended term of these contracts is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, including the fourth option year, $3,100,000. Total commitments and expenditures for all four contracts will be tracked against the approved total.

"The contract with **Day & Zimmerman NPS, Inc. (Q-02-3146; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for general maintenance support services at the Charles Poletti and Richard M. Flynn Power Plants. Such services will generally consist of providing skilled craft labor to supplement and assist the Authority's plant employees during periods of routine maintenance, scheduled outages, emergency shutdowns, or technical inspections, as directed by Authority management at the two facilities. The following categories of work may be required: general plant maintenance, plant modifications and corrections, and retrofit work. Twenty-one firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; four proposals were received and evaluated. Day & Zimmerman NPS was the lowest technically qualified bidder. Based on their qualifications and ability to perform such work (as evidenced by their satisfactory performance of such services under an existing contract), in addition to their competitive pricing, staff recommends the award of the subject contract to Day & Zimmerman NPS. In addition, their rates for Workers' Compensation, liability insurance percentages, and overhead and fee percentages will remain firm for the initial three-year term; the only increases will be in the actual craft labor rates as determined by the increases in the New York State Prevailing Wage Rates. The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $5,000,000.

"The two contracts with **EarthData International of Maryland, LLC and James W. Sewall Company (Q-02-3224, PO #s TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of these contracts is to provide for statewide photogrammetric services (including aerial photography, mapping support and associated analyses) in support of the routine operation and maintenance of all Authority facilities and offices, ancillary projects and transmission lines, as may be required. Such services are needed to support real estate, environmental, operations and relicensing activities, on an 'as required' basis, and, especially, to identify any problems along the Authority's 1,000 miles of transmission line right-of-way. Fourteen firms were invited to bid for such services, including those responding to a notice in the Contract Reporter; ten proposals were received and evaluated. Based on each firm's experience, qualifications of their staff, technical proposal, methodology, organization, ability to meet schedules and deadlines, and quality assurance/quality control, staff recommends the award of two contracts to EarthData International of Maryland and James W. Sewall Company. The two recommended firms also own and operate aircraft, which is a favorable indicator of their ability to respond to the immediate needs of the Authority. The two aforementioned firms were the most technically qualified firms providing such services at reasonable prices. In addition, these firms have successfully performed such services for the Authority under previous contracts in a timely and satisfactory manner. The intended term of these contracts is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, including the fourth option year, $1,400,000. Total commitments and expenditures for both contracts will be tracked against the approved total.

"The contract with **Extraterrestrial Materials, Inc. dba ETM Solar Works (Q-02-3215; PO # TBA)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for mechanical, civil and electrical maintenance services for the Authority's rooftop-mounted solar photovoltaic systems in various locations throughout New York State, predominantly in the New York City metropolitan area, on an 'as needed' basis. The contractor's primary responsibilities include the diagnosis and repair of any system malfunctions by a licensed electrician with a solid understanding of photovoltaic systems and their components. Twelve firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. ETM was the low bidder of four bids received. Based on its qualifications and ability to perform such work (as evidenced by its satisfactory performance under the existing contract for such services), in addition to its competitive pricing, staff recommends the award of the subject contract to ETM. 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 five-year term of the contract, $125,000.

"The contract with **Island Waste Services (4600001107)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for rubbish removal and disposal services for the Richard M. Flynn Plant and the PowerNow! site at Brentwood. Services also include providing containers, transportation and recycling. Ten firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. Island Waste was the low bidder of four bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Island Waste. The intended term of this contract is three 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, $50,000.

"The contract with **Longo Electrical-Mechanical, Inc. (4600001119)** would become effective on October 1, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for inspection and repair services for various size motors (ranging from 100 to 10,000 horsepower) at the Charles Poletti Power Plant and the PowerNow! gas turbine plants. Ten firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. Longo Electrical-Mechanical, Inc. was the low bidder of five bids received. Based on its qualifications and ability to perform such work, in addition to its competitive pricing, staff recommends the award of the subject contract to Longo. The intended term of this contract is three 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, $450,000.

"The federal government's Public Health Services Act for the continuation of benefits, as amended by the Consolidated Omnibus Budget Reconciliation Act ('COBRA') of 1985, requires the Authority to provide employees and eligible dependents the opportunity for a temporary extension of health coverage in certain instances where coverage under the plan would otherwise end. The contract with **M. W. Pomfrey & Associates, Inc. ('POMCO'; Q-02-3241; PO # TBA)** would provide for third-party administration services for the Authority's continuation of benefits program under COBRA. Services include, but are not limited to: administration of medical and dental programs, as well as an Employee Assistance Program; Flexible Spending Account, Vision and Hearing programs for the Authority's approximately 1,575 salaried and bargaining unit employees; including all notifications, enrollment, changes and terminations, billing and receipt of monthly premiums, follow-up, processing payments to various health insurance carriers and to the Authority; tracking of time limitations imposed by law; record-keeping services; and reporting to Authority management. The contract would become effective on January 1, 2004, subject to the Trustees' approval. Fourteen firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. POMCO was the low bidder of three bids received. Based on their qualifications and ability to perform such work (as evidenced by their satisfactory performance under an existing contract), in addition to their competitive pricing, staff recommends the award of the subject contract to POMCO. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial three-year term of the contract, $54,000.

"The contract with **Russell Reid Waste Hauling & Disposal Service Co., Inc. (4600001090)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide supervision, labor, materials and equipment to load, transport and dispose of between 25,000 – 60,000 gallons (per request) of wastewater from a 100,000-gallon storage tank, and up to 3,000 gallons of non-toxic biomass sludge from an underground holding tank located at the Richard M. Flynn Power Plant to the Suffolk County Department of Public Works Publicly-Owned Treatment Works ('POTW') or Scavenger Plant. Fifteen firms were invited to bid for such services, including those responding to a notice in the Contract Reporter. Russell Reid Waste Hauling & Disposal Service Co., Inc. was the low bidder of three bids received. Based on its qualifications and ability to perform such work, in addition to their competitive pricing, staff recommends the award of the subject contract to Russell Reid. It should be noted that the rates will remain firm for the duration of the contract. The intended term of this contract is three 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, $330,000.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2003 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 Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Vice President and Chief Engineer – Power Generation, the Vice President – Project Management, the Chief Information Officer, the Director – Employee Benefits, the Director – Corporate Services, the Director – Research & Technology Development, the Director – Real Estate, the Director – Computer Applications, the Director – Operations (Flynn), the Regional Manager – Northern New York, the Regional Manager – Western New York, the Regional Manager – Central New York, and the Regional Manager – Southeast New York recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '13-A' and as discussed above.

"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 – Energy Services & Technology and I concur in the recommendation."

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, the award and funding of the multi-year procurement contracts set forth in Exhibit "13-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 and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '14-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for its Facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contracts with the following firms: Holland & Knight, LLP, HEPCO, Inc., Lehigh Staffing, Rotator Staffing Services and Xerox Corporation. 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

"Although the firms identified in Exhibit '14-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. The 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 '14-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 seven contracts with **Amesse Photography (4600000926)**, **Bob Buchanan Photography (4600000919)**, **Brian T. McNally Photography (4600000925)**, **Duchaine Communications Inc. (4600000928)**, **Focus Studio Inc. (4600000927)**, **John O'Donnell Photography & Digital Imaging Services (4600000921)**, and **Maryanne Russell Photography Inc. (4600000924)** provide for the services of freelance photographers for a variety of photographic assignments, as requested by the Authority, at various geographic locations throughout New York State. The original awards, which were competitively bid, became effective on November 1, 2002 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise this option and to continue services, as needed. The combined current contract amounts total $65,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through October 31, 2004, with no additional funding requested.

"The three contracts with **B&R Motorsports, LLC (4600000931)**, **Richmor Aviation Inc. (4600000930)**, and **Westchester Air Inc. (a New York State certified Minority & Women's Business Enterprise, 'M/WBE'; 4600000915)** provide for charter aircraft services, as backup to the company plane, on an 'as needed' basis. Most trips are of same-day duration, from Westchester County Airport to destinations within New York State (primarily Niagara and Massena). Various pressurized turboprop and light jet aircraft, with seating capacities from 6 to 19 passengers, and staffed by two qualified pilots (per company policy), are utilized. The original awards, which were competitively bid, became effective on November 30, 2002 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 this option and to continue services, as needed. The combined current contract amount is $75,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through November 29, 2005, with no additional funding requested. It should be noted that the charges incurred under this contract are actually charged to individual departmental budgets.

"The contract with **Bywater Inc. (4500064329)** provides for consulting services in connection with the Authority's Balanced Scorecard ('BSC') performance measurement system. The original contract, which was awarded on a sole-source basis, became effective on December 2, 2002 for an initial term of one year, with an option to extend for up to two additional years. Bywater was originally engaged to perform an assessment of the BSC system. The resulting recommendations were presented at the Authority's February 2003 Strategic Planning Conference, where a six-point work plan was approved. Bywater has been authorized to implement the first two such items, which addressed improving corporate and Business Unit measurements by simplifying the methodology for corporate measurement selection and design, and developing a selection process that Business Unit leaders would find useful to improve their effectiveness. A two-year extension is now requested in order to exercise the option to continue services, and to complete the remaining items in the work plan, as may be required. The additional items may include establishing one integrated measurement system, improving motivation systems, creating continuous improvement capability, and aligning the Balanced Scorecard with individual performance contracts and budgets/financial systems. The current contract amount is $125,000; it is anticipated that an additional $175,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 1, 2005 and to approve the additional funding requested.

"The Authority has been providing low-cost power to business and non-profit groups under various Economic Development Programs that were enacted by State legislation. The companies applying for and receiving this low-cost power agree to maintain and/or create jobs in New York State. These customers are required to report their job levels annually to the Authority. If the promised job levels are not maintained, the power allocations may be reduced entirely or in proportion to the job levels reported. Each year, the Authority's Internal Audit staff selects a sample of customers and performs an on-site verification of the job commitments. The two contracts with **Dannible & McKee, LLP (4500062783)** and **Toski, Schaefer & Co., PC (4500062785)** provide for additional audit resources/services in connection with customer job commitments to the Authority's Economic Development and Power for Jobs Programs. These contracts have enabled the Authority to expand the number of customers that are visited and reviewed annually to verify that job levels reported by customers are accurate and in compliance with contractual requirements. The original awards, which were competitively bid, became effective on October 25, 2002 for a term of one year, with the intent to extend services for one additional year. A one-year extension is now requested in order to continue services, as may be required. The current contract amounts are $60,000 per contract; it is anticipated that additional funding in the amount of $60,000 per contract will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through October 24, 2004 and to approve the additional funding requested.

"The contract with **Development Dimensions International (4500059725)** provides for executive-level employee assessments, utilizing the Global Solutions Assessment System in connection with the Authority's management development program. The assessment includes the following components: executive assessment, performance feedback, and participant/manager development planning. The original award, which was awarded as the result of a competitive search, became effective on August 15, 2002 for a term of less than one year. Although there has been no activity under the subject contract to date, this effort has been re-energized; staff projects that such assessments may be needed for up to six candidates during the forthcoming year. A one-year extension is now requested in order to provide for such services, as may be required. The current contract amount is $8,600; it is anticipated that an additional $43,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 14, 2004 and to approve the additional funding requested.

"The contract with **Electronic Technologies Corp. (4600000911)** provides for maintenance and repair services for the fire alarm system at the Authority's Clarence D. Rappleyea Building and garage. The original award, which was competitively bid, became effective on October 15, 2002 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 continue services, as may be required. The current target value is $43,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 14, 2005, with no additional funding requested.

"The contract with **Gannett Fleming Engineers & Architects, P.C. (4500056820)** provides for remedial site investigation services at the Vernon Boulevard PowerNow! site as part of the Authority's negotiations with the New York State Department of Environmental Conservation ('NYSDEC') resulting from the excavation and disposal of contaminated soil during construction of the facility. The original award became effective on May 30, 2002 for a term of up to one year. Services include revision of a previously submitted remedial investigation work plan for resubmittal to the NYSDEC and, upon receipt of approval, the execution of the remedial site investigation/field work (including soil borings and soil sampling, groundwater well installation and sampling, and laboratory analysis) envisioned by the plan. In addition, preparation of a final site investigation report (including two review/revision cycles and a final meeting) are also included in the work scope. Such approval is still pending and there has been no activity under the subject contract for some time. Since the duration of the subject contract is dependent on the NYSDEC's review and approval not only of the final work plan, but also of the conclusions of the final report, it is possible that all work under the subject contract may not be completed until the end of 2004. A fifteen-month extension is now requested in order to accommodate this process and, upon receipt of DEC approval, to complete all requisite field work and related reporting services. The current contract amount is $55,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004, with no additional funding requested.

"The contract with **Hawkins Delafield & Wood (CZ7116; new PO # TBA)** provides for advice and counsel to the Authority concerning changes in tax laws and regulations and for services relating to the Authority's ability to issue obligations under the Power Authority Act and various bond and note resolutions. The firm is at the center of numerous substantive matters, including the marketing of Authority power and transmission services under Internal Revenue Service ('IRS') regulations, and New York State electric industry restructuring. This contract became effective on April 1, 1986 and was reviewed and approved by the Trustees at their meetings of April 29, 1986, December 19, 1988, November 27, 1990, August 30, 1994, September 24, 1996, December 14, 1999, December 19, 2000, and December 18, 2001, respectively, for contract extensions through December 31, 2003 and a revised compensation ceiling of $5,712,000 (in addition to allocations from other authorized funding for services in connection with the sale of the nuclear plants, as well as for services in support of bond issuance). A two-year extension is now requested in order to provide continued advice and counsel, as may be required, regarding the issuance of notes and other debt, including bond and note resolutions; tax issues relating to debt issuance; compliance with applicable IRS regulations; and miscellaneous issues arising under the Power Authority Act. The current contract amount is $5,857,000; it is anticipated that an additional $350,000 may be required for the extended term (in addition to amounts that may be allocated from the aggregate $2,000,000 revolving fund previously authorized for LIPA-related services, as needed). For administrative purposes, a new agreement number will be assigned effective January 1, 2004. The Trustees' approval is requested to extend the subject contract through December 31, 2005 and to approve the additional funding requested, as well as the allocation of any additional funding from the aggregate $2,000,000 revolving fund previously authorized for LIPA-related services, as needed.

"The contract with **Nixon Peabody, LLP (formerly Nixon Hargrave Devans & Doyle; S98-01232)** provides for legal services relating to labor and employment matters and a separate Disclosure Counsel. At their meeting of December 16, 1997, the Trustees approved the original award of the subject contract, which became effective on January 1, 1998 for an initial one-year term with an option to extend for one additional year. At their meetings of December 14, 1999 and December 18, 2001, respectively, the Trustees approved extensions through December 31, 2003 and additional funding for a total contract amount of $180,000. At their meetings of September 25, 2001 and September 17, 2002, respectively, the Trustees also authorized special counsel services and associated funding in connection with bonds and related transactions. Nixon Peabody has provided valuable labor and employment law advice to the Authority at competitive rates. The firm is particularly well-versed in the State's Public Employment Relations Board ('PERB') proceedings. Nixon Peabody's lawyers have been called on to assist in evaluating discrimination claims pending before an administrative agency; their strategic advice is particularly valuable when such claims reach federal court, where their depth of experience is required. With the explosion of federal employment-related discrimination legislation over the past decade, there is the potential for increased employment litigation in federal court. Such litigation may require the Authority to seek this firm's counsel more frequently. In addition, Nixon's principals are the most experienced in disclosure counsel work; the firm has both securities law experience and a public power/public utility-related practice. The firm's services are also needed for legal advice concerning federal securities law disclosure requirements to ensure that the Authority's Official Statements and all other bond issuance documentation comply with such requirements, and to provide opinions to the bond underwriters. In view of the many issues now ongoing, an additional one-year extension is requested in order to continue services in support of the aforementioned matters, as may be required. The current contract amount is $345,000; it is anticipated that an additional $150,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2004 and to approve the additional funding requested.

"The two contracts with **PROformance, Inc. (4600000932)** and **TAP Plumbing & Heating Inc. (4600000912)** provide for on-call plumbing services at the Authority's Clarence D. Rappleyea Building. The original awards, which were competitively bid, became effective on October 1, 2002, 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 continue services, as needed. The combined current target value is $185,000; it is anticipated that additional funding in the combined amount of $300,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contracts through September 30, 2005 and to approve the additional funding requested.

"The contract with **Quintal Contracting (4600000918)** provides for snow removal services for the Richard M. Flynn Plant and for the PowerNow! site at Brentwood. The original award, which was competitively bid, became effective on November 1, 2002 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 continue services, as may be required. The current target value is $29,500; it is anticipated that an additional $60,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 31, 2005 and to approve the additional funding requested.

"The contract with **Suburban Carting Corp. (4600000875)** provides for services to furnish, deliver and empty construction dumpsters for the Authority's Clarence D. Rappleyea Building, on an 'as needed' basis. The original award, which was competitively bid, became effective on September 1, 2002 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 continue services, as needed. The current target value is $30,000; it is anticipated that an additional $100,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 31, 2005 and to approve the additional funding requested.

"The contract with **TRC Environmental Corp. (4500039641)** provides for licensing support services for the 500 MW Combined Cycle Plant. The original award, which was awarded on a sole-source basis, became effective on March 15, 2001 for an initial term of one year. An interim extension was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures because the permit for the 500 MW Plant was delayed and additional submissions and hearings were required to be performed beyond the originally projected completion date. At their meeting of June 25, 2002, the Trustees approved an additional six-month extension through December 31, 2002, and additional funding in the amount of $100,000, to accommodate the extended licensing schedule. Such extension was required due to Siting Board requirements for additional hearings, as well as Compliance Filings and other services. A nine-month extension was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An additional 21-month extension is now requested in order to continue services, as may be required, through completion of construction (currently projected to be June 30, 2005). Such services would include responding to any emergent requests from regulatory agencies and the public for additional information about the project. The current contract amount is $490,000 (of the $590,000 previously approved by the Trustees); it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2005, with no additional funding requested.

Increases in Compensation Ceiling

"The three contracts with **HEPCO, Inc. (4500030335), Lehigh Staffing (4500030339), and Rotator Staffing Services, Inc. (4500030340)** provide for the services of temporary field engineering personnel to support the Authority's facilities, as needed. Services may include engineers and designers in the following disciplines: electrical, mechanical, structural/civil, licensing, environmental, facility (HVAC, plumbing), fire protection, chemical, construction and construction management, project managers, cost and scheduling, instrumentation and control, and planning; inspectors, designers, engineering aides, and clerical aides. The original awards, which were competitively bid, became effective on October 1, 2000, for an initial term of one year, with an option to extend for an additional year. An aggregate amount of $1,000,000 was approved in accordance with the Authority's Expenditure Authorization Procedures. At their meeting of September 25, 2001, the Trustees approved a two-year extension to continue services on an 'as needed' basis and increased the combined compensation ceiling to $4,152,785. Currently, there are approximately ten such temporary field engineering personnel working under three active contracts on several long-term capital projects. They include the slide area rehabilitation at the Blenheim-Gilboa Project, the life extension and modernization at the St. Lawrence/FDR Power Project, the upgrade of the Niagara Power Project, and the 500 MW Combined Cycle Project. A fifteen-month extension is now requested in order to continue services to support the aforementioned efforts. Based on current and anticipated staffing needs, and due to the need for continuity and reliable staffing, it would not be feasible or cost-effective to rebid such staff augmentation services at this time. Such contracts will be closely monitored for utilization levels, available approved funding, and combined total expenditures. It should also be noted that the contracting firms have agreed to hold their mark-up rates firm for the extended term. These mark-up rates are the lowest in the industry, at less than 20%. The combined current contract amounts total $3,681,334 (of the $4,152,785 previously approved by the Trustees); it is estimated that additional funding in the combined amount of $1,700,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contracts through December 31, 2004 and to approve the additional funding requested, thereby increasing the compensation ceiling to $5,852,785.

"The contract with **Holland & Knight, LLP (4500014922)** currently provides for legal consulting services and litigation advice in connection with various matters, including the Authority's long-term firm gas supply agreement with Enron North America Corp. (formerly Enron Gas Marketing), the marine casualty incident affecting the Y-49 cable interconnection, and other ensuing matters, as needed. The original contract became effective on November 10, 1999 to provide legal advice, counsel, and representation before judicial or regulatory bodies in connection with the sale of the Authority's two nuclear plants and on such other activities as requested by the Authority. At their meeting of December 14, 1999, the Trustees ratified and approved a three-year award and a contract amount of $300,000. Additional amounts were subsequently allocated from funding authorized pursuant to the Special Resolution of March 28, 2000 and the Trustees' meeting of November 28, 2000. The Trustees also approved contract extensions for services in relation to various other matters, as well as associated additional funding, at their meetings of December 18, 2001 and September 17, 2002, respectively. A one-year extension is now requested to provide ongoing services in support of the aforementioned matters. Holland & Knight will also serve as outside counsel in ensuing matters, as needed. The current contract amount is $3,525,000; it is anticipated that an additional $500,000 may be required for the extended term, in addition to amounts that may be added from the aggregate $2,000,000 revolving fund previously authorized for LIPA-related services, as needed. The Trustees' approval is requested to extend the subject contract through December 31, 2004, to approve the additional funding requested, thereby increasing the compensation ceiling to $4,025,000, and to approve the allocation of any additional funding from the aggregate $2,000,000 revolving fund previously authorized for LIPA-related services, as needed.

"The contract with **Xerox Corporation (4500026169)** provides for the furnishing of copying equipment and related services in support of the Authority's operating and administrative facilities. The original award, which was based upon a federal General Services Administration (GSA) contract, became effective on June 9, 2000 for a term of 5 years. The current contract amount is $3,186,359, with $2,007,875 expended to date, and reflects the inclusion of additional equipment to the original contract scope, all approved in accordance with the Authority's Expenditure Authorization Procedures. With technology advances and the Authority's requirements for copying also changing, Authority staff and Xerox representatives have discussed the possibility of re-structuring the current contract to address these issues. As a result, Xerox has proposed (pursuant to existing New York State Office of General Services 'OGS' contracts) supplying all new copying equipment supplies currently separately purchased, and related services for all of our facilities. This new equipment will include technological features for faxing, scanning, computer printing and printing engineering drawings, which should reduce the Authority's need for future specialized equipment and outside services. The overall cost to the Authority will decrease by approximately $70,000 annually. Therefore, the Trustees' approval is requested to extend the term of the subject contract through December 31, 2008, and to approve additional funding of $2,500,000 for the extended term, thereby increasing the compensation ceiling to $5,686,359.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2003 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 ('CEAR').

RECOMMENDATION

"The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Vice President – Project Management, the Vice President – Controller, the Director – Environmental Programs, the Director – Licensing, the Director – Corporate Services, the Director – Organizational & Employee Development, the Director – Internal Audits, the Director – Operations (Flynn), the Regional Manager – Southeast New York, and the Graphic Communications Manager, recommend the Trustees' approval of the extensions and additional funding and increase in the compensation ceiling of the procurement contracts listed in Exhibit '14-A'.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel[2], the Executive Vice President – Business Services and Administration, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, the Senior Vice President – Public and Governmental Affairs and I concur in the recommendation."

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, each of the contracts listed in Exhibit "14-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 Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceilings of the contracts with Holland & Knight, LLP, HEPCO, Inc., Lehigh Staffing, and Rotator Staffing Services, and Xerox Corporation, be, and hereby are, approved as recommended in the foregoing resolution of the President and Chief Executive Officer in the amount and for the purpose listed below:

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[2] The Executive Vice President, Secretary and General Counsel recuses himself with respect to any recommendation relating to the use of the services of Holland & Knight, LLP and will defer to the Deputy Secretary and Deputy General Counsel and the President and Chief Executive Officer with respect to any contract involving such law firm.

O & M / Capital	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for legal consulting services and litigation advice regarding various matters, including the Authority's long-term firm gas supply agreement with Enron, the marine casualty incident re Y-49 cable interconnection, and other ensuing matters, as needed:		
Holland & Knight, LLP 4500014922		
Additional Funding Requested	**$ 500,000**	**12/31/04**
Previously Approved Contract Amount	**$3,525,000**	
REVISED COMPENSATION CEILING	**$4,025,000***	

***in addition to amounts that may be allocated from the aggregate $2M revolving fund previously authorized for LIPA-related services**

O & M / Capital	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Provide for the services of temporary field engineering personnel, as needed:		
HEPCO, Inc. 4500030335		
Lehigh Staffing 4500030339		
Rotator Staffing Services, Inc. 4500030340		
Additional Funding Requested	**$1,700,000**	**12/31/04**
Previously Approved Contract Amount	**$4,152,785**	
REVISED COMPENSATION CEILING	**$5,852,785**	

	O & M / Capital	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide for copying equipment and related services:			
XEROX Corporation 4500026169			
Additional Funding Requested		**$2,500,000**	**12/31/08**
Previously Approved Contract Amount		**$3,186,359**	
REVISED COMPENSATION CEILING		**$5,686,359**	

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, 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 agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

15. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, October 28, 2003, at 11:00 a.m., at the New York Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

16. <u>Closing</u>

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 1:53 p.m.

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