

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

February 29, 2000

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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 11:30 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
William Josiger	Vice President – Special Activities
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Gerald Goldstein	Assistant General Counsel
Gerard Loughran	Assistant General Counsel
Gary Paslow	Executive Deputy Policy Development
William Ernsthaf	Principal Attorney
James Lyons	Principal Attorney
Edward Holman	Senior Environmental Engineer
George Lenhardt	Legal Policy System Fac.
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
Angelo Esposito	Director – Energy Services Division
Helle Maide	Director – Major Accounts Group, Governmental
James H. Yates	Director – Business Marketing & Economic Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Laura Badamo	Assistant Secretary, Legal Affairs
Angela Graves	Assistant Secretary

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on January 26, 2000 were approved.

2. **Financial Report for the One Month Ended January 31, 2000**

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

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of 20.3 MW of available power under the Power for Jobs program to the businesses listed in Exhibit ‘4-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The Power for Jobs program originally made available 400 MW of power. 200 MW provided from the James A. FitzPatrick Nuclear Power Project and 200 MW purchased by the Authority through a competitive bid process. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature made an additional 50 MW of power available and accelerated the distribution of the power. 267 MW were made available in Year 1 and 133 MW in Year 2.

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

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At 12 meetings from December 1997 through January 2000, the Trustees approved allocations totaling 411 MW to 617 businesses under the Power for Jobs program.

DISCUSSION

“In an effort to receive quality applications and to publicize the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the State; and the program was promoted through television ads within and without the State. To date, over 2,960 inquiries have been received and over 1,600 applications have been sent to prospective customers.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Fifteen applications were deemed highly qualified and presented to the EDPAB for its review on February 16, 2000. All remaining applications are still under review and will be considered at a later date.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the 15 businesses listed in Exhibit ‘4-A’. Collectively, these organizations have agreed to create or retain over 5,930 jobs in New York State in exchange for allocations totaling 20.3 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit ‘4-A’.

RECOMMENDATION

“The Vice President – Major Accounts Marketing and Economic Development, and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit ‘4-A’.

“The Senior Vice President – Marketing and Economic Development, the Executive Vice-President, Secretary and General Counsel, the Executive Vice-President – Project Operations, and I concur with the recommendation.”

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 20.3 MW of allocations of Power for Jobs power to the companies listed in Exhibit “4-A”;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit “4-A” (the “Customers”), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That a total of 20.3 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority’s Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

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

5. Proposed Contracts for the Sale of Firm Power to Millwood No. 1 Fire District and the Mt. Pleasant-Blythedale Union Free School District - Transmittal to Governor

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the transmittal to the Governor for approval two proposed contracts (Exhibits ‘5-A’ and ‘5-B’) for the sale of firm power to the Millwood No. 1 Fire District (‘Fire District’) and the Mt. Pleasant-Blythedale Union Free School District (‘Blythedale’).

BACKGROUND

“At their meeting of November 22, 1999, the Trustees authorized the holding of a public hearing pursuant to section 1009 of the Public Authorities Law on proposed contracts for the sale of firm power to two governmental customers. The Fire District and Blythedale are public corporations in the metropolitan area of New York; as such, they are considered governmental customers eligible for Authority service. Under the proposed contracts, the Authority would meet the existing and future full electricity requirements of these governmental customers' facilities.

“At their meeting of November 22, 1999, the Trustees also authorized publication of the as submittal of notification to the Governor and the legislative leaders. Copies of the proposed contracts were submitted 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 Temporary President of the Senate; the Minority Leader of the Senate, and the Chairman of the Senate Finance Committee. Copies of the proposed contracts were also made available for public inspection and notice of public hearing was given as required by Section 1009.

“The public hearing was held on January 25, 2000, in the Authority's New York Office. Prior to the hearing, each of the public customers submitted statements in favor of the proposed contracts.

DISCUSSION

“Authority staff has negotiated contracts for the sale of Firm Power with the Fire District and Blythedale under which the Authority will sell and deliver Firm Power.

“At the public hearing, written statements were submitted by the Fire District and Blythedale for the final record expressing their support of these proposed contracts. There were no other statements submitted.

“For the two proposed governmental customers, the total load and revenue are currently estimated to be 214 kW. Projected annual savings associated with Authority service are about \$15,600, or 15% percent, as compared to payments to Consolidated Edison Company of New York, Inc., (‘Con Edison’) their current supplier.

“For all the reasons presented at the hearing and by the proponents of the proposed contracts, the contracts for the sale of Firm Power are in the public interest and should be forwarded to the Governor with the recommendation that they be approved.

RECOMMENDATION

“The Director - Major Accounts Group - Governmental recommends that the Trustees approve transmittal of the two proposed contracts to the Governor with their recommendation that they be approved.

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation.”

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

WHEREAS, the Authority has negotiated proposed contracts under which sale of Firm Power would be sold and delivered to the Millwood No. 1 Fire District and the Mount Pleasant - Blythedale Union Free School District; and

WHEREAS, copies of such proposed contracts for the sale of Firm Power have been submitted to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate, and the Chairman of the Senate Finance Committee, and have been made available for public inspection during the 30-day notice period at the offices of the Authority and at other locations throughout the State; and

WHEREAS, on January 25, 2000, the Authority held a public hearing on the terms of the proposed contracts for sale of Firm Power and determined no changes should be made to the proposed contracts;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the form of the proposed contracts for the sale of Firm Power between the Authority and Millwood No. 1 Fire District and the Blythedale Union Free School District which were submitted at this meeting, and that the Authority believes such proposed contracts to be in the public interest; and be it further

RESOLVED, That the Chairman, and the Executive Vice President, Secretary, and General Counsel be authorized and directed to execute such sale of Firm Power in the name of and on behalf of the Authority whenever the contracts shall be approved by the Governor; and be it further

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

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, N.Y. 10019

APPLICATION FOR ELECTRIC SERVICE

MILLWOOD NO. 1 FIRE DISTRICT, (hereinafter called "Customer") hereby applies to POWER AUTHORITY OF THE STATE OF NEW YORK (hereinafter called "Authority") for firm power service under the Authority's applicable Service Tariff.

Customer understands:

(1) If this Application is accepted by Authority, firm power and energy will be supplied to Customer under the applicable Service Tariff(s) to the extent that Authority determines that it has capacity available to provide such power and energy. Customers who receive power and energy pursuant to such tariff shall not be entitled to receive such power and energy from any particular plants. The Authority shall have the right to furnish the power and energy from any source available to it.

(2) Delivery of power and energy to Customer will be made over the facilities of the utility company in whose franchise territory Customer's facilities are located pursuant to contractual arrangements entered into by such company and the Authority.

Customer further understands and agrees that this Application and the furnishing of electric services hereunder are subject in all respects to the provisions of Authority's Rules and Regulations for Power Service and to the applicable Tariff, both as they may be later amended from time to time.

Upon acceptance by Authority and approval of the Governor pursuant to Section 1009 of the Power Authority Act, this Application together with the applicable Service Tariff shall constitute a contract between the parties for electric service hereunder.

MILLWOOD NO. 1 FIRE DISTRICT

By: _____

Title: _____

Date: _____

(Attest)

By: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Chairman and Chief Executive Officer

Date: _____

(Attest)

By: _____

Executive Vice President, Secretary and General Counsel

ACKNOWLEDGEMENTS

State of New York) ss:
County of New York)

On this ____ day of _____, 2000 before me personally came Clarence D. Rappleyea and David E. Blabey, to me known, who each being by me duly sworn, did severally depose and say that they reside in _____, New York and in _____, New York, respectively, and that they are Chairman and Chief Executive Officer and, Executive Vice President, Secretary and General Counsel of Power Authority of the State of New York; that they executed the above instrument; that they know the seal of Power Authority of the State of New York aforesaid; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Trustees of Power Authority of the State of New York, and that they signed their names thereto by like order.

Sworn to before me this
___ day of _____, 2000

Notary Public

State of New York) ss:
County of _____)

On this ____ day of _____, 2000 before me personally came _____ and _____ to me known, who being duly sworn, did depose and say that reside in _____ and _____, respectively, and that they are _____ and _____ of _____; that they executed the foregoing instrument; that they know the seal of said entity; that one of the seals affixed to said instrument is such entity's seal; that it was so affixed by order of the _____ of said entity and that they signed their names thereto by like order.

Sworn to before me this
___ day of _____, 2000

Notary Public

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, N.Y. 10019

APPLICATION FOR ELECTRIC SERVICE

MT. PLEASANT-BLYTHEDALE UNION FREE SCHOOL DISTRICT, (hereinafter called "Customer") hereby applies to POWER AUTHORITY OF THE STATE OF NEW YORK (hereinafter called "Authority") for firm power service under the Authority's applicable Service Tariff.

Customer understands:

(1) If this Application is accepted by Authority, firm power and energy will be supplied to Customer under the applicable Service Tariff(s) to the extent that Authority determines that it has capacity available to provide such power and energy. Customers who receive power and energy pursuant to such tariff shall not be entitled to receive such power and energy from any particular plants. The Authority shall have the right to furnish the power and energy from any source available to it.

(2) Delivery of power and energy to Customer will be made over the facilities of the utility company in whose franchise territory Customer's facilities are located pursuant to contractual arrangements entered into by such company and the Authority.

Customer further understands and agrees that this Application and the furnishing of electric services hereunder are subject in all respects to the provisions of Authority's Rules and Regulations for Power Service and to the applicable Tariff, both as they may be later amended from time to time.

Upon acceptance by Authority and approval of the Governor pursuant to Section 1009 of the Power Authority Act, this Application together with the applicable Service Tariff shall constitute a contract between the parties for electric service hereunder.

MT. PLEASANT-BLYTHEDALE UNION FREE SCHOOL DISTRICT

By: _____

Title: _____

Date: _____

(Attest)

By: _____

Accepted:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Chairman and Chief Executive Officer

Date: _____

(Attest)

By: _____

Executive Vice President, Secretary and General Counsel

ACKNOWLEDGEMENTS

State of New York) ss:
County of New York)

On this ____ day of _____, 2000 before me personally came Clarence D. Rappleyea and David E. Blabey, to me known, who each being by me duly sworn, did severally depose and say that they reside in _____, New York and in _____, New York, respectively, and that they are Chairman and Chief Executive Officer and, Executive Vice President, Secretary and General Counsel of Power Authority of the State of New York; that they executed the above instrument; that they know the seal of Power Authority of the State of New York aforesaid; that one of the seals affixed to said instrument is such seal; that it was so affixed by order of the Trustees of Power Authority of the State of New York, and that they signed their names thereto by like order.

Sworn to before me this
__ day of _____, 2000

Notary Public

State of New York) ss:
County of _____)

On this ____ day of _____, 2000 before me personally came _____ and _____ to me known, who being duly sworn, did depose and say that reside in _____ and _____, respectively, and that they are _____ and _____ of _____; that they executed the foregoing instrument; that they know the seal of said entity; that one of the seals affixed to said instrument is such entity's seal; that it was so affixed by order of the _____ of said entity and that they signed their names thereto by like order.

Sworn to before me this
__ day of _____, 2000

Notary Public

POWER AUTHORITY OF THE STATE OF NEW YORK
1633 BROADWAY, NEW YORK, N.Y. 10019

Service Tariff No. 12

Schedule of Rates for Firm Power Service

GENERAL PROVISIONS

A. Applicable:

To sale of firm power and energy to Authority Public Customers as described in the third unnumbered paragraph of Section 1005 of the Power Authority Act (and associated accounts) who receive delivery service through the utility company in whose franchise area such customers' facilities are located.

B. Character of Service:

Alternating current; 60 hertz; 3 phase

C. Rates:

I. Conventional Rates

Applicable to all accounts except those billed under Time-of-Day (TOD) Rates.

12-1 General Use - Small (SC 62)

Energy Charge 6.439 cents per kilowatt hour

12-2 General Use - Large (SC 69)

Demand Charge \$6.40 per month per kilowatt
of billing demand

Energy Charge 3.581 cents per kilowatt hour

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Revision: 2

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

II. Time-of-Day (TOD) Rates

Applicable to:

- (a) any account whose monthly maximum demand exceeds 1,500 KW in any annual period ending September 30;
- (b) any new account whose monthly maximum demand in the Authority's estimate will exceed 1,500 KW during the first year of service; and
- (c) successors of accounts referred to above if eligible for Authority service.

An account billed under TOD Rates shall be transferred to and billed under Conventional Rates when the account's monthly maximum demand does not exceed 900 KW for 12 consecutive months.

12-2 General Use - Large (SC 69)

Demand Charge \$5.30 per month per kilowatt of on-peak demand

Energy Charge 5.110 cents per kilowatt hour on-peak

2.662 cents per kilowatt hour off-peak

The billing periods selected for TOD Rates are:

Demand Charge:

On-peak: 8 a.m. to 6 p.m. weekdays (including holidays)

Off-Peak: All other times

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Revision: 3

Date Effective: May 3, 1991

Issued by ROBERT A. HINEY, Executive Vice President

Energy Charge:

On-Peak: 8 a.m. to 10 p.m. weekdays (including holidays)

Off-Peak: All other times

For accounts transferring from Conventional Rates to TOD Rates, the first bill under TOD Rates shall be rendered when an account's entire usage for the billing period is subsequent to December 31 of the annual period ending September 30 in which the account becomes subject to TOD rates.

D. Energy Charge Adjustment (Conventional and TOD):

The charges set forth herein shall be subject to a monthly adjustment per kilowatt hour provided hereunder when changes from the base cost of energy occur as described in Special Provision F.

E. Delivery Service:

A delivery service charge set forth in Appendices C and H of this Service Tariff and payable to Authority by Customer as reimbursement to the utility company providing delivery service for the use of its facilities and for services rendered in conjunction with the delivery of power and energy.

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Revision: 2

Date Effective: May 3, 1991

Issued by ROBERT A. HINEY, Executive Vice President

F. Billing Demand:

Except as otherwise agreed upon, for metered service the billing demand shall be the maximum 30-minute integrated demand established during the billing period and for unmetered service the billing demand shall be determined by Authority.

G. Billing Period:

Customer meters are generally scheduled to be read and bills rendered on a monthly basis (approximately thirty (30) days).

H. Payment:

Bills computed under this Service Tariff are due and payable at the office of the Authority within ten (10) days of the date of bill, subject to late payment in accordance with provision 454.6 (b) of the Rules and Regulations for Power Service. In the event that there is a dispute on any item of a bill rendered by Authority, Customer shall pay such bill in its entirety within the prescribed period and any necessary adjustments will be made thereafter.

I. Power Factor:

Authority may require Customer normally to maintain power factor not less than 90%, lagging or leading, at the point of delivery.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

J. Continuance and Termination of Service:

Initiation of service will be upon accepted application of Customer, under the procedure specified in the Rules and Regulations for Power Service.

Once initiated, service will continue until terminated by Authority pursuant to required notice as provided in the Rules and Regulations for Power Service. Customer may terminate service at any time after one year's service on written notice to Authority at least thirty-six months in advance.

Customer may effect a partial termination or reduction of service, only if such partial termination or reduction results from (a) account turn-offs, load management, energy conservation, Customer supplied generation or (b) partial transfer of service to another utility, provided that any such transfer in any given calendar year does not exceed 3 percent of the total annual sales to Customer in that calendar year. Such transfer may occur at any time after one year's service on written notice to Authority not less than 120 days in advance, or sooner, if mutually agreeable.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

SPECIAL PROVISIONS

Special provisions for service supplementing or modifying the Rules and Regulations for Power Service are as follows:

A. Installments:

Initial service may be in installments as Customer may require the power and energy or as Authority can make it available.

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Revision: 0

Date Effective: September 1976

Issued by ROBERT A. HINEY, Executive Vice President

B. Notice of Adjustments in Charges:

Whenever Authority has determined that the rates for power and energy sold hereunder, exclusive of delivery service charges and Energy Charge Adjustment, should be revised pursuant to the Rules and Regulations for Power Service, it will notify Customer in writing of the revised charges not less than thirty (30) days in advance of the effective date thereof.

Authority shall notify Customer in writing within thirty (30) days following the date it receives written notice of adjustments in rates, terms and conditions related to delivery service and shall provide to Customer amended delivery service Appendices. Changes in the Energy Charge Adjustment will be indicated on the monthly bill without prior notice.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

C. Apportionment of Charges When Customer is Delivered Power and Energy Provided by Authority and Power and Energy Provided by Utility Company:

If the total firm power and energy delivered to the Customer is provided partly by the Authority and partly by the utility furnishing delivery service the total charges to the Customer will be partly at the Authority's rates and partly at the utility's rates.

D. Customer Requirements for Delivery and Service:

1. Provision of Power Service -

From time to time, the Authority will accept applications for power service from Authority Public Customers. The Authority will notify the utility furnishing delivery service when the Authority has accepted any such Customer or associated accounts and will notify the utility of the order and time in which it will initiate power service to such Customers. The utility will transfer service of such Customers who are the utility's customers to the Authority, free of any limitations on termination of contract which would apply in the absence hereof, except that the utility shall not be required to deliver Authority power to any such Authority Public Customer which is not current on its payment for service from the utility, which does not pay promptly its final bill for service, and which has not paid its outstanding financial obligations to the utility.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

New Authority Customer accounts who were not customers of the utility shall be required to meet the utility's prerequisites for initiation of service as set forth in the utility's applicable tariffs.

Customer shall attempt to notify the Authority not less than 120 days in advance of any transfer of service from the utility to the Authority or initiation of service for a new account that it desires to be made, but in any event shall give at least 30 days notice of any such transfer or initiation; provided, however, that initiation or modification of service by the utility providing delivery service shall be subject to compliance with all applicable service connection and other requirements concerning initiation or modification of service as would apply to a similarly situated utility customer under the utility's applicable tariffs.

2. Provision of Delivery Service

The utility furnishing delivery service will accept power and energy from the Authority and will deliver such power and energy to Authority Public Customers designated by the Authority at such delivery points as the utility will specify within its franchise area, utilizing the utility's transmission and distribution facilities as available for the purpose, and installing new or enlarged facilities within its Franchise Area when required.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

Customer will coordinate directly with the utility furnishing delivery service for each requirement for a new delivery point or for enlarged or altered service at any existing delivery point including reinforcement, maintenance or removal applicable thereto. Any new, enlarged or altered service or facilities which the utility supplies to its own customers under its effective service schedule or schedules without compensation additional to the standard rate for service shall be similarly available to Authority Public Customers without payment of compensation beyond the standard rate for delivery service provided for that class of Authority Public Customers. When the delivery service requires facilities for which the utility normally would make a special charge to its own customers or would require the customer to make the installation, the utility shall specify, after discussion with the Authority, the additional compensation the Customer shall pay which shall not exceed the compensation which would be payable by a customer of the utility in comparable circumstances; or the Customer shall install the needed facilities which shall conform to the utility's specifications and the utility shall permit their connection to its system in accordance with its specifications.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

3) Temporary Service

Temporary service, if provided to customers or premises that may become Authority Public Customers, will be the responsibility of the utility providing delivery service. Upon installation of the permanent service connection to such Customer or premises, service to the Customer will be the responsibility of the Authority.

4) Preparation of Annual Resource Plan

Pursuant to the terms of the Planning and Supply Agreement dated March 10, 1989 between the Authority and the utility furnishing delivery service, the Authority is required to prepare an annual Resource Plan by April 1 for the succeeding twenty year period. Customer agrees to cooperate with the Authority in the preparation of such plans by providing information on power and energy requirements as the Authority will specify including, but not limited to, the following:

- (i) projections of annual peak demand and energy requirements;
- (ii) the forecasted effects of Customer's demand-side management and load control programs;
- (iii) new construction activities and the anticipated peak demand and energy requirements associated therewith; and
- (iv) identification of new accounts whose loads are expected to exceed three megawatts by name, account location, load and expected service date.

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Revision: 0

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

E. Transfer of Service:

In the event that Customer desires to discontinue Authority electric service in accordance with the provision of this Service Tariff entitled "Continuance and Termination of Service", or Authority should find it necessary to discontinue electric service to Customer, transfer of such service from Authority to the utility in whose franchise area Customer is located shall be effected, provided such Customer meets the utility's prerequisites for service, as set forth in the utility's filed Schedule for Electricity Service.

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

F. Energy Charge Adjustment:

The charge for electric service hereunder will be subject each month to an addition or a deduction when the "average cost of energy" for the previous two months as stated herein increases or decreases from the specified base cost.

The base cost of energy expressed in cents per kilowatt hour billed is 1.8643 cents. Such base cost may be amended from time to time.

The "average cost of energy" shall be equal to the sum of (i) the fuel and fuel related charges associated with the operation of the Power Authority's thermal generating units normally furnishing energy under this tariff and the value of energy as determined by Authority from other Authority Projects in generation of energy for its Customers supplied under this tariff and (ii) the amount paid by the Authority for power and energy purchased from other suppliers, including transmission charges and additional capacity charges, if any, associated with such deliveries, less credits from sales of non-firm energy; all divided by the total 60 cycle scheduled firm sales to such Customers for such previous two months'.

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Revision: 1 Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

The "average cost of energy" as determined hereinabove will be adjusted from time to time as determined by the Authority to permit reconciliation of revenues derived from Energy Charge Adjustments billed to Customer in prior billing periods with energy-related costs applicable to such billing periods.

Effective January 1, 1994, such energy-related costs shall include revenue requirements as determined by the Authority associated with expenses incurred in connection with energy conservation programs which benefit Customers supplied under this tariff where such expenses are not recovered directly from Customers participating in such programs.

The difference between the "average cost of energy", including adjustments, and the base cost of energy shall be added to or subtracted from the charges per kilowatthour for energy specified in this Service Tariff, provided, however, that effective with the September 1993 billing period amounts normally charged or credited each month to Customers on account of such difference will be deferred and any resulting net accumulated deferred charges will be offset against Customer's estimated bill payments as provided in Special Provision "L". If the net accumulated deferred charges have been fully offset against Customer's estimated bill payments, thereafter, a stabilized energy charge adjustment per kilowatthour ("Stabilized ECA") will apply, which is inclusive of the costs of Authority energy conservation

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Revision: 1

Date Effective: March 5, 1990

Issued by ROBERT A. HINEY, Executive Vice President

Programs for the benefit of customers served under this tariff, and (ii) the cost of the U.S. Department of Energy uranium enrichment plant decontamination and decommissioning charges associated with the Indian Point 3 Nuclear Power Plant. The Stabilized ECA will be adjusted from time to time as determined by the Authority to permit reconciliation of revenues billed to the Customers in prior billing periods with energy-related costs applicable to such billing periods.

G. Additional Regulations:

The supply of service hereunder to Customer is subject to the provisions of the Service Agreement For The Delivery of Power and Energy and the Planning And Supply Agreement dated March 10, 1989 between the Authority and the utility providing delivery service and the Schedule for Electricity Service and/or supplements to the Rate Schedule of the utility providing delivery service as filed with the Public Service Commission and the Federal Energy Regulatory Commission, respectively, and as each may be amended and supplemented from time to time, provided that in the event of any inconsistency, conflict or difference between the provisions of this Service Tariff, the annexed delivery service Appendices or the Authority's Rules and Regulations for Power Service, all as may be amended from time to time, and those contained in such Schedule for Electricity Service, and/or Supplement, the Service Agreement For The Delivery of Power And Energy, and the Planning And Supply Agreement, the provisions of this Service Tariff, Appendices and the Authority's Rules and Regulations shall govern.

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Revision: 2

Date Effective: July 26, 1994

Issued by ROBERT A. HINEY, Executive Vice President

H. Redistribution of Electric Service:

Customer may resell, remeter (or submeter), or redistribute electric service to its tenants or occupants, in the premises supplied by Authority, only if and to the extent that such is authorized by the Authority and not violative of any statutes, laws, rules or regulations of any body having jurisdiction in the premises.

I. Supplementary Provision:

Section 454.6 (d) of Authority's Rules and Regulations for Power Service shall not be applicable to service hereunder.

J. Adjustment Factor:

The determination of the Demand Charge, Energy Charge and Energy Charge Adjustment shall account for transmission and distribution losses, which losses represent the difference between the power and energy supplied by Authority and the power and energy received by Customers.

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Revision: 2

Date Effective: July 26, 1994

Issued by ROBERT A. HINEY, Executive Vice President

K. Notices:

Customer shall notify Authority and the utility in writing in advance when service is to be discontinued at existing premises. Customer shall provide the name and address, if known, of the successor in occupancy of such premises or portion thereof. If Customer desires service from Authority at another location Customer shall file a request for such service pursuant to Authority's requirements.

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Revision: 12

Date Effective: July 26, 1994

Issued by ROBERT A. HINEY, Executive Vice President

L. Payment of Estimated Bill:

Approximately twenty (20) days after initial service, Authority will render to Customer an estimated bill for service during the first monthly billing period. This bill will be due and payable within ten (10) days in accordance with the payment provision of this Service Tariff. Thereafter, Authority will render to Customer a final bill approximately twenty (20) days after the conclusion of each billing period. Authority will also render to Customer, at the same time, a new estimated bill for the current billing period. Any overpayment or underpayment by Customer for a previous estimated bill, as determined by the final bill for such billing period, will be treated as a credit or charge towards the new estimated bill. The new estimated bill, reflecting any such credit or charge, will be due and payable within ten (10) days of submission in accordance with the payment provision of this Service Tariff.

The foregoing paragraph concerning payment of estimated bills shall not apply to entities that become Customers after July 1, 1994 or to Customers whose estimated bill payments are fully offset pursuant to Special Provision F. For such Customers approximately twenty (20) days after the end of the preceding monthly billing period the Authority will render to Customer a final bill for service provided during such billing period. Such final bill will be due and payable in accordance with the payment provisions of the Authority's Rule sand Regulations for power service.

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Revision: 1

Date Effective: July 26, 1994

Issued by ROBERT A. HINEY, Executive Vice President

6. St. Lawrence/FDR Power Project Life Extension and Modernization - Contract for Generator Rotor Modifications - Award - General Electric International, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the award of a contract in the amount of \$6,285,745 to General Electric International, Inc. (‘GE’) for furnishing materials and refurbishing 16 generator rotors, and to approve the release of \$1,091,470 for materials and refurbishing of the first rotor.

BACKGROUND

“At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost \$254,000,000 to renew the generation assets of the St. Lawrence/FDR Power Project and also authorized capital expenditures of \$2,211,000 to begin the engineering effort and to continue refurbishment tasks in progress. The Trustees were ADVISED that the Life Extension and Modernization program would begin in 1998 and would require about 15 years to complete.

“At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of \$16.2 million for modernization of the first unit. Funding for the first generator rotor pole modification was included in this last authorization.

“Engineering, planning, and procurement activities have been proceeding as scheduled. Among the major milestones achieved to date are: start of manufacturing for the prototype turbine; delivery, installation and energization of the first two transformers; award of a contract for new generation control systems, generator circuit breakers and static excitation systems, and issuance of bids for other major pieces of equipment.

DISCUSSION

“The St. Lawrence Project has operated reliably for more than 40 years with its original equipment. The stationary components of each generator, the stators, were rewound between 1983 and 1988. The rotating components of each generator, the rotors, have been in service for 40 years without any major overhaul. Standard maintenance testing indicates continued aging of the equipment.

“Each of the rotors is comprised of a shaft, 12 interconnected arms or ‘spider’ and a ring or ‘rim’ which encircles the spider. In recent years, evidence of movement of the St. Lawrence generator rotor rims with respect to their spiders has been manifested in the difficulty of balancing various rotors. Continued movement of the rims could initiate a trend toward larger balance weights, which could adversely affect thrust and guide bearing equilibrium. The proposed work would replace or refurbish the poles and retention the rotor rims to reduce such potentially adverse impacts on operation.

“A request for proposals was issued on October 21, 1999, describing the scope for replacing all existing rotor pole units. Addenda 1 and 2 were issued on November 9, 1999 and November 19, 1999 respectively. A pre-bid site visit was attended by prospective bidders on November 5, 1999.

“On December 1, 1999, two proposals, that of ABB Power Generation, Inc. and General Electric International, Inc., were received in response to the public advertisement as follows:

<u>Bidder</u>	<u>Bid Type</u>	<u>Bid Price</u>
General Electric International, Inc.	Non-Firm*	\$6,233,615
ABB Power Generation Inc.	Firm	\$15,574,071

* Firm Price up to December 31,2002 delivery.

“An Evaluation Committee consisting of representatives from the St. Lawrence Project, Procurement, Engineering, and Project Management reviewed the bid, analyzed its technical adequacy, negotiated terms and conditions, and met with the apparent low bidder (‘GE’) to obtain additional information.

“GE's price is not firm, but an estimated escalation of 4% over the life of the contract would only increase its bid to approximately \$7,970,000. Since GE's estimated escalated price is still \$7.6 million lower, ABB's proposal was not given further consideration.

“As a result of this review, GE provided new firm lump sum prices except as indicated below:

<u>Item</u>	<u>Description</u>	<u>Proposed Price</u>
1.	Furnish, deliver & install one new set of rotor poles	\$828,160.00
2.	Removal of the first set of rotor poles	\$57,600.00
3.	Furnish, deliver and install rim-reshrinking components for the first unit.	\$100,320.00
4.	Furnish, deliver & install pedestals	\$105,390.00
5.	Refurbish and deliver 15 sets of rotor poles*	\$3,920,855.00
6.	Furnish and deliver rim re-shrinking materials for the remaining 15 rotor poles units*	\$1,273,420.00
Total Firm Lump Sum Prices		<u>\$6,285,7450.00</u>

*Firm price up to December 31, 2002 delivery

“GE also agreed to provide a five-year warranty, to meet the Authority’s M/WBE requirements, and has listed several commercial exceptions which are being resolved by Authority Staff.

“GE has supplied a large number of hydroelectric rotor pole units including new rotor pole assemblies at the Blenheim-Gilboa Plant and has recently completed a project comparable in scope to St. Lawrence.

“Accordingly, based upon GE’s competitive price and technically acceptable proposal, the Trustees are requested to approve an award of the contract for generator rotor modifications of 16 units to General Electric International, Inc. The Trustees are also requested to release funding for modifications to the first generator rotor.

FISCAL INFORMATION

“Payment will be made from the Capital Fund.

RECOMMENDATION

“The Regional Manager – Northern New York, the Vice President and Chief Engineer- Power Generation, the Vice President – Procurement, and the Vice President – Project Management recommend that the Trustees approve the award of a contract in the amount of \$6,285,745 for generator rotor modifications to 16 units and approve release of \$1,091,470 for modifications to the first generator rotor. and associated work to General Electric International, Inc.

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

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

RESOLVED, That approval is hereby granted to award a contract to General Electric International, Inc. in the amount listed below and to commit funds for generator rotor modifications and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project:

<u>Capital</u>	<u>Contract Approval</u>
General Electric International, Inc. No. Q-02-2468	
Total Contract Award Amount	\$6,285,745.00
Current Commitment Authorization Request	\$1,091,470.00
Balance of Contract	<u>\$5,194,275.00</u>

7. INFORMATIONAL ITEM – Proposed Agreements for the Sale of Indian Point 3 and James A. FitzPatrick Nuclear Plants

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize: (1) the sale of the Indian Point 3 Nuclear Power Plant to Entergy Nuclear Indian Point 3, LLC, (2) the sale of the James A. FitzPatrick Nuclear Power Plant to Entergy Nuclear Fitzpatrick, LLC (collectively, with Entergy Nuclear Indian Point 3, LLC, the ‘Buyers’), (3) the execution of a Purchase and Sale Agreement with Buyers to effectuate such sale, (4) the execution of an Agreement for the Purchase of Products and Services with Buyers in connection with such sale, and (5) the execution of various related agreements in connection with the transaction. The Trustees are also requested to declare the Authority the ‘lead agency’ under the State Environmental Quality Review Act (‘SEQRA’) for considering the transaction described in (1) through (5) above (the ‘proposed action’), and to determine that the proposed action will not have a significant effect on the environment and, accordingly, that an Environmental Impact Statement is not required in connection therewith.

BACKGROUND

The Indian Point 3 and FitzPatrick Plants

“The Indian Point 3 Plant is located on the Hudson River in the Village of Buchanan, Westchester County, 24 miles north of New York City, and is operated pursuant to a license issued by the Nuclear Regulatory Commission (‘NRC’). On July 15, 1992, the NRC extended the termination date of the license from August 13, 2009 to December 12, 2015. The plant site is adjacent to a tract owned by Consolidated Edison Company of New York, Inc. (‘Con Edison’) and occupied by Con Edison’s two nuclear generating units (one of which is inactive) and other related facilities. Pursuant to amendments to the Public Authorities Law (‘PAL’), the Authority acquired the plant in a partially completed state from Con Edison in 1975. The purchase, along with the acquisition of the partially completed Astoria 6 plant (now the Charles Poletti Power Project) in 1974, was intended to help alleviate Con Edison’s poor financial condition at the time. Indian Point 3 was placed in commercial operation in August 1976. Delivery of power to the Authority’s customers is made through Con Edison’s transmission and distribution system.

“Indian Point 3 has a nameplate rating of 1,013 megawatts (‘MW’). The nuclear steam supply system uses a pressurized light water reactor. The capacity factors for the Indian Point 3 plant for 1995, 1996, 1997, 1998 and 1999 were 17.5%, 69.3%, 51.3%, 90.6% and 86.0%, respectively. Power and energy from Poletti and Indian Point 3 are sold to the Metropolitan Transportation Authority, the City of New York, the State of New York, the Port Authority of New York and New Jersey, and other municipalities, school districts and public agencies in New York City and Westchester County as authorized by the PAL.

“The FitzPatrick plant is located on the south shore of Lake Ontario, northeast of Oswego, New York, and is operated pursuant to a license issued by the NRC. The plant, which was built by the Authority pursuant to 1968 amendments to the PAL, was put into commercial operation in July 1975. On July 10, 1989, the NRC extended the termination date of the license from May 20, 2010 to October 17, 2014.

“The FitzPatrick plant is a single-unit facility using a nuclear reactor of the boiling water type. It has a nameplate rating of 883 MW. The capacity factors for the FitzPatrick plant for 1995, 1996, 1997, 1998, and 1999 were 70.7%, 78.6%, 94.7%, 71.7%, and 93.5%, respectively. FitzPatrick power and energy are sold to industrial consumers, the United States Department of Energy at Brookhaven National Laboratory, two New York investor-owned electric utilities, the Long Island Power Authority, businesses, municipal electric systems, rural electric cooperatives and various municipal utility service agencies for resale to business customers.

“Both plants experienced significant operational difficulties and outage periods in the last decade, with the FitzPatrick plant being placed on the NRC’s ‘watch list’ in the period February 5, 1992 to January 27, 1994, and Indian Point 3 being placed on the ‘watch list’ from June 22, 1993 to June 25, 1997. However, they since have shown substantial improvements and have set annual records for combined production in each of the past two years.

“At December 31, 1999, the book value (net plant-in-service) of Indian Point 3 was \$393.7 million, and the book value of FitzPatrick was \$410.2 million. There is no outstanding debt associated with FitzPatrick, and Indian Point 3 has \$316.8 million in debt associated with it, \$79 million of that being tax-exempt debt.

Electric Industry Restructuring

“The electric utility industry, including the utility industry in New York State, is undergoing a fundamental transformation intended to lead to a more competitive environment through changes in federal and state laws and actions by regulatory bodies that would permit competition for sales of electricity at the wholesale and retail levels. In addition, the restructuring has brought, and is expected to bring, industry mergers and acquisitions, open access transmission service, and competition in the sale of power and energy among utilities, marketers, independent power producers, and generating companies.

“In New York, the Public Service Commission (‘PSC’) has spearheaded restructuring by, among other actions, ordering the New York investor-owned utilities (‘IOUs’) to open their systems for retail access and to divest their non-nuclear generating facilities to unaffiliated firms. More recently, following successful sales of nuclear units in other states, the PSC commenced a proceeding to investigate whether the New York IOU’s nuclear generation should be operated on a competitive basis. In the meantime, Niagara Mohawk Power Corporation (‘Niagara Mohawk’) and one of its Nine Mile No. 2 co-tenants announced an agreement to sell their interests in the Nine Mile No. 1 and No. 2 units to Amergen, a nuclear generating company. That transaction and a competing proposal from Rochester Gas and Electric Corporation are still under review by the PSC. Within the past month, Con Edison announced that it would auction its Indian Point facilities.

Trends in the Nuclear Industry

“While the Authority has achieved significant performance improvement at Indian Point 3 and FitzPatrick in recent years, the Staff believes the current moves toward deregulation and consolidation in the electricity industry will make it difficult for the plants (like other single-unit nuclear facilities) to remain competitive for the long term. A trend toward operation of nuclear plants by a small number of focused, specialized nuclear generation organizations is already well under way and is likely to intensify. The NRC anticipates as many as 20 applications for nuclear plant license transfers in the next several months as a result of plant acquisitions and utility mergers.

“Large organizations dedicated to operation of multiple nuclear units possess numerous advantages in terms of economies of scale, leverage in negotiating contracts for products and services, the ability to pool resources and expertise, and a single-minded attention to nuclear issues and operations. Such organizations have historically dominated the lists of top-performing plants, and their inherent advantages promise to become still more pronounced in the competitive era.

“The performance data clearly demonstrates the inextricable link between safe, efficient and economic operation of nuclear power plants. The safest plants are generally the most reliable and the most economical to run and achieve the highest capacity factors. In sum, it is the large, specialized nuclear organizations that are best positioned to achieve success in each of these areas.

Discussions with Entergy and other Entities

“In connection with the changes occurring in the New York electric utility industry, overtures were received by the Authority during 1999 from three entities expressing their interest in purchasing Indian Point 3

and FitzPatrick. Discussions of various levels of seriousness and attractiveness to the Authority ensued. After evaluating the proposals made by these entities, the senior management of the Authority decided to enter into exclusive negotiations with Entergy Corporation, the choice being based on the assessment that Entergy would be best able to assure the goals that senior management had set for such a sale, namely,

- (1) the continued safe and efficient operation of the plants;
- (2) a purchase price reflecting the plants' economic value;
- (3) employment and career opportunities for Authority nuclear employees; and
- (4) a power purchase agreement that would assist the Authority in meeting its commitments to its customers.

"As a result of these negotiations, the Staff and Entergy have negotiated the terms and conditions for the sale of the nuclear plants, which the Staff believes fully meets the goals set forth above.

DISCUSSION

The Purchase Price

"The Indian Point 3 and FitzPatrick plants would be purchased by Entergy Nuclear Indian Point 3, LLC and Entergy Nuclear Fitzpatrick, LLC, respectively. These entities are referred to as 'Buyers' or 'Entergy' for purposes of this memorandum. These corporations are indirectly wholly owned subsidiaries of Entergy Corporation. As consideration for the purchase of the plants, Entergy will pay the Authority \$50 million at the closing of the sale of the plants (the 'Closing') and seven equal annual payments thereafter of \$83,715,000, totaling, with the initial payment, \$636,005,000. The seven payments will be paid pursuant to a promissory note to be given to the Authority by Entergy.

"Entergy will also pay for the nuclear fuel at the plants in seven equal annual payments of \$24,405,000, totaling \$170,835,000, the payments to be made pursuant to a separate promissory note to be given to the Authority.

"As security for Entergy's payments under the promissory notes, including an event of bankruptcy of Entergy, an irrevocable, standby letter of credit from one or more highly-rated banks will be issued for the benefit of the Authority which will cover the scheduled payments to be made by Buyers and all but a small portion of the prepayment penalty.

"Under the terms of the Purchase and Sale Agreement, discussed below, the purchase price may be modified at the Closing by certain allowed adjustments, including changes relating to inventory, nuclear fuel, material losses, and adjustments relating to transferred employees.

The Proposed Agreements

"The sale of the nuclear plants has two major components: (1) the Purchase and Sale Agreement ('PSA'), governing the terms and conditions under which the plants will be sold, and (2) the Agreement for the Purchase of Products and Services (the 'Power Purchase Agreement' or 'PPA'), pursuant to which the Authority will purchase power and energy from Entergy to meet its obligations to various customer groups. These proposed agreements are synopsized below.

Purchase and Sale Agreement

"This is the basic agreement whereby the Authority sells and transfers the nuclear plants and related assets for the consideration stated above and stated in Facilities Agreement, discussed below, and the Value Sharing Agreement, discussed below. Additionally, the Buyers will assume, from the date of Closing which is scheduled for no later than September 7, 2000 (absent permitted extension under the PSA), all risks of the

ownership and operation of the two facilities, including the regulatory responsibility for decommissioning (see 'Decommissioning Agreement' below for continuing limited Authority responsibility for decommissioning).

"The sale is 'as is,' meaning that the Buyers have had the opportunity to investigate the material and regulatory condition of the plants and are willing to take the assets in their current condition. The Authority will retain responsibility for its pre-closing off-site disposal of hazardous waste and for a pre-existing spill of about 3500 gallons of non-radioactive oil at the Indian Point 3 Plant. All other third-party claims and contract liabilities will be divided between the Authority and the Buyers on a pre-Closing and post-Closing basis. The Authority will assign the U.S. Department of Energy Standard Contract for the disposal of spent nuclear fuel to the Buyers and will retain the \$162 million in funds which cover the deferred pre-1983 spent fuel obligation until such time as the Department of Energy takes delivery of spent nuclear fuel or at the end of the plants' respective NRC licenses. The spent fuel fund will continue to accrue earnings on a non-taxable basis. Also, the Authority will retain its pre-closing claim against the Department of Energy under the Standard Contract for the Department's failure to accept spent nuclear fuel on a timely basis.

"The Authority is providing the Buyers with the standard representations and warranties associated with an 'as is' sale. Any liability for the breach of these representations and warranties is limited to \$20 million (except in the case of intentional misrepresentation or fraud) and excludes consequential damages, lost profits or other damages and must be claimed within six months of the closing date. Such limitation does not apply in the event of any intentional misrepresentation or fraud inducing the Buyers to sign the Agreement or proceed to Closing.

"Other significant features of the Agreement include a joint Authority-Buyers application to the NRC for the transfer of the NRC operating licenses for the two plants to the Buyers to be effective at closing; the facilitation by the Authority of the transfer of all other transferable permits and licenses issued by other federal and state authorities; the assignment by the Authority of its rights under various contracts, including the U.S. Department of Energy Standard Contract for the disposal of spent nuclear fuel; software and other intellectual property licenses; and memoranda of understanding relating to plant site cooperation with Niagara Mohawk at FitzPatrick and Con Edison at Indian Point 3.

"The Authority will convey to the Buyers all of the real estate and improvements associated with the generation facilities at FitzPatrick and Indian Point 3, including additional property interests the Authority has in ancillary facilities associated with each plant. The FitzPatrick site consists of approximately 702 acres purchased in the name of the Authority from Niagara Mohawk. The Indian Point 3 site consists of approximately 102 acres, approximately 77 of which were purchased in the name of the Authority and the remaining 25 acres of which were appropriated in the name of the State of New York. With respect to the 25-acre parcel, the Authority must determine that it is not reasonable and practical to offer it back to the party from whom it was appropriated, Con Edison.

"The Authority will issue a permit to the Buyers for the temporary use of the 10th and 11th floors of the White Plains Office building for a one year term with a one year renewal option. The consideration for such temporary use will be the equivalent of \$20 a square foot.

Power Purchase Agreement

"Under this agreement, the Authority will purchase energy and related products (i.e., ancillary services and installed capacity) from Indian Point 3 and FitzPatrick at the price of \$36 per megawatt hour ('MWh') and \$32 per MWh, respectively. The purchases will commence on the closing date and will continue through December 31, 2004.

"The Authority will purchase 100% of the output of Indian Point 3 when the plant is running, and will purchase specified amounts of FitzPatrick output when that unit runs. The Staff believes that the rates to be paid by the Authority for such power and energy are reasonable. The quantities to be purchased from FitzPatrick

were established to provide the annual megawatt-hours required by the Authority to serve FitzPatrick business loads in its economic development programs through 2004. These amounts are: 375 MW for year 2000; 360 MW for year 2001; 303 MW for year 2002; 255 MW for year 2003; and 255 MW for year 2004. When FitzPatrick output is limited, the Authority will be served before sales are made by the Buyers to other customers. When a plant is off-line or operating at reduced levels, the Authority will obtain its own support energy from the New York Independent System Operator ('ISO'), daily or hourly markets, or from other Authority resources. The Buyers will endeavor to schedule planned outages to occur in off-peak periods, thus minimizing the Authority's cost of providing any support energy.

"Entergy will financially guarantee the Authority an 85% capacity factor energy delivery per plant. For Indian Point 3, this 85% will be based on seasonal MW entitlements of 985 MW in the winter and 970 MW in the summer. For FitzPatrick, the Authority's entitlement is based on the fixed megawatt amounts set forth above. Should the Buyers fail to meet the 85% target, they will compensate the Authority for the difference between the cost of energy in the ISO markets when the unit is deficient and the respective contract energy price. This energy 'true-up' calculation, which allows Entergy to carry over up to 5% of deliveries over or under the 85% target, will be done at the end of the second and last contract years.

"The Buyers will financially guarantee installed capacity at a level of 85% of the ratings set forth above. With respect to Indian Point 3, the Authority can claim for purposes of meeting its ISO obligations all the installed capacity provided from the unit. For FitzPatrick, the Authority can claim installed capacity up to the contract amounts. For any installed capacity deficiency, the Buyers will reimburse the Authority at the ISO price for comparable capacity or will provide the Authority with installed capacity from other sources. The credits that the Buyers may have accrued in the energy deficiency true-up may be applied to offset the Buyers' installed capacity reimbursement obligation.

"The Authority will receive a share of all ancillary service revenues produced by the facilities. This share will be in proportion to the amount of capacity purchased from each plant (i.e., 100% in the case of Indian Point 3 and declining percentages based on the fixed MW amounts stated above for FitzPatrick).

"The Buyers' payment obligations (for energy and installed capacity deficiencies, if any) are guaranteed up to \$20 million by Entergy Power Marketing Corporation, the national power marketing subsidiary of Entergy Corporation. Additionally, if either plant is permanently shut down, Entergy Power Marketing Corporation will take over the obligation to supply the energy and installed capacity, at the contract price, in place of the facility owner.

Other Agreements

"In addition, various related agreements would be executed to effectuate the sale. Three significant related agreements are described below. Drafts of all of these related agreements, with the exception of the Interconnection and Operating Agreements, are exhibits to the PSA.

Decommissioning Agreement

"Under the terms of the proposed Agreement, the Authority would make no further contributions to the Decommissioning Funds, and unless there is an early dismantlement of a plant, the Authority would retain that plant's Fund until license expiration.

"To maintain the present status of each plant's Fund, the Authority would retain decommissioning liability until license expiration or any early dismantlement of the plant, at which time the Authority would have the option of terminating its decommissioning responsibility and transferring the plant's Fund to the owner of the Plant, except that monies in the Fund in excess of the Inflation Adjusted Cost Amount, described below, would be paid to the Authority (i.e., if the monies in the Fund are less than the Inflation Adjusted Cost Amount, then the relevant Buyer would receive all such monies). The Authority's decommissioning responsibility would be limited to the lesser of the Inflation Adjusted Cost Amount or the amount in the plant's Fund.

“The Inflation Adjusted Cost Amount for a plant would mean a fixed estimated decommissioning cost amount adjusted up or down in accordance with the effect of increases and decreases in the NRC minimum cost estimate amounts applicable to the plant. If the relevant Buyer purchases or operates another plant at the FitzPatrick or Indian Point 3 site and decommissions such plant, then the Inflation Adjusted Cost Amount shall decrease by \$25 million or \$50 million in the case of the FitzPatrick site (depending upon whether one or two Nine Mile plants are purchased) and by \$50 million in the case of the Indian Point 3 site.

“If the license for Indian Point 3 or FitzPatrick is extended, an amount equal to \$2.5 million per year, for a maximum of 20 years, would be paid to the Authority by the relevant Buyer for each year of life extension.

“If the Authority is required to decommission FitzPatrick or Indian Point 3, Entergy Nuclear Inc. will be obligated to enter into a fixed price contract with the Authority to decommission the plant, the price being equal to the lesser of the Inflation Adjusted Cost Amount or the plant’s Fund amount.

“The Authority will not appear on the NRC licenses once transfer of the licenses to the Buyers takes place.

Facilities Agreement

“The Authority and the Buyers recognize that the Buyers will realize operational savings and other additional value if the Buyers are able to purchase or operate the remaining Indian Point plant and one or both of the Nine Mile Point plants. The Buyers have agreed to share these anticipated savings. The Facilities Agreement would require the Buyers to pay the Authority \$10 million per year for up to 10 years if the Buyers acquire Indian Point 2 from Con Edison at any time within five years of the closing of the sale of the Authority’s plants (the ‘Closing’). In the event the Buyers operate but do not acquire IP2 within five years of the Closing, they have agreed to make additional payments to the Authority of up to \$5 million per year. With respect to FitzPatrick, the Buyers have agreed to pay the Authority \$2 million per year if they acquire both Nine Mile Point plants within five years of the Closing, with that yearly payment being prorated in the event the Buyers acquire only Nine Mile Point 1 or Nine Mile Point 2. The Buyers have also agreed to pay \$1 million annually if they operate but do not acquire the Nine Mile Point plants; this payment would also be prorated in the event the Buyers operate only one of the two Nine Mile Point plants.

Value Sharing Agreement

“Under this Agreement, for a ten-year period commencing on January 1, 2005, the Buyers and the Authority will share equally the difference between actual future market prices and an agreed-upon schedule of prices. The Value Sharing Agreement is intended to avoid a windfall to the Buyers and to allow the Authority to realize some benefit should much higher than expected market prices occur in the future.

Interconnection and Operation Agreement

“This Agreement sets forth the rights and obligations of the Authority and the Buyer purchasing FitzPatrick with respect to the interconnection of the FitzPatrick plant with the Authority’s transmission system. Such interconnection is subject to ISO requirements and procedures. The Agreement would require each party to operate and maintain its own facilities and equipment, and to cooperate with the other so as to minimize the unavailability of transmission to and from the FitzPatrick facility and to maximize the reliability and security of the Authority’s transmission system. There is no similar agreement with respect to Indian Point 3, since the transmission system leading from that plant is owned by Con Edison and not the Authority. The Authority would assist the Buyer which is purchasing Indian Point 3, in its discussions with Con Edison.

The Transaction Meets the Authority’s Goals

Safe and efficient operation of the plant

“Entergy Corporation’s record in nuclear operations provides ample reason for confidence that the company will build upon the current excellent performance at Indian Point 3 and FitzPatrick and will meet the highest standards of safety and efficiency.

“With six plants at five sites in Arkansas, Louisiana, Mississippi and Massachusetts, Entergy Corporation is recognized as one of the nation’s premier nuclear operators. Its plants, individually and collectively, have consistently been among the best performing nuclear units in the United States and have achieved excellent safety records. Their combined three-year capacity factor exceeds 90 percent, well above the industry average of about 78 percent.

“Entergy Corporation has been able to focus substantial management resources and expertise on its nuclear plants, producing outstanding safety, operations and cost performance. This proven approach, made possible by the scope of Entergy Corporation’s nuclear operations and successfully implemented over a number of years, is intended to be fully applied at Indian Point 3 and FitzPatrick.

“Entergy Corporation has clearly stated its commitment to expanding its nuclear operations, particularly in the Northeast, a development that should enable it to bring still greater capabilities and resources to bear at the Authority plants and bring additional opportunities for NYPA’s nuclear employees. In July 1999, the company purchased Boston Edison’s Pilgrim Station in Plymouth, Mass., in the nation’s first completed nuclear plant transaction. It is also managing decommissioning at the Maine Yankee plant near Wiscasset, Maine, and at Northeast Utilities’ Millstone Unit 1 station near Waterford, Conn.

A Purchase Price Reflecting the Plants’ Economic Value

“From an economic value perspective, the sale of these assets to Entergy was compared to the base case of continued Authority ownership and operation. Assumptions were made concerning future values of various financial and operating variables under the continued ownership scenario. While it was concluded that the plants had positive economic value, it is also clear that continuing to run two single-unit geographically dispersed plants of different technologies will become increasingly challenging, particularly in an environment where increased competition is expected to ultimately drive prices to consumers down. On a present value basis, the analysis showed that the sale of the plants to Entergy was substantially superior to continued ownership.

“Further analysis, which employed probabilistic risk assessment techniques as well as ranges of values for the relevant variables, again supported the above conclusion favoring sale of the plants and demonstrated its validity under a wide range of conditions. Another analysis by the Authority’s independent financial adviser, J.P. Morgan Securities, Inc., corroborated the result. The Staff believes that the purchase price for Indian Point 3 and FitzPatrick reflects their present and future value in supplying safe, reliable and competitively priced power, as well as the Authority’s considerable investment in maintaining and enhancing their physical condition over the years.

“The purchase price, both in absolute terms and on a per kilowatt basis, significantly exceeds those for all other completed or pending nuclear plant transactions. It will enable the Authority to reduce its debt, refurbish and build facilities, and expand its essential activities in such areas as economic development, energy efficiency and promotion of new, environmentally clean energy technologies. It will thus assure that the people of New York State obtain the greatest possible benefit from the sale of these public assets.

Employment and Career Opportunities for Authority Nuclear Employees

“The Purchase and Sale Agreement provides for the Buyers to offer employment to all Authority employees working at Indian Point 3 and FitzPatrick, as well as those personnel in the White Plains headquarters office who devote nearly all of their working time to support the nuclear plants. These Authority employees,

almost 1,700 in all, will transfer to the Buyers on the day the sale closes. As transferred employees working for the Buyers, their pay will be at least the same as they received while at the Authority, and their benefits package will be substantially comparable to the benefits package they had at the Authority. These transferred Authority employees will carry over their years of service, annual or lifetime deductibles and out-of-pocket healthcare expenses.

“If the transaction closes during the year 2000, the Buyers will retain, for the remainder of the year, the Authority’s performance plans and evaluation practices, along with the variable payment program that will be tailored to track Indian Point 3 and FitzPatrick’s performance.

“Transferred employees will take with them all unused sick and vacation days. At the time of the Closing, the Authority will give the Buyers a sum of money tied to the value of these accruals. Currently that figure is approximately \$15 million. The Authority will also provide the Buyers with a \$13 million payment in connection with the Authority’s unpaid obligations for retiree health and life insurance.

“The Buyers will provide retirement benefits equal to the New York State Retirement System benefits that the transferred employees had. To this end, transferred employees will be eligible to receive a pension based on a combination of their service under the New York State Retirement System (at the Closing) and their years of service with the Buyers. At retirement, the transferred employees will receive pension payments that are virtually identical to what they would have otherwise received if they had remained in the New York State Retirement System.

“With respect to represented employees, the Buyers agreed to recognize the unions that currently represent Authority employees (International Brotherhood of Electrical Workers, Local 2032 at FitzPatrick and the Utility Workers Union of America, Local 1-2 and the International Brotherhood of Teamsters, Local 456 at Indian Point 3). All transferred bargaining unit personnel will take with them to the Buyers the seniority that they achieved at the Authority, and the Buyers will assume the existing collective bargaining agreements and continue the terms and conditions of employment set forth in the various collective bargaining agreements. Entergy aims to be one of the largest nuclear plant operators in the country and offers the Authority’s nuclear personnel many career opportunities as part of a growing company with a national presence.

Fulfillment of Commitments to Authority Customers

“Under the Power Purchase Agreement, the Authority will obtain the entire output of Indian Point 3 and will sell this electricity, as at present, to its more than 110 government customers in New York City and Westchester County. The Authority’s purchases from FitzPatrick under the agreement will be sufficient to continue its economic development activities.

“The customers remain the Authority’s responsibility, not the Buyers’, and the Authority has promised to meet all its current contractual commitments, including those relating to both the quantity and the price of the power now being purchased. Under the Power Purchase Agreement, FitzPatrick and Indian Point 3 will remain the prime source of that power through the end of 2004, with an option to negotiate a continuation of that arrangement or some other power supply arrangement thereafter.

“However it chooses to do so, the Authority can and will continue to supply electricity to its southeastern New York governmental customers and for economic development throughout the State. Given the still-evolving competitive energy market, the Authority does not now know what its roster of customers will be five years from now, how much power they will need and what price it should pay to buy or produce that power if it is to remain a benefit to those customers. The Authority will meet the needs of its customers. The Power Purchase Agreement provides the Authority an option to negotiate with the Buyers for the purchase of additional power from Indian Point 3 and FitzPatrick. The Authority also may obtain power from its other generating facilities, or build new ones, or make long-term purchases from other entities serving the New York market. Nothing in the Authority’s agreement with the Buyers restrains the Authority’s use of any of these options.

Bond Resolution

“The Staff has concluded that the nuclear plants are not essential to the maintenance and continued operation of the rest of the Authority’s Projects and that the sale of the plants will not adversely affect the Authority’s ability to satisfy its covenants and agreements with debt holders, including, without limitation, the Authority Bond Resolution’s rate covenant.

Regulatory Approvals

“The consummation of the transaction would be dependent upon approval of the transfer of the licenses for the plants by the NRC, the approval of the Power Purchase Agreement by the Federal Energy Regulatory Commission, and the transfer of various permits relating to environmental and other matters by the New York Department of Environmental Conservation, the U.S. Army Corps of Engineers, and the Federal Communications Commission.

Determination of Significance - SEQRA

“On January 6, 2000, a Full Environmental Assessment Form related to the proposed action was sent to various involved and interested agencies. The transmittal also indicated that the Authority intended to assume the role of lead agency for purposes of evaluating the action pursuant to the SEQRA. The Authority received no objection to its designation as lead agency. The Director of the Environmental Division has reviewed the proposed action and the impacts associated with its implementation and has found that there will be no significant environmental impacts as a result of the proposed action. The basis for this assessment is set forth in Exhibit ‘A’, which contains the Environmental Assessment Form issued on January 6, 2000 and an addendum to that assessment. The Trustees have also been provided additional material which was considered by the Director.

Public Informational Briefings

“The Authority held informational briefings on the proposed sale of the Indian Point 3 and FitzPatrick plants on February 23 and February 24, 2000, respectively. The meetings took place in the Theodore Hill Jr. Training Center at Indian Point 3 in Buchanan and at the Scriba Town Fire Hall. Representatives of the Authority and Entergy were present and discussed the plan with members of the public and local officials. Draft documents related to the proposed sale were made available for public inspection and duplication at libraries and other public locations in the vicinity of the plants. The transcripts of these meetings are available to the public for review.

FISCAL INFORMATION

“The fiscal impacts of the sale of the two nuclear units are outlined above. Upon approval of the transaction, the Authority will take a write-off against 1999 revenues of \$379 million, reflecting the excess of the plants’ projected book value at the Closing over the present value of the future payments.

RECOMMENDATION

“I recommend that the Trustees authorize (1) the sale of the Indian Point 3 Nuclear Power Plant to Entergy Nuclear Indian Point 3, LLC, (2) the sale of the James A. FitzPatrick Nuclear Power Plant to Entergy Nuclear Fitzpatrick, LLC, (3) the execution of a Purchase and Sale Agreement with Buyers, substantially in the form presented to the Trustees today, to effectuate such sale, (4) the execution of a Power Purchase Agreement with Buyers in connection with such sale, substantially in the form presented to the Trustees today, (5) the execution of various related agreements, as specified in the aforementioned Purchase and Sale Agreement, in connection with the sale and (6) the other actions set forth in the attached resolution.

“It is further recommended that the Trustees (1) approve the Authority’s assumption of the role of Lead Agency pursuant to the SEQRA, (2) determine that the proposed action will not cause significant environmental impacts and (3) direct the Director of the Environmental Division to prepare, file and publish a Negative Declaration in accordance with the requirements of the SEQRA.

“The Senior Vice President and Chief Financial Officer, the Executive Vice President-Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President-Project Operations, and I concur in the recommendation.”

No action requested on the attached resolutions

Whereas, the Power Authority of the State of New York (the ‘Authority’) recognizes that the electric utility industry, including the utility industry in New York State, is undergoing a fundamental transformation intended to lead to a more competitive environment through changes in federal and state laws and actions by regulatory bodies that would permit competition for sales of electricity at the wholesale and, ultimately, at the retail level;

Whereas, the Authority was established to assist the State in obtaining and maintaining a continuous and adequate supply of dependable electric power and energy;

Whereas, in furtherance of such statutory purpose and to maintain its position as a provider of low-cost power and energy in New York State in the current changing environment, the Authority has undertaken a variety of actions, including: (i) restructuring its long term debt through open-market purchases and refundings to achieve cost savings and increase marketing flexibility by eliminating private-use restrictions on tax-exempt debt; (ii) adopting a new general purpose bond resolution (the ‘Bond Resolution’) which removed many of the covenants and provisions that unduly restricted the Authority in the emerging competitive environment and impeded the ability of the Authority to fulfill its statutory purposes; (iii) preparing to apply for a relicensing of the St. Lawrence-FDR and Niagara hydroelectric projects and investing more than half a billion dollars in the modernization of these projects; (iv) considering constructing a 500 megawatt (‘MW’) combined-cycle, combustion turbine electric generating facility at the existing Poletti Power Project in order to assist the Authority in furnishing power and energy in southeastern New York; and (v) participating in the development and implementation of the New York Independent System Operator;

Whereas, the continued ownership of the Plants exposes the Authority to significant operating and decommissioning risks;

Whereas, although the recent operating experience at the Plants has improved significantly, the Authority's historical operating experience (including below-industry average plant capacity factors of the Plants and the inclusion in the past of FitzPatrick and Indian Point 3 on the Nuclear Regulatory Commission's ‘watch-list’ of plants requiring increased scrutiny) as compared to the experience of certain other nuclear operators has caused the Authority to conclude that the Plants can be operated more efficiently and generate more dependable power and energy for electric power customers in the State if they are transferred to an operator with a strong record in the operation of nuclear plants;

Now Therefore, the Authority makes the following findings and determinations and adopts the following resolutions:

Findings and Determinations

- 1. General Determinations. The Authority hereby determines that, in light of extant circumstances, the sale of the Plants is a necessary and convenient means of carrying out and**

effectuating the purposes and provisions of its enabling legislation. The sale of the Plants is part of the Authority's overall strategic plan to continue to fulfill its statutory purposes in a changing and competitive environment and, among other things, would (i) enable the Authority to dispose of historically-troubled Plants which in the past have drained financial and human resources from the Authority, (ii) offer the prospect of continued improvement in the operation of the Plants and dependable and increased generation of power and energy at the Plants, in light of the successful operation of nuclear plants by Entergy Corporation. ('Entergy'), and (iii) enhance the Authority's financial position in light of the substantial risks attendant to continued ownership of the Plants, thereby helping the Authority to better assist the State in obtaining and maintaining a continuous and adequate supply of dependable electric power and energy. The Authority hereby further finds and determines that it will be able to, and will, purchase, finance and/or construct whatever generation, transmission and distribution resources it determines are required in order to assure a continuous and adequate supply of dependable electric power and energy to those customers that currently have contracts for the purchase of power and energy from the Plants and to otherwise meet the Authority's statutory purposes.

2. **Changed Industry Environment.** In light of the current competitive environment and the availability of power and energy, the Authority hereby determines that it is no longer necessary to own and operate supplemental base load nuclear generation facilities in order to meet its obligations. In addition, it is increasingly difficult in such an environment to continue to run two single-unit geographically dispersed plants of different technologies.

3. **Bond Resolution.** The Authority hereby determines that it is advisable to sell and not to operate or maintain the Plants, that the operation of the Plants is not essential to the maintenance and continued operation of the rest of the Authority's projects, and that the sale of the plants will not adversely affect the Authority's ability to satisfy its covenants and agreements with debt holders, including without limitation the Bond Resolution's rate covenant.

4. **Selection Process.** The Authority determined to entertain indications of interest for the purchase of the Plants. The Authority determined that it was prudent and fiscally responsible to discuss indications of interest with a number of potential purchasers and then to enter into negotiations with one company during an exclusivity period. The Authority established the following objectives for the sale of the Plants:

- a. **Safety:** the continued safe and efficient operation of the Plants;
- b. **Price:** a sale price that reflects the economic value of the Plants;
- c. **Employees:** employment and career opportunities for all Authority nuclear employees; and
- d. **Power Purchase:** a power purchase agreement that will assist the Authority in honoring its commitments on customer contracts, including those relating to rates and power allocations.

5. **Selection of Entergy.** The Authority selected J. P. Morgan Securities Inc. ('J. P. Morgan') as its financial adviser to advise the Authority regarding the review of the indications of interest and the negotiations with potential purchasers. The Authority determined that the indications of interest from Entergy afforded the most promise of satisfying the aforesaid objectives of the Authority.

6. **Agreements with Entergy.** The Authority hereby determines that the agreements with Entergy for the sale of the Plants and the related purchase of power as described below satisfy the aforesaid objectives established by the Authority.

7. **Purchase and Sale Agreement.** The Authority has been presented with a copy of a draft of the Purchase and Sale Agreement between Entergy Nuclear Fitzpatrick, LLC and Entergy Nuclear Indian Point 3, LLC, as the Buyers (the 'Buyers'), and the Authority as Seller relating to the sale of the Plants (the 'P & S Agreement'); has reviewed the terms of the P & S Agreement; and has asked questions of its senior management, its counsel, its staff, and its financial advisor. The Authority has been advised by J. P. Morgan, after a comparison by J. P. Morgan of the Entergy proposal, the option of having the Authority continue to own and operate the Plants, and comparable sales of other nuclear plants, that (i) the value of Entergy's proposal is significantly superior to continued ownership of the plants by the Authority, (ii) the implied transaction multiples are materially higher than other nuclear plant transactions that have been completed or announced to date, and (iii) the Authority has fully satisfied its objective of achieving a sale price that reflects the economic value of the plants. The Authority hereby determines that (a) the Facilities Consideration, as defined in the P & S Agreement, represents a reasonable value for the Acquired Assets, as defined in the P&S Agreement, and (b) the terms and conditions of the P & S Agreement are reasonable.

8. **Power Purchase Agreement.** The Authority has been presented with a copy of a draft of the Agreement among Entergy Nuclear Fitzpatrick, LLC, Entergy Nuclear Indian Point 3, LLC, Entergy Power Marketing Corp. and the Authority for the Purchase of Products and Services from the Plants (the 'PPA'); has reviewed the terms of the PPA; has asked questions of its senior management, its counsel, its staff, and its financial adviser; and hereby determines that (a) the terms and conditions of the PPA are reasonable and (b) the PPA will assist the Authority in honoring its commitments on customer contracts, including rates and power allocations.

9. **Interconnection and Operation Agreement.** The Authority has been presented with a copy of a draft of the Interconnection and Operation Agreement between Entergy Nuclear Fitzpatrick and the Authority relating to the interconnection of the FitzPatrick plant with the regional transmission facilities retained by the Authority (the 'I & O Agreement'); has reviewed the terms of the I & O Agreement; has asked questions of its senior management, its counsel, its staff, and its financial adviser; and hereby determines that the terms and conditions of the I & O Agreement are reasonable.

RESOLUTIONS

1. **Agreements.** That the Authority hereby authorizes and directs the Chairman, the President and Chief Operating Officer, and the Senior Vice President and Chief Financial Officer ('Authorized Officers') to execute and deliver the P & S Agreement, the PPA, and the I & O Agreement on behalf of the Authority in substantially the forms thereof presented at this meeting, with such changes, variations, omissions, insertions, including amendments to such Agreements subsequent to their execution and prior to the Closing, as the Authorized Officers in their discretion shall approve as necessary or appropriate, such execution to constitute conclusive evidence of such approval by the Authority.

2. **Closing.** That the Authority hereby authorizes and directs the Authorized Officers to do or cause to be done all acts and things required of the Authority by, and in order to effectuate, the provisions of the P & S Agreement and the closing (the 'Closing') of the sale of the Plants to the Buyers, including without limitation the execution by the Authorized Officers of the Related Agreements (as defined in the P & S Agreement) and delivery of the documents and agreements required by Section 2.10 of the P & S Agreement to be delivered by the Authority, subject to satisfaction by the Buyers of the conditions of Closing established in the P & S Agreement, including without limitation the deliveries by Buyers at the Closing required by Section 2.11 of the P & S Agreement.

3. Commercial Paper; Defeasance Trust Agreement. That the Authority recognizes that in connection with the Closing it will be necessary as a result of federal tax law to either (i) redeem the then outstanding tax-exempt debt that was used to finance the Indian Point 3 Plant within 90 days of the date that the Authority determines, upon the advice of counsel, that the Closing is not subject to any material contingencies or (ii) if such redemption cannot be accomplished within such time period because of call restrictions, establish a defeasance escrow within 90 days of such date that would be irrevocably committed to redeeming the applicable debt on its earliest call date. The Authority hereby (a) amends the Commercial Paper Resolution (as defined in the Bond Resolution) to permit taxable Commercial Paper Notes, Series 3, to be issued, and the proceeds of sale of such Notes to be applied, to redeem Series 1998 Bonds (as defined in the First Supplemental Resolution to the Bond Resolution) and Commercial Paper Notes, Series 2, (b) authorizes the Authorized Officers and the Treasurer to issue Commercial Paper Notes, Series 3, and to use the proceeds thereof to purchase, redeem or defease such Series 1998 Bonds and Commercial Paper Notes, Series 2, as they determine to be necessary to comply with federal tax law, and, in connection with any such defeasance, to execute and deliver a Defeasance Trust Agreement in substantially the form of the Escrow Deposit Agreement dated April 15, 1998 to which the Authority is a party, and (c) authorizes the Authorized Officers and the Treasurer to provide written notice to the Commissioner of the Internal Revenue Service of the establishment of the defeasance escrow within 90 days of the date the defeasance escrow is established, as required by federal tax law.

4. Real Estate. That the Authority hereby authorizes the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, or the Director - Real Estate of the Authority on behalf of the Authority to execute any and all other agreements, indentures, papers, or instruments concerning or with Niagara Mohawk Power Corporation and Consolidated Edison Company of New York, Inc. which may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel. In addition, with respect to properties the title to which will be transferred to Buyers and which were acquired by the Authority through appropriation pursuant to Section 1007 of the Public Authorities Law, the Authority hereby finds and determines that it is neither practicable nor reasonable to offer such property for sale to the former owner thereof, or such former owner's successors or assigns.

5. Agreements in Support of Sale. The previously authorized agreements between the Authority and the firms engaged by the Authority for the provision of financial and legal services in connection with the sale by the Authority of the FitzPatrick and Indian Point 3 nuclear plants are hereby continued, and pursuant to such agreements, the Chairman and President are, and each hereby is, authorized in their discretion to increase the contract amounts as necessary for such work in an aggregate amount not to exceed \$1 million, such amount to be withdrawn from the Operating Fund and reimbursed from the proceeds of any such sale.

6. State Environmental Quality Review. That the Authority hereby declares that it is the 'Lead Agency' under the State Environmental Quality Review Act, and determines that the proposed action that is the subject of this Trustee item will not have a significant effect on the environment and an Environmental Impact Statement need not be prepared in connection with the proposed action. Furthermore, the Director of the Environmental Division is directed to prepare, file and publish a Negative Declaration for the proposed action in accordance with the requirements of the State Environmental Quality Review Act.

8. Motion to Conduct Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions regarding matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of particular persons and corporations; the financial, credit, or employment history of particular corporations; the proposed sale of real property; and proposed, pending or current litigation.”

9. Motion to Resume Meeting in Open Session

“Mr. Chairman, I move that the Authority resume the meeting in open session.”

Upon motion made and seconded, the meeting resumed in open session.

10. Next Meeting

“The regular meeting of the Trustees will be held on **Tuesday, March 28, 2000, at the Albany Office** at **11: 00 p.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

NXMTGFEB

Closing

Upon motion made and seconded, the meeting was closed at 2:05 p.m.

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