

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

July 22, 2003

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the New York Office at 11:30 a.m.

Present: Frank S. McCullough, Jr., Vice Chairman
Timothy S. Carey, Trustee
Joseph J. Seymour, Trustee

Louis P. Ciminelli, Chairman – Excused
Gerard V. DiMarco, Trustee – Excused

Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Business Services and Administration
Peter A. Barden	Senior Vice President – Public and Government Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President and Controller
Charles I. Lipsky	Vice President and Chief Engineer
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Compliance
James H. Yates	Vice President – Major Account Marketing and Economic Development
Michael E. Brady	Acting Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John J. Suloway	Executive Director – Licensing Compliance and Implementation
Arthur M. Brennan	Director – Internal Audit
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Angelo S. Esposito	Director – Energy Services
Jules G. Franko	Director – Fossil/Gas Turbines
Luis A. Rodriguez	Director – SENY and Public and Government Affairs
Peter Scalici	Deputy Inspector General
Albert J. Swansen	Deputy Inspector General
James F. Pasquale	Manager – Business Power Allocations and Compliance
Lorna M. Johnson	Assistant Secretary
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Lenny Catalino	Account Executive
Roger W. Busha Jr.	Security Specialist
Bonnie Fahey	Executive Administrative Assistant
Noelle Zandri	Secretary to General Counsel
Edward J. Birdie	SENY Public Governmental Affairs Representative
James Wright	New York State Senator
John Cashin	Executive Administrator, Battery Park City Authority

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

1. Approval of the Minutes

Vice Chairman McCullough expressed his apologies for the late start and noted that Chairman Ciminelli and Trustee DiMarco could not attend this meeting. He then welcomed New York State Senator James Wright to the meeting.

At this time, Mr. Blabey noted that Mr. Andrew McLaughlin, Assistant Secretary – Legal Affairs, would be leaving the Authority to pursue a Masters Degree at Georgetown University and wished him well.

Mr. Seymour excused himself from voting on the minutes since he was absent from the meeting held June 24, 2003. The approval of the minutes of that meeting was therefore held over for the September meeting.

2. **Financial Reports for the Six Months Ended June 30, 2003**

Mr. Bellis provided the Financial Report for the six months ended June 30, 2003.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Mr. Hiney who provided an update on the operations of the Power Now! Small power plants and the current status of the construction of the 500 MW Combined Cycle Plant in Astoria. Mr. Hiney reported that, during the last heat wave, all of the small power plants were available. He also reported that the Poletti plant is running well and that it passed its seasonal capacity test.

Mr. Hiney then asked Mr. Antenucci to provide an update on the Combined Cycle Project. Mr. Antenucci reported on the progress of construction at the project and informed the meeting that staff is working closely with the contractors with regard to quality, safety, and cost controls at the Project.

Trustee Seymour indicated that continuing to work to improve cost controls should be a priority. Vice Chairman McCullough and Trustee Carey noted their concurrence.

4. Power Allocations under the Power for Jobs Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve 10 allocations of available power under the Power for Jobs (‘PFJ’) program to the businesses listed in Exhibits ‘4-A’ and ‘4-B’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

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

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

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

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

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

“The PFJ program is designed to assist New York State enterprises that are at risk of reducing or closing their operations, moving out of State or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through June 2003, the Trustees approved allocations to 1,298 employers under the PFJ program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges and cultural institutions across the state.

DISCUSSION

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Ten applications were deemed highly qualified and presented to the EDPAB for its review on July 22, 2003.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees *{approve}* the allocations to the 10 businesses listed in Exhibits ‘4-A’ and ‘4-B’. Exhibit ‘4-A’ lists businesses that are being recommended for new allocations while Exhibit ‘4-B’ lists those businesses that were recommended to have their existing allocations extended under phase five of the program. These organizations have agreed to create or retain

over 2,700 jobs in New York State in exchange for allocations totaling 6.775 MW. The allocation contracts will be for a period of up to three years. The power will be wheeled by the investor-owned utilities as indicated in the exhibits. The basis for EDPAB's recommendations is also included in the exhibits.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibits '4-A' and '4-B'.

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

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 6.775 MW of allocations of Power for Jobs power to the companies listed in Exhibits "4-A" and "4-B";

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 Exhibits "4-A" and "4-B" (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 6.775 MW of power purchased by the Authority for Power for Jobs be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

5. Annual Review of Job Commitments

The President and Chief Executive Officer submitted the following report:

SUMMARY

“It is recommended that the Trustees approve the continuation of current power allocations to 45 companies that were below their job commitment levels as set forth in Exhibit ‘5-A’ attached hereto.

BACKGROUND

“Each year, Authority staff (‘staff’) initiates a review of all business power allocations and the customers’ performance against agreed upon job commitments. In 2002, the Authority had 306 contracts with 194 business customers, excluding Power for Jobs (‘PFJ’) agreements. This year’s review covers a total of 267 contracts that required the customer to report job levels for 2002. The contracts reviewed by staff represent overall power allocations of 930,979 megawatts (‘MW’) and total employment commitments of 126,964 jobs. In the aggregate, these customers reported actual employment of 128,150 jobs. This represents 101% of the total job commitment for business customers reporting in 2002. Nevertheless, there are 45 customers with 49 contracts whose actual job levels are below the minimum threshold.

“The contracts contain a customer commitment, to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, (80% for ‘vintage’ customers, i.e., those having contract allocations prior to 1988), the Authority may reduce that customer’s power allocation proportionately. A company may request a productivity review to have its job commitment reduced if the reduction in employment is due to increased efficiency or improved technology.

DISCUSSION

“This annual review of business power allocation job commitments was conducted against the backdrop of a national economic recession that has hit the State of New York particularly hard. Customers are having difficulty meeting their commitments due to the rapid onset of this recession. Reducing their power allocations would only add to their financial distress. Staff recommends that the Trustees defer action regarding the 45 customers not meeting their employment commitment. Brief descriptions of those companies whose actual job levels are below their commitment are reported in Section I.

“A summary of all contracts discussed in this item is provided as Exhibit ‘5-A’.

Section I.

Allocations To Continue With No Change

Anchor Glass Container Corporation, Elmira Heights, Chemung County

Allocation: 6,000 kW of Economic Development Power

Jobs Commitment: 425 jobs

Background: Anchor Glass Container Corporation (‘Anchor Glass’) manufactures glass containers for the food, juice, beer, liquor and wine markets. For the past year, Anchor Glass averaged 331.42 jobs, i.e., 77.98% of its contractual commitment. The employee count was down this year due to a shutdown and rebuild of one of two glass melting furnaces. The company cautiously foresees growth.

Recommendation: Staff recommends that the Trustees take no action at this time.

BAE Systems (Hazeltime), Greenlawn, Suffolk County

Allocation: 2,900 kW of Economic Development Power

Jobs Commitment: 800 jobs

Background: BAE Systems (‘BAE’), formerly Hazeltime Corporation, founded over 75 years ago, is a high technology electronics manufacturer of products and systems for the Department of Defense. The products are primarily for IFF (identification friend or foe) and ASF (Auto Submarine Warfare). For the past year, BAE

averaged 672.75 jobs, i.e., 84.09% of its contractual commitment. BAE relocated 346 employees to Greenlawn and hired over 50 additional employees in December 2002. For the first two quarters of 2003 BAE averaged 1,025 jobs, well above its employment commitment, with more hiring to continue in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Bristol-Myers Squibb – Buffalo Technical Operations, Buffalo, Erie County

Allocation: 750 kW of Expansion Power

Jobs Commitment: 450 jobs

Background: Bristol-Myers Squibb ('BMS') manufactures dry skin, anti-inflammatory and anti-fungal dermatological products. Currently, the company's product line-up is in transition. For the past year, BMS averaged 321.83 jobs, i.e., 71.52% of its contractual commitment. However, the company successfully brought a Bristol Myers brand nasal spray production up from North Carolina, which helped maintain the employment level from further cuts. The company foresees growth in 2003 as it is bringing several brands up from Puerto Rico and extending its product line.

Recommendation: Staff recommends that the Trustees take no action at this time.

Buffalo Newspress Inc., Buffalo, Erie County

Allocation: 250 kW of Expansion Power

Jobs Commitment: 200 jobs

Background: Buffalo Newspress Inc. ('Buffalo Newspress'), founded in 1979, prints advertising inserts, brochures and weekly newspapers. For the past year, Buffalo Newspress averaged 157.83 jobs, i.e., 78.92% of its contractual commitment. In August 2002, Buffalo Newspress lost its largest and oldest customer, which represented 40% of its revenues and resulted in a layoff of 45 employees. Since then, the company brought back many employees as it signed new contracts with customers in Connecticut, Maine, and New York State. Buffalo Newspress expects to meet its employment commitment by early 2004.

Recommendation: Staff recommends that the Trustees take no action at this time.

Ceres Corporation, Niagara Falls, Niagara County

Allocation: 1,700 kW of Replacement Power and 1,300 kW of Replacement Power

Jobs Commitment: 83 base jobs and 21 created jobs, and 83 base jobs, consecutively.

Background: Ceres Corporation ('Ceres'), founded in 1976, was the first US producer of cubic zirconia. Ceres was the first cubic zirconia manufacturer to develop and sell colored cubic zirconia. The product is used in the gem-cutting industry but recently has also been used in jewelry. Ceres developed and sells the industry leading diamond testing instruments. For the past year, Ceres averaged 66.42 jobs, i.e., 63.86% and 80.02% respectively, of its contractual commitments. Ceres is in transition right now and is unable to forecast job levels at this time.

Recommendation: Staff recommends that the Trustees take no action at this time.

Client Logic Corporation, Buffalo, Erie County

Allocation: 250 kW of Expansion Power

Jobs Commitment: 507 jobs

Background: Client Logic Corporation ('Client'), formerly Upgrade Corporation of America, founded in 1990, has its call center located in Buffalo, where it provides technology processing services to the high-tech industry, including, inbound and outbound telemarketing, warehousing and fulfillment of products, customer service, remittance transacting and tech support. For the past year, Client averaged 313.42 jobs, i.e., 62.68% of its employment commitment. Client is suffering from the fallout of the telecommunications industry but expects to see some growth this year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Coyne Textile Services, Buffalo, Erie County

Allocation: 350 kW of Expansion Power

Jobs Commitment: 93 jobs

Background: Coyne Textile Services ('CTS'), a family-owned business incorporated in 1929, provides textile rental products and laundering services. The textile rentals range from work place uniforms and protective clothing to shop towels and floor mats. CTS specializes in environmentally safe cleaning of heavily soiled garments that require special processing due to the nature of the stain – petroleum, printing dyes etc. Seventy-five percent of the printing industry in the eastern US uses CTS as their preferred provider of textile cleaning services. For the past

year, CTS averaged 77.00 jobs, i.e., 82.80% of its contractual commitment. Though CTS has been hurt by the economic downturn it has been able to stabilize itself and feels it can meet its commitment in 2004.

Recommendation: Staff recommends that the Trustees take no action at this time.

Delphi Automotive Systems, Lockport, Niagara County

Allocation: 14,300 kW of Expansion Power

Jobs Commitment: 5,825 jobs

Background: Delphi Automotive Systems ('Delphi'), formerly a division of General Motors, manufactures radiators, condensers and heaters for General Motors automobiles. For the past year, Delphi averaged 4,915.92 jobs, i.e., 84.39% of its contractual commitment. Delphi, hurt by the economic slowdown, foresees meeting its employment commitment next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Dielectric Laboratories, Inc., Cazenovia, Madison County

Allocation: 600 kW of Economic Development Power

Jobs Commitment: 299 base jobs

Background: Dielectric Laboratories, Inc. ('Dielectric'), founded in 1978, manufactures capacitors, filters and other components for the optical networking and wireless communications industries. For the past year, Dielectric averaged 183.96 jobs, i.e., 61.53% of its contractual commitment. This industry suffered an economic downturn prior to the current recession and is slowly recovering. Dielectric believes even if the industry recovers, they will not be able to meet the employment commitment. The company has had to automate processes in order to keep themselves competitive, which has resulted in job reductions.

Recommendation: Staff recommends that the Trustees take no action at this time.

Disc Graphics Inc., Hauppauge, Suffolk County

Allocation: 450 kW of Economic Development Power

Jobs Commitment: 300 jobs

Background: Disc Graphics Inc. ('DGI') is a diversified paperboard and wholesale printing company specializing in printing packages for video cassettes, CDs and audio cassettes. DGI, also manufactures book jackets, posters and folding cartons for pharmaceuticals and cosmetics. For the past year, DGI averaged 261.17 jobs, i.e., 87.06% of its contractual commitment. DGI met its employment commitment for the first quarter of 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Eagle Electric Manufacturing Co., Long Island City, Queens County

Allocation: 500 kW of Municipal Distribution Agency Power

Jobs Commitment: 1,300 jobs

Background: Eagle Electric Manufacturing Co. ('Eagle'), in business over 50 years, manufactures commercial and residential electric and electronic equipment including plastic components, wall outlets, plate covers, plugs, switches, lamp cords and adapters. For the past year, Eagle averaged 1,086.42 jobs, i.e., 83.57% of its contractual commitment. The company blames the economy for its shortfall but anticipates meeting its commitment when the economy recovers.

Recommendation: Staff recommends that the Trustees take no action at this time.

Ellanef Manufacturing Corp., Bohemia, Suffolk County

Allocation: 1,300 kW of Municipal Distribution Agency Power

Jobs Commitment: 195 jobs

Background: Ellanef Manufacturing Corp. ('Ellanef'), founded in 1940, is the largest privately held manufacturer of aerospace machined parts and assemblies in the nation. Ellanef manufactures parts for commercial industry and the defense industry, with Boeing, NASA, and IBM as major customers. The aerospace industry has not recovered from the recession of 2001, as well as Ellanef suffering due to Boeing's cancellation and delay of aircraft delivery schedules. For the past year, Ellanef averaged 151.33 jobs, i.e., 77.61% of its contractual commitment. The company is taking measures to stay competitive, including purchasing over \$4 million of new equipment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Endicott Interconnect Technologies, Inc., Endicott, Broome County

Allocation: 20,000 kW of Economic Development Power

Jobs Commitment: 5,500 jobs

Background: Endicott Interconnect Technologies, Inc. ('Endicott'), in 2002, purchased its microelectronics manufacturing operation from IBM, an original IBM site operating since 1906. Endicott manufactures electronics panels and boards, as well as develops data processing equipment, such as PC panels and banking systems. For the past year, Endicott averaged 4,893.17 jobs, i.e., 88.97% of its contractual commitment. Since Endicott took over the site they are in transition and expect to meet the employment commitment next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Excelsior Transparent Bag Manufacturing, Inc., Yonkers, Westchester County

Allocation: 700 kW of Municipal Distribution Agency Power

Jobs Commitment: 180 jobs

Background: Excelsior Transparent Bag Manufacturing, Inc. ('Excelsior'), a privately held company founded in 1946, prints and converts plastic film mainly for the food industry. For the past year, Excelsior averaged 152.67 jobs, i.e., 84.81% of its contractual commitment. Excelsior has been hurt by the recession and is unable to predict if it will meet its employment commitment next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Ferro Electronic Materials, Niagara Falls, Niagara County

Allocation: 3,115 kW and 1,000 kW of Replacement Power

Jobs Commitment: 276 jobs and 257 jobs

Background: Ferro Electronic Materials ('Ferro') is a supplier of dielectric powder to the passive electronic component industry, and zirconia based ceramic powders to industry. For the past year, Ferro averaged 166.42 jobs, i.e., 60.30% and 64.75% of its employment commitments. While jobs were down last year due to an industry downturn, the company has stabilized. Ferro has had to idle equipment but is prepared to ramp everything up once the economy dictates it.

Recommendation: Staff recommends that the Trustees take no action at this time.

Fiber Conversion, Inc., Broadalbin, Fulton County

Allocation: 1,000 kW of Economic Development Power

Jobs Commitment: 47 jobs

Background: Fiber Conversion, Inc. ('Fiber'), founded in 1909, recycles textile waste into cotton waste from the textiles, which is then used to manufacture paper products. For the past year, Fiber averaged 37.00 jobs, i.e., 78.72% of its employment commitment. Fiber had been hit hard in 2002 by the economic downturn. Many of its suppliers have closed, forcing the company to buy raw materials at higher prices, which in turn hurt business. The company has stabilized its employment level. Fiber anticipates meeting its commitment next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Fieldbrook Farms Ice Cream Inc., Dunkirk, Chautauqua County

Allocations: 1,000 kW of Expansion Power and 2,000 kW of Expansion Power

Job Commitments: 600 jobs and 600 jobs

Background: Fieldbrook Farms Ice Cream Inc. ('Fieldbrook'), founded in 1914, is a major producer of ice cream and yogurt products. Fieldbrook Foods Corporation purchased Fieldbrook last year. Fieldbrook emerged from bankruptcy last year. For the past year, Fieldbrook averaged 380.67 jobs, i.e., 63.44% and 63.44% respectively, of its employment commitments. Currently, the employment is up to 401 people and employment is anticipated to grow by 40 positions by the end of this year as a new cone product has been added. However, Fieldbrook does not ever expect to meet its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

FMC Corporation, Tonawanda, Erie County

Allocation: 750 kW of Replacement Power

Jobs Commitment: 134 jobs

Background: FMC Corporation - active oxidants division ('FMC'), at this site since 1960, manufactures peroxygen chemicals for the food industry. For the past year, FMC averaged 106.08 jobs, i.e., 79.17% of its contractual commitment. FMC has been hurt by alleged unfair foreign competition, in addition to the poor economy.

Recommendation: Staff recommends that the Trustees take no action at this time.

Graphic Controls Corp., Buffalo, Erie County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 408 jobs

Background: Graphic Controls Corp. ('Graphic Controls'), formed in 1957, is a leader in the design, manufacture, and distribution of industrial and medical recording charts. For the past year, Graphic Controls averaged 348.58 jobs, i.e., 85.44% of its contractual commitment. Many of Graphic Controls' customers went out of business in 2002, but they added product lines and have been aggressively pursuing customers. Graphic Controls expects to meet its contractual commitment in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

H. M. Quackenbush, Inc., Herkimer, Herkimer County

Allocation: 400 kW of Economic Development Power

Jobs Commitment: 110 jobs

Background: H. M. Quackenbush, Inc. ('HMQ'), in business since 1871, manufactures house wares and also provides metal plating and finishing services for other companies. For the past year, HMQ averaged 65.08 jobs, i.e., 59.17% of its commitment. The company expects to come close to the 90% threshold in 2004, if the economy recovers.

Recommendation: Staff recommends that the Trustees take no action at this time.

Habasit Globe, Inc., Buffalo, Erie County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 123 jobs

Background: Habasit Globe, Inc. ('Habasit'), in business since 1916, manufactures conveyor belts primarily for the food industry. The company uses a non-rubber, non-woven specially treated fabric that is lighter, stronger and easier to clean than rubber. For the past year, Habasit averaged 75.42 jobs, i.e., 61.31% of its contractual commitment. The economic slowdown hurt business and necessitated the closing of a service center during 2002. However, business is picking up now and Habasit just hired several new workers. Provided the economy improves some more, they will be able to hire even more workers. Habasit foresees growth back towards meeting its commitment in early 2004.

Recommendation: Staff recommends that the Trustees take no action at this time.

Honeywell International, Buffalo, Erie County

Allocation: 300 kW of Replacement Power

Jobs Commitment: 168 jobs

Background: Honeywell International ('Honeywell'), formerly Allied-Signal Inc., has been a research and development lab since the early 1900s. Honeywell develops and produces atmospherically safe fluorocarbons. For the past year, Honeywell averaged 135.77 jobs, i.e., 80.81% of its contractual commitment. The company had to cut back due to the economic downturn. As the site is a research facility, it depends on continued funding from Honeywell businesses. The company hired six employees in 2003, and expects to add a few more.

Recommendation: Staff recommends that the Trustees take no action at this time.

HSBC Holdings PLC, Brooklyn, Kings County

Allocation: 700 kW of Economic Development Power

Jobs Commitment: 350 jobs Hanson Place (part of an overall commitment of 1,462 jobs city-wide)

Background: Republic National Bank of New York was founded in 1966, with its headquarters on Fifth Avenue in Manhattan and back office in Brooklyn at One Hanson Place. Republic National Bank of New York was purchased

by HSBC Holdings PLC ('HSBC') in 1999. For the past year, HSBC averaged 278.75 jobs at Hanson Place, 79.64% of its commitment at Hanson Place. HSBC does not expect to grow new jobs at Hanson Place.

Recommendation: Staff recommends that the Trustees take no action at this time.

Leica Microsystems Inc., Depew, Erie County

Allocation: 450 kW Expansion Power

Jobs Commitment: 315 jobs

Background: Leica Microsystems Inc. ('Leica'), in business under various names since 1838, produces microscopes and precision ophthalmic instruments. For the past year, Leica averaged 219.00 jobs, 69.52% of its commitment. The company expects it could meet its contractual commitment in 2004, if the economy improves.

Recommendation: Staff recommends that the Trustees take no action at this time.

Lockheed Martin Corporation – Naval Electronics & Surveillance Systems, Niagara Falls, Niagara County

Allocation: 250 kW of Replacement Power

Jobs Commitment: 45 jobs

Background: Lockheed Martin Corporation – Naval Electronics & Surveillance Systems ('Lockheed'), manufactures gravity gradiometer technology for the Navy. Lockheed's products are very high-tech and used for new applications that have not been quickly adopted. For the past year, Lockheed averaged 30.08 jobs, i.e., 66.85% of its contractual commitment. Business at Lockheed did not grow as much as expected last year. The company foresees long-term growth as the new applications are utilized but probably will not meet the commitment for 2003. Though Lockheed has needed some more manpower at various times in the year, the sporadic nature of the need has resulted in the use of outsourcing for some engineering and manufacturing work.

Recommendation: Staff recommends that the Trustees take no action at this time.

Mele Manufacturing Co., Utica, Oneida County

Allocation: 650 kW of Economic Development Power

Jobs Commitment: 224 jobs

Background: Mele Manufacturing Co. ('Mele'), founded in 1912, manufactures jewelry cases, custom packaging and desk accessories, legal binders and custom injection molding. For the past year, Mele averaged 163.73 jobs, i.e., 73.09% of its contractual commitment. Mele has been going through a transition in recent years, which is nearly complete, switching from basic full manufacturing to more outsourcing and warehousing of products from other locations, complementing their plastics manufacturing. The company has stabilized its employment level.

Recommendation: Staff recommends that the Trustees take no action at this time.

Monitor Aerospace Corporation, Amityville, Suffolk County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 322 jobs

Background: Monitor Aerospace Corporation ('Monitor') manufactures machined parts and structural sub-assembly components used in the aerospace industry. Monitor's core business is precision milling of structural aircraft components out of aluminum, titanium and steel. For the past year, Monitor averaged 239.23 jobs, i.e., 74.29% of its commitment. The airline industry is still suffering from September 11th, resulting in a deep cutback in orders for aircraft. However, Monitor has recently signed some new defense contracts allowing them to grow again. Recently, three new employees were hired and several more will be needed within six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Monofrax Inc., Falconer, Chautauqua County

Allocation: 2,082 kW of Expansion Power

Jobs Commitment: 380 jobs

Background: Monofrax Inc. ('Monofrax') uses an electric furnace ceramic foundry to manufacture Fused Cast Refractories that are primarily used to line melting furnaces production of glass products. For the past year, Monofrax averaged 234.75 jobs, i.e., 61.78% of its contractual commitment. Monofrax expected business to improve over the past couple of years, as they are the lowest-cost, most efficient producer of this product in the

world. However, there has been a worldwide downturn in the rebuilding and construction of glass melting furnaces. Forty percent of Monofrax's business is overseas, which has been unfavorably affected by a strong dollar. However, the company does foresee some growth this coming year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Native Textiles, Inc., Glens Falls, Warren County

Allocation: 1,200 kW of Economic Development Power

Jobs Commitment: 100 jobs

Background: Native Textiles, Inc. ('Native'), in business for over 100 years, produces textiles, especially lace and tricot. For the past year, Native averaged 82.58 jobs, i.e., 82.58% of its contractual commitment. The mill is running full time. Native anticipates meeting its employment commitment in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Newsday, Inc., Pinelawn, Suffolk County

Allocation: 1,900 kW of Municipal Distribution Agency Power

Jobs Commitment: 2,464 jobs

Background: Newsday, Inc. ('Newsday'), a subsidiary of the Times Mirror Co., founded in 1940, is one of the largest daily and Sunday newspapers in the country. This facility is a centralized computer support operation for Newsday and other out-of-state Times Mirror companies. For the past year, Newsday averaged 2,175.67 jobs, i.e., 88.30% of its contractual commitment. Newsday expects to meet its employment commitment next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Oak-Mitsui, Inc., Hoosick Falls, Rensselaer County

Allocation: 4,000 kW of Economic Development Power/ temporarily reduced to 800 kW in October 2001, and further temporarily reduced to 175 kW in October 2002

Jobs Commitment: 140 jobs

Background: Oak-Mitsui, Inc. ('Oak-Mitsui') founded in 1976, as a joint venture, produces electro-deposited copper foil for use in printed wire board applications. For the past year, Oak-Mitsui averaged 25.42 jobs, i.e., 18.15% of its employment commitment. Economic conditions created a sudden drop in demand for Oak-Mitsui's product. In turn, the company had to temporarily reduce its workforce. Oak-Mitsui is in transition now and is unable to predict its employment level in the next year.

Recommendation: Staff recommends that the Trustees take no action at this time.

Protective Closures Co., Inc., Buffalo, Erie County

Allocation: 250 kW of Expansion Power

Jobs Commitment: 310 jobs

Background: Protective Closures Co., Inc. ('Protective'), founded in 1948, manufactures plastics in three divisions, one for caps and plugs, one for temperature control units, and one for prescription medical vials. For the past year, Protective averaged 265.38 jobs, i.e., 85.61% of its employment commitment. Business has improved slightly and the company expects to meet its commitment in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Quality House of Graphics, Long Island City, Queens County

Allocation: 1,400 kW of Municipal Distribution Agency Power

Jobs Commitment: 190 jobs

Background: Quality House of Graphics ('QHG'), founded in 1946 as a photoengraving shop, grew to provide a full range of graphic arts services, including color separations, retouching, image archiving, digital transmission, conventional and waterless printing, and a full bindery. For the past year, QHG averaged 149.75 jobs, i.e., 89.20% of their commitment. The recession has hurt QHG's business terribly. The company expects to grow only if the economy improves.

Recommendation: Staff recommends that the Trustees take no action at this time.

Racemark International, Inc., Malta, Saratoga County

Allocation: 1,000kW of Economic Development Power

Jobs Commitment: 197 jobs

Background: Racemark International, Inc. ('Racemark'), a family-owned business founded over 35 years ago, manufactures premium automats for top automakers, such as Mercedes and BMW. Operations include extrusion, pressing, cutting, sewing, embroidering, packaging and shipping. For the past year, Racemark averaged 163.60 jobs, i.e., 83.05% of its commitment. Racemark predicts meeting its commitment if automobile industry economics improves.

Recommendation: Staff recommends that the Trustees take no action at this time.

Republic Technologies International, Blasdell, Erie County

Allocation: 1,000kW of Replacement Power

Jobs Commitment: 374 base jobs and 21 created jobs

Background: Republic Technologies International ('RTI'), purchased this steel bar mill from Bethlehem Steel in 1994. The mill had been in operation from 1976 until 1992, manufacturing high quality steel bars for the auto industry. The plant resumed operations under RTI in 1994. For the past year, RTI averaged 328.00 jobs, i.e., 83.04% of its commitment. The company met its commitment in the last quarter of reporting, i.e., 91.89%.

Recommendation: Staff recommends that the Trustees take no action at this time.

Rich Products Corporation, Buffalo, Erie County

Allocation: 1,000kW of Replacement Power

Jobs Commitment: 402 jobs

Background: Rich Products Corporation ('Rich'), a privately-held company founded over 50 years ago, manufactures non-dairy creamers, toppings and aseptic drink mixes. For the past year, Rich averaged 302.92 jobs, i.e., 75.35% of its commitment. Rich has been hurt by the economic downturn. The company is unsure if it will meet its commitment in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Saint-Gobain Corporation - Microelectronics, Sanborn, Niagara County

Allocation: 900 kW of Replacement Power

Jobs Commitment: 35 jobs

Background: Saint-Gobain Corporation – Microelectronics ('SGC') develops ceramics to dissipate the heat generated by electrical circuits, in order to make smaller, faster, and more powerful computer chips and other heat sensitive devices. The bottom has fallen out of the market for the computer chip industry over the past two years, and the company has suffered due to this. For the past two years, SGC averaged 24.44 jobs, i.e., 69.83% of its contractual commitment. SGC's structural ceramics facility has given the plant work and the job level has stabilized to around 20 jobs. The plant, though newly fitted to handle the work from the structural ceramics plant, is able to switch back to microelectronics as the industry rebounds. The company has expectations that the microelectronics industry will strongly rebound within a year or two. Currently, SGC has brought in workers to work at this plant solely, but they are transitional. For the past four months, SGC has met its commitment, averaging 32.50 jobs, i.e., 92.86%. The contract is 'vintage' meaning it has an 80% rather than 90% minimum to meet its job commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Sherwood, A Division of Harsco Corp., Lockport, Niagara County and Wheatfield, Niagara County

Allocation: 240 kW of Expansion Power and 260 kW of Expansion Power

Jobs Commitment: 339 base jobs and 25 created jobs by the end of May 2002, and 207 jobs consecutively.

Background: Sherwood, founded in 1923, manufactures gas control valves and regulators for compressed gas, refrigerants and scuba diving gear. For the past year, Sherwood - Lockport averaged 261.67 jobs, i.e., 71.89% of its employment commitment and Sherwood – Wheatfield averaged 137.50 jobs, i.e., 67.40% of its employment commitment. The decline at both locations has been due to a slow economy and foreign competition. Sherwood believes it can reach its commitment if the economy improves.

Recommendation: Staff recommends that the Trustees take no action at this time.

Special Metals Corporation, Dunkirk, Chautauqua County

Allocation: 1,000 kW of Expansion Power

Jobs Commitment: 81 jobs

Background: Special Metals Corporation ('Special Metals') was founded in 1952, and is a world leader in super-alloy technology. The company pioneered the vacuum induction melting method to produce super-alloys for military and civilian use in jet engine turbines. Nearly every jet engine in the free world has some alloy in it, produced by Special Metals. For the past year, Special Metals averaged 72.25 jobs, i.e., 89.20% of its commitment. The company is less than one job short of meeting its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Syracuse China Company, Syracuse, Onondaga County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 500 jobs

Background: Syracuse China Company ('Syracuse China'), founded in 1871, manufactures high-end china for restaurants, hotels, universities, and health care facilities. For the past year, Syracuse China averaged 425.58 jobs, 85.12% of its commitment. The company grew a lot during this past year and is now just two jobs short of meeting its commitment. Syracuse China expects to meet its commitment in 2003.

Recommendation: Staff recommends that the Trustees take no action at this time.

Syroco, Inc., Baldwinsville, Onondaga County

Allocation: 2,000 kW of Economic Development Power

Jobs Commitment: 500 jobs

Background: Syroco, Inc. ('Syroco') manufactures plastic lawn furniture, accessories and home décor. The company has divisions in California and Arkansas. For the past year, Syroco averaged 235.00 jobs, i.e., 47.00% of its contractual commitment. Syroco's sales have been off by 30% due to a harsh long winter in much of the country and an increase in the cost of resin. Furthermore, Kmart, Syroco's largest customer is in Chapter 11 which negatively impacted its sales. The company does foresee long-term growth but no changes for the next six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

The Gunlocke Company, Wayland, Steuben County

Allocation: 5,000kW of Economic Development Power

Jobs Commitment: 765 jobs

Background: The Gunlocke Company ('Gunlocke') founded in 1902, changing ownership several times since, manufactures high-end wooden office furniture. Gunlocke recently added a new steel office furniture product line. For the past year, Gunlocke averaged 598.92 jobs, i.e., 78.29% of its commitment. The company has added new product lines but this new work has only lessened the loss of sales from the downturn that has plagued the furniture industry over the past two years. When the economy improves, Gunlocke expects to meet its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Trico Products Corp., Buffalo, Erie County

Allocation: 250kW of Expansion Power

Jobs Commitment: 250 jobs

Background: Trico Products Corp. ('Trico'), founded in 1917, manufactures windshield wiper parts and systems. For the past year, Trico averaged 213.92 jobs, i.e., 85.57% of its commitment. Trico has been hurt by the slump in the automobile industry but expects a turnaround as that sector improves.

Recommendation: Staff recommends that the Trustees take no action at this time.

Tulip Corporation, Niagara Falls, Niagara County

Allocation: 300 kW of Expansion Power

Jobs Commitment: 122 jobs

Background: Tulip Corporation ('Tulip'), an injection molding company, recycles rubber and plastic and manufactures battery cases for the major battery manufacturers. For the past year, Tulip averaged 103.83 jobs, i.e.,

85.11% of its commitments. The company has been hurt by the recession but has stabilized its employment level.

Recommendation: Staff recommends that the Trustees take no action at this time.

World Class Film Corp., Yonkers, Westchester County

Allocation: 1,900 kW of Municipal Distribution Agency Power

Jobs Commitment: 105 base jobs and 25 created jobs

Background: World Class Film Corp. ('WCF'), established in 1992, produces extruded polyethylene film rolls, sheeting and bags. In 2001, the company was sold to Tyco Corporation. For the past year, WCF averaged 89.25 jobs, 68.65% of its commitment. When the company was sold to TYCO, the sales force from WCF was not kept, which explains the drop in the employment level. WCF has grown over the past year with its last quarter at almost 75% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees defer action with regard to 45 customers not meeting their employment commitments as described above and set forth in Exhibit '5-A.'

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

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

Trustee Seymour opined that, since many of the customers averaged 80-85% of their job commitments, the Authority should continue their current allocations.

RESOLVED, That the Authority hereby defers action with respect to the 45 companies described in the foregoing report of the President and Chief Executive Officer, and as set forth in Exhibit "5-A"; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Location	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment (# of jobs)	Average 2002 Jobs	Average Annual % Achieved
Anchor Glass Container Corp.	Elmira Hgts.	Aug 93	EDP	6,000	425	331.42	77.98
BAE Systems	Greenlawn	Aug 90	EDP	2,900	800	672.75	84.09
Bristol-Myers Squibb Buffalo Technical Operations	Buffalo	Aug 89	EP	750	450	321.83	71.52
Buffalo Newspress Inc.	Buffalo	Jan 94	EP	250	200	157.83	78.92
Ceres Corporation	Niagara	Jun 00	RP	1,700	104	66.42	63.86
Ceres Corporation	Niagara	Apr 94	RP	1,300	83	66.42	80.02
Client Logic	Buffalo	Mar 95	EP	250	507	313.42	62.68
Coyne Textile Services	Buffalo	Mar 95	EP	350	93	77.00	82.80
Delphi Automotive Systems	Lockport	Dec 88	EP	14,300	5,825	4915.92	84.39
Dielectric Laboratories, Inc.	Cazenovia	Nov 00	EDP	600	299	183.96	61.53
Disc Graphics Inc.	Hauppauge	May 96	EDP	450	300	261.17	87.06
Eagle Electric Manufacturing Co./Copper Wiring Devices	Long Island City	Nov 92	MDA	500	1,300	1086.42	83.57
Ellanef Manufacturing Corporation	Bohemia	May 95	MDA	1,300	195	151.33	77.61
Endicott Interconnect Technologies, Inc.	Endicott	Aug 93	EDP	20,000	5,500	4,893.17	88.97
Excelsior Transparent Bag Mfg. Inc.	Yonkers	Dec 93	MDA	700	180	152.67	84.81
Ferro Electronic Materials	Niagara Falls	Apr 94	RP	3,115	276	166.42	60.30
Ferro Electronic Materials	Niagara Falls	Jan 89	RP	1,000	257	166.42	64.75
Fiber Conversion, Inc.	Brodalbin	Jul 94	EDP	1,000	47	37.00	78.72
Fieldbrook Farms Ice Cream Co.	Dunkirk	Aug 89	EP	2,000	600	380.67	63.44
Fieldbrook Farms Ice Cream Co.	Dunkirk	Nov 91	EP	1,000	600	380.67	63.44
FMC Corporation	Tonawanda	Jul 86	RP	750	134	106.08	79.17
Graphic Controls Corp.	Buffalo	Nov 98	RP	250	408	348.58	85.44
H.M. Quackenbush, Inc.	Herkimer	Jan 95	EDP	400	110	65.08	59.17
Habasit Globe, Inc.	Buffalo	Jul 86	RP	250	123	75.42	61.31
Honeywell International	Buffalo	Apr 89	RP	300	168	135.77	80.81
HSBC	Brooklyn	Apr 93	EDP	700	350	278.75	79.64
Leica Inc.	Depew	May 93	EP	450	315	219.00	69.52
Lockheed Martin	Niagara Falls	Feb 93	RP	250	45	30.08	66.85
Mele Manufacturing Co., Inc.	Utica	Jul 94	EDP	650	224	163.73	73.09
Monitor Aerospace Corporation	Amityville	Jun 92	EDP	2,000	322	239.23	74.29
Monofrax Inc.	Falconer	Sep 97	EP	2,082	380	234.75	61.78
Native Textiles	Glens Falls	Jul 94	EDP	1,200	100	82.58	82.58
Newsday, Inc.	Pinelawn	Feb 93	MDA	1,900	2,464	2,175.67	88.30
Oak-Mitsui, Inc.	Hoosick Falls	Nov 92	EDP	4,000/175	140	25.42	18.15
Protective Closures Co., Inc.	Buffalo	Mar 98	EP	250	310	265.38	85.61
Quality House of Graphics	L.I.C.	Oct 97	MDA	1,400	190	149.75	89.20
Racemark International, Inc.	Malta	Sep 95	EDP	1,000	197	163.60	83.05
Republic Technologies International	Blasdell	Nov 95	RP	1,000	395	328.00	87.70
Rich Products Corporation	Buffalo	Jul 86	RP	1,000	402	302.92	75.35
Saint Gobain Corp-MicroElectronics	Sanborn	Jan 83	RP	900	35	24.44	69.83
Sherwood, A Div. of Harsco Corp.	Wheatfield	May 99	EP	260	207	137.50	67.40
Sherwood, A Div. of Harsco Corp.	Lockport	May 94	EP	240	364	261.67	71.89
Special Metals Corporation	Dunkirk	May 91	EP	1,000	81	72.25	89.20
Syracuse China Company	Syracuse	Jul 94	EDP	2,000	500	425.58	85.12
Syroco, Inc.	Baldwinsville	Jul 94	EDP	2,000	500	235.00	47.00
The Gunlocke Company	Wayland	Dec 93	EDP	5,000	765	598.92	78.29
Trico Products Corp.	Buffalo	Aug 91	EP	250	250	213.92	85.57
Tulip Corporation	Niagara Falls	Oct 90	EP	300	122	103.83	85.11
World Class Film Corp.	Yonkers	Apr 94	MDA	1,900	130	89.25	68.65

EP = Expansion Power, **RP** = Replacement Power, **EDP** = Economic Development Power,
MDA = Municipal Distribution Agency Power

6. New York City Public Utility Service – Allocation of Industrial Power to the Bear Stearns Companies, Inc.

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve an allocation of 8,000 kW of Economic Development Power (‘EDP’) to the New York City Public Utility Agency (‘NYCPUS’) for resale to The Bear Stearns Companies, Inc. (‘Bear Stearns’).

BACKGROUND

“The Authority has reserved a total of 94,470 kW of Industrial Power for sale to downstate municipal distribution agencies (‘MDA’s’), including NYCPUS, under Service Tariff 35. Of this amount 61,300 kW is reserved for NYCPUS. This power is resold to industrial consumers designated by the MDA’s and approved by the Authority. NYCPUS has proposed the allocation of 8,000 kW to Bear Stearns from this block of power for a term of 10 years.

“At their meeting of October 31, 1991, the Trustees approved up to 2.6 MW of EDP for use at Bear Stearns’ headquarters facility at 245 Park Avenue in New York City.

“Due to the ongoing lack of unallocated Industrial Power within the 61.3 MW reserved for its use over the past year, NYCPUS has been forced to wait until enough Industrial Power became available to formalize its request to the Authority for additional allocations. Two companies have recently relinquished their allocation of Industrial Power which allowed NYCPUS to request Authority approval for a new 8 MW allocation to Bear Stearns.

DISCUSSION

“Bear Stearns is a leading global investment banking, securities trading and brokerage firm located in New York City. Over the past several years, Bear Stearns has examined alternative out-of-state sites because of the need for technologically advanced building systems to support the company’s business. Due to the lack of space and the excessive cost of refurbishing its existing headquarters at 245 Park Avenue, the company decided that the construction of a new building at 383 Madison Avenue offered the best opportunity for Bear Stearns to remain committed to New York City. The company has relocated approximately 4,000 of its employees from its locations at 245 Park Avenue and 575 Lexington Avenue into a new building at 383 Madison Avenue.

“A reduction in energy costs will help to lower Bear Stearns’ costs of operation in its new facility and preserve its commitment to New York City. The initial allocation of up to 2.6 MW of EDP at the company’s 245 Park Avenue location was transferred to the company’s new 383 Madison Avenue facility and made a part of the ten-year total allocation of 8,000 kW. The power will be priced at standard tariff rates and will save the company approximately \$2,500,000 annually over Con Edison’s rates.

“The proposed allocation has been reviewed in accordance with Part 460 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1983))). The contract between the company and NYCPUS provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment commitments will be submitted to the Authority by NYCPUS as provided by Part 460.4 of the Authority’s Rules and Regulations and pursuant to the contract between the Authority and NYCPUS.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of Industrial Power to The Bear Stearns Companies, Inc.

“The Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning, the Vice President – Major Account Marketing and Economic Development and I concur in the recommendations.”

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

RESOLVED, That the Authority hereby approves the allocation of 8,000 kW of Industrial Power to the New York City Public Utility Service for resale to The Bear Stearns Companies, Inc. in such quantity, and substantially in accordance with the terms as described in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing report, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

7. 2003 Revolving Credit Agreement

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve a \$171,975,000 Revolving Credit Agreement with Dexia Credit Local (‘Dexia’) for an initial term extending to September 5, 2006, to provide liquidity support for the Authority’s Adjustable Rate Tender Notes (the ‘ART Notes’), and to authorize an extension of such agreement not to exceed September 5, 2007.

BACKGROUND

“ART Notes in the amount of \$200 million were issued in 1985 to finance a portion of the Marcy-South Project. The ART Notes are supported by a revolving line of credit equal to the amount of the Notes outstanding, presently \$171,975,000. The line of credit in place at this time will terminate on September 3, 2003.

“The terms of the ART Notes allow rate periods to be set for six months or in six-month increments up to a maximum five-year period. A new rate period for the ART Notes will commence on September 2, 2003.

DISCUSSION

“Staff recommends that the Authority replace the expiring line of credit with a new line, to be in place one month prior to the new ART Note rate period. The Authority invited 12 banks having ‘AA’ ratings from at least one rating agency to submit proposals for the line. Two proposals were received by the Authority. Dexia submitted a proposal whereby it would act as sole provider of the line while Scotia Capital submitted a proposal whereby they would act as agent for a syndicate of three banks (including Scotia Capital). Gold man Sachs, the re-marketing agent for the ART Notes, has indicated that the Authority’s interest costs would be comparable for either liquidity provider.

“The proposals were analyzed for total cost over the term of the line based upon the commitment fees as well as any up-front and annual fees. On this basis, Dexia submitted the lowest cost proposal as summarized below:

<u>Bank</u>	<u>Credit Rating</u>	<u>Commitment Fee ‘bps’</u>	<u>Total Cost over Term</u>
Dexia Credit Local	‘Aa2/AA’	20.5	\$1,068,423
Scotia Capital	‘Aa3/A+’	31.0	\$1,612,627

“The commitment fee payable on the unused amount of the line, 20.5 basis points (20.5/100 of 1%), would equal a maximum of \$345,136 per annum. In the event the Authority has to draw on the line, the interest rates would be, at the option of the Authority, the Fed Funds Rate plus 0.50 % or the London Inter Bank Offered Rate (‘LIBOR’) plus 1.00% for the first 180 days and LIBOR plus 1.50% for the period in excess of 180 days. The Trustees are also requested to authorize the Senior Vice President and Chief Financial Officer or the Treasurer or Acting Treasurer, as the case may be, to execute an extension of such agreement not to exceed September 5, 2007.

FISCAL INFORMATION

“The annual cost of the proposed line would not exceed \$345,136, with an additional maximum payment at the time of closing of \$23,500. Commitment fees and expenses will be paid from the Operating Fund.

RECOMMENDATION

“The Acting Treasurer recommends that the Trustees : (1) approve the execution of the 2003 Revolving Credit Agreement with Dexia with such Revolving Credit Agreement having such terms and conditions as the

Acting Treasurer deems necessary or advisable, provided that the initial term of such Agreement shall not exceed September 5, 2006, and the borrowing capacity shall not exceed \$171,975,000; and (2) authorize an extension of such agreement not to exceed September 5, 2007.

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

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

Responding to questions from Vice Chairman McCullough, Mr. Brady confirmed that the line of credit is in the same amount as the one being replaced. Responding to questions from Trustees Carey and Seymour, Mr. Brady also explained that the reason why the Authority received only two proposals was that fewer banks are in this market; however, he indicated that staff was very pleased with the rate quoted, noting that it is indicative of the Authority's good credit rating.

Responding to a question from Vice Chairman McCullough, Mr. Brady responded in the affirmative that the annual fee is an availability fee.

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

RESOLVED, That the Trustees authorize the execution by the Senior Vice President and Chief Financial Officer or the Acting Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of the 2003 Revolving Credit Agreement between the Authority and Dexia Credit Local with such Agreement having such terms and conditions as the executing officer deems necessary or advisable, including a designation of the notes issued pursuant to such Agreement as Parity Debt under the Authority's General Resolution Authorizing Revenue Obligations, such execution to be conclusive evidence of such determinations, provided that such Agreement shall have an initial term not exceeding September 5, 2006 and shall not exceed \$171,975,000 in borrowing capacity; and be it further

RESOLVED, That the Senior Vice President and Chief financial Officer, or the Treasurer or Acting Treasurer, as the case may be, are, and each hereby is, authorized to execute an extension of the 2003 Revolving Credit Agreement, provided that such extension shall not in the aggregate extend the 2003 Revolving Credit Agreement beyond September 5, 2007; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Treasurer or Acting Treasurer, as the case may be, and the Deputy Treasurer, are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, directions, consents, approvals, orders, applications, agreements, certificates, and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing report, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

8. 500 MW Combined Cycle Project – Construction Management Services Contract – DMJM + Harris – Increase In Compensation Ceiling

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize an additional expenditure commitment of \$4.7 million for construction management services to DMJM + Harris for the 500 MW Combined Cycle Project (‘Project’) at the Charles A. Poletti Power Project (‘Poletti’) site. The additional expenditure commitment will provide additional staffing to support the overall Project goals with respect to cost containment, maintenance of quality program, safety oversight, schedule assurance, and overall Project coordination. The current construction management contract expenditure authorization is limited to \$10 million. The additional commitment of \$4.7 million is within the overall Project budget of \$650 million.

BACKGROUND

“At their meeting of May 22, 2001, the Trustees approved the award of the construction management contract for the Project to DMJM + Harris of New York City, in the amount of \$8 million. At their meeting of November 26, 2002, the Trustees approved an increase in the construction management contract value from \$8 million to \$10 million. The increase was to provide for the construction management services for an extended duration due to delay in the construction start caused by the Article X licensing process. To date, \$5.1 million has been expended on the construction management services.

“The construction management services were competitively bid, and DMJM + Harris was the lowest qualified bidder. The contract is a services for fee type. The compensation ceiling and the staffing levels are controlled by the Authority.

DISCUSSION

“The current construction management contract expenditure ceiling is limited to \$10 million, which was based on a level of services anticipated prior to engaging all construction contractors and having a full detailed understanding of their implementation of the work scopes. Based on the level of effort currently being expended to support the Project goals, it is anticipated that the value of the construction management contract through completion of the Project will increase to approximately \$14.7 million. The revised projection provides for additional resources to reflect an increased level of technical field support, increased levels of claims avoidance and claims mitigation efforts, new positions associated with new roles and responsibilities, and an allowance for overtime for the construction management personnel.

“As a result of the contractor’s implementation plans, complexity of the Project, and the level of effort necessary to control quality management and cost and schedule adherence, the Construction Manager must engage more assertively on a day-to-day basis than was initially planned. To support this need, the Construction Manager has had to augment the project team by increasing the staffing levels. The additional resources will enable the Construction Manager to mitigate the potential for cost and schedule growth while better assuring quality of the installation.

“The Construction Manager was also required to provide additional resources to support the Project activities that were not anticipated at the time of the contract award. A safety position was added to support and proactively engage all project participants in the Project’s site safety program being exercised under an Owner Controlled Insurance Program. Critical to the success of the Project is the work surrounding and interfacing with the Consolidated Edison Company of New York, Inc.’s (‘Con Edison’) substation, including the interconnections for the high voltage transmission lines. The planning and implementation of critical tie-ins represents a highly coordinated effort among Con Edison, the Authority, and the contractors. The addition of an interconnection position to the Construction Manager’s team will serve to assure the success of this critical element of the Project. The Construction Manager also added a position for material management to manage the interface between General

Electric ('GE') and the on-site contractors to ensure the equipment and materials delivered to the site are in good working order and there are no delays in the receipt that could affect the schedule or place the Authority at risk of claims.

“Previous budget projections did not provide for extended working hours by the construction management staff. However, it has become evident that various construction activities will continue on an extended work-day or -week basis. An overtime allowance of 10% has been included to enable the Construction Manager to provide adequate coverage while the various contractors are working on the site.

FISCAL INFORMATION

“The overall Project budget of \$650 million includes \$12 million for the construction management services. The additional funding of \$2.7 million needed to increase the expenditure ceiling from \$10 million to \$14.7 million is available from other, under spent line items in the budget.

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President - Project Management, the Vice President – Procurement and Real Estate, and the Vice President and Controller recommend that, pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve an increase in the expenditure commitment of \$4.7 million for the construction management services to DMJM + Harris.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, and I concur in the recommendation.”

Mr. Antenucci presented the highlights of staff’s recommendations to the Trustees.

Responding to questions from Vice Chairman McCullough and Trustee Seymour, Mr. Antenucci stated that the Trustees were not being asked to increase the overall Project’s budget of \$650 million and noted that, with better quality control, the Project will stay within the budget.

Responding to questions from Trustee Carey, Mr. Antenucci explained why the proposed staff additions were not in the initial budget or covered by the original bids.

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

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, additional commitment is hereby approved in the amount of \$4,700,000 to DMJM + HARRIS for construction management services for the 500 MW Combined Cycle Project at the Charles A. Poletti Power Project site;

<u>Capital</u>	<u>Previous Authorization</u>	<u>Current Authorization</u>	<u>Total Expenditure Authorization</u>
DMJM + HARRIS	\$10,000,000	\$4,700,000	\$14,700,000

July 22, 2003

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

9. Engineering and Design Contract – St. Lawrence/ FDR Power Project Relicensing – Design Services for Local Recreation Facilities

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a procurement (services) contract to C&S Companies for design services related to the St. Lawrence/FDR Power Project (‘Project’) recreation facilities in the towns of Waddington, Louisville, and Massena. The term of the contract will be for four years. The total cost of the contract is estimated to be \$500,000.

BACKGROUND

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

“At their meeting of October 30, 2001, the Trustees approved the filing of the applications for a new Federal Energy Regulatory Commission (‘FERC’) license for the Project. Based on the Trustees’ actions of October 2001, the Authority entered into a settlement agreement with the Local Governments Task Force (‘Local Governments’) on February 22, 2002. This Agreement and the license application included the rehabilitation/expansion of existing recreation facilities in the towns of Waddington, Louisville, and Massena as well as the construction of new recreation facilities in the Town of Louisville. On February 6, 2003, the Authority filed an Offer of Settlement with FERC which included the agreement with the Local Governments as well as federal and state resource agencies, and several other non-governmental entities.

“In December 2002, FERC issued a Notice that the License Application was ready for Environmental Analysis. The Notice included a schedule for the completion of Project relicensing, with FERC issuing an order on its decision on the Application (i.e., New License Issuance) in September 2003. In May 2003, FERC issued a Notice slightly modifying this schedule to show New License Issuance in October 2003. FERC issued the Draft Environmental Impact Statement (‘DEIS’) for the Project for comment in June 2003. Based on these recent developments, it is anticipated that the new license will be issued in October 2003.

“In anticipation of New License Issuance in 2003, at their meeting of March 20, 2003, the Trustees approved a Capital Expenditure and Authorization Request for \$66.8 million for costs in 2003 associated with compliance with the New License articles proposed by the Authority and implementation of terms of the Offer of Settlement including the cost of designing and building these recreational facilities. The total cost of relicensing commitments is estimated to be \$164.03 million although a final cost estimate will be presented for the Trustees’ approval when the New License is issued.

DISCUSSION

“In its Application, the Authority proposed to complete the enhancements to the local recreation facilities within three years of the New License Issuance (anticipated to be by October 2006). To meet this schedule, while maintaining continued use of these facilities during the summer recreation season, it is necessary to begin the construction of these facilities in 2004. To meet this schedule, it is necessary to begin the design work for some of these facilities in 2003 so that construction bids can be issued in 2004.

“To meet these commitments, the Authority will contract with an engineering firm in 2003 to design the agreed-upon renovation work beginning in 2004. The duration of the contract is four years so that the engineer can provide services during the construction of the facilities.

“As part of the Authority’s procurement procedures, an evaluation team was established as well as criteria for evaluating proposals. In addition, Project Management prepared a cost estimate for the design services, and the estimated cost of the design of these renovations is \$800,000.

“In May 2003, the Authority issued a Request for Proposal (‘RFP’) for the above services, including a notice in New York State’s Contract Reporter. Proposals were received from: 1) Bernier Carr & Associates; 2) C&S Companies; 3) Environmental Design and Research; 4) Gomez and Sullivan Engineers; 5) Kleinschmidt Associates; 6) Paul C Rizzo Associates; and, 7) Saratoga Associates.

“Staff from the Authority’s Licensing, Environmental and Procurement Divisions and the Project evaluated the proposals for technical qualifications and price. The proposals ranged from \$329,947 to \$780,403. Following evaluation, the proposal from Paul C. Rizzo was not evaluated further due to insufficient experience, and the proposal from Gomez and Sullivan Engineers was not evaluated further due to high price. Follow-up questions were sent to the five remaining bidders to clarify technical issues and to standardize the proposed cost. The revised bids ranged from \$366,402 to \$665,500.

“The bid by C&S Companies of Syracuse, NY was rated as the best technical proposal and had the lowest cost (\$366,402). Therefore, it is recommended that the contract be awarded to C&S Companies for a term of four years.

“There are a number of areas related to this work in which it is not possible to estimate cost because of uncertainty. These areas include number of meetings with local towns, refinement of design that result from consultation with local officials, testing and surveying related to detailed design, review of design changes during construction plus contingency. It is recommended that the Trustees authorize \$500,000 for the services to provide for these uncertain costs and authorize the Executive Director of Licensing, Implementation and Compliance to release these additional funds, based upon negotiated pricing for such additional work, as needed during the contract period.

FISCAL INFORMATION

“As these expenditures are related to the implementation of commitments in the new license and the settlement agreements, payments will be made from the Capital Fund.

RECOMMENDATION

“The Senior Vice President – Public and Governmental Affairs recommends that the Trustees authorize award of a contract to C&S Companies for a four-year term for design services for local recreation facilities in the towns of Waddington, Louisville, and Massena.

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

Mr. Suloway presented the highlights of staff’s recommendations to the Trustees.

Responding to questions from Trustee Seymour, Messrs. Suloway and Barden confirmed that the request was for rehabilitation of the town facilities, not state, and explained that staff will come back to the Trustees if any unanticipated costs in excess of \$500,000 arise.

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

RESOLVED, That pursuant to the Guideline for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract for a period of four years commencing on August 1, 2003 to August 1, 2007, in the amount not to exceed \$500,000, for design services for local recreation facilities in the towns of Waddington, Louisville, and Massena, and to authorize the Executive Director of Licensing, Implementation and Compliance to release authorized funds, as needed, beyond the initial contract award of \$366,402, as recommended in the foregoing report of the President and Chief Executive Officer, in the amount listed below;

Contractor

Contract Approval

C&S Companies

**Estimated amount of \$ 500,000,
to be allocated in accordance with
the Authority's Expenditure Authorization
Procedures**

AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Executive Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

10. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, September 23, 2003, at 11:00 a.m., at the New York Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

11. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:00 p.m.

A handwritten signature in black ink that reads "David E. Blabey". The signature is written in a cursive style with a long, sweeping tail on the letter "y".

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