

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

October 28, 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 11:05 a.m.

Present: Louis P. Ciminelli, Chairman
Timothy S. Carey, Trustee
Joseph J. Seymour, Trustee

Frank S. McCullough, Jr., Vice 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 Governmental Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President and Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Anne Wagner-Findeisen	Vice President – Ethics & Regulatory Compliance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Michael E. Brady	Acting Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
Timothy Sheehan	Principal Attorney II – Managing Counsel
John J. Suloway	Executive Director – Licensing Compliance and Implementation
Susan Egginton	Director – Corporate Services
Helen L. Eisenfeld	Director – Cost Control and Electric Transportation
Angelo S. Esposito	Director – Energy Services
Lydia Helle Maide	Director – Major Accounts Governmental
Shalom Zelingher	Director – Research and Technology Development
Peter Scalici	Deputy Inspector General – Security
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
John Grzan	Senior Project Manager
Edward A. Welz	Project Manager
Allison Shea	Senior Attorney II
Roger W. Busha, Jr.	Security Specialist
Oksana U. Karaczewsky	Senior Procurement Specialist
Joseph P. Scotto	Senior Communications Engineer
Bonnie Fahey	Executive Administrative Assistant
Richard J. Price	Administrative Services Specialist
Wayne Gowen	Senior Network Specialist

Phillip S. Astuto Senior Business Planner

Deborah J. White
John Cashin

Supplier Diversity Program Administrator
Executive Administrator, Battery Park City Authority

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

1. **Approval of the Minutes of the Meeting held on September 23, 2003**

The minutes of the meeting of September 23, 2003 were unanimously adopted.

2. **Financial Reports for the Nine Months Ended September 30, 2003**

Mr. Bellis provided the Financial Report for the nine months ended September 30, 2003.

3. Report from the President and Chief Executive Officer

President Zeltmann introduced Debra White, mentioning the outstanding work she is doing with the Authority's minority/woman-owned business ("M/WBE") purchasing exchanges, and asked her to give an overview of the M/WBE program. Ms. White said that New York State first codified a program for M/WBEs in 1983, but that the Authority's M/WBE program actually began in 1982. Since then, the Authority has awarded more than \$365 million in direct contracts and subcontracts to New York State-certified M/WBEs, meeting or exceeding its goal each year. In 2002, the Authority awarded 7.1% of its contracts and subcontracts, or nearly \$13 million, to M/WBEs, exceeding its 6% goal.

At the Authority's 13th annual purchasing exchange at the White Plains office in June, more than 200 M/WBE firms met with representatives from IBM, Con Edison, the MTA, the New York State Department of Transportation, the Port Authority, and AOL-Time Warner, among other companies interested in recruiting M/WBEs as contractors and subcontractors. The Authority's first upstate purchasing exchange held in Utica in 2002 was followed by one in Buffalo earlier this month at which 100 M/WBEs met with representatives of Ciminelli Construction, the Dormitory Authority, Turner Construction, HSBC Bank, the New York State Thruway Authority, the New York State Departments of Education and Transportation, the City of Buffalo, the Niagara Frontier Transportation Authority, and other companies.

The Authority's M/WBE program has been recognized with awards from the New York/New Jersey Minority Purchasing Council, the African American Chamber of Commerce of Westchester and Rockland Counties, and, most recently, the 2003 Public Agency Advocate Award from The Association of Minority Enterprises of New York.

The President next introduced Peter Barden and asked him to provide an overview of the St. Lawrence /FDR Power Project license, which had been issued by FERC on October 22 after a seven-year negotiation process. Mr. Barden stressed the historic nature of this 50-year license, which was issued with relatively minor modifications to what the Authority had requested. He noted that the six out-of-state customers had entered into a settlement with the Authority under which they would receive approximately half of their current allocations or approximately 4.25% of the Project power. Massachusetts, which did not join the out-of-state settlement, was awarded 0.6% of the project's firm power, or 4.8 MW, by FERC.

In response to a question from Trustee Seymour about the amount of the out-of-state allocations, Mr. Barden stated that, under the new license, New York State would get back 29.5 MW of power that had previously gone out of

state. He reiterated that the license represents an historic achievement of which everyone at the Authority should be proud.

Mr. Zeltmann congratulated the licensing, legal, and project staff who worked on the relicensing case and stated that the Authority's staff is now hard at work on the Niagara relicensing.

In response to a question from Trustee Carey, Mr. Barden said that neither the Mohawk Indians nor the Niagara Power Coalition received any relief on their issues from the FERC.

Chairman Ciminelli complimented everyone who had worked on the St. Lawrence relicensing on a job well done, saying that the license was a testament to all of the people who had worked on it. Speaking as one who had observed the relicensing process in its earliest stages, he pointed out that once Trustee Seymour (as Chairman) and Mr. Barden had become involved, the whole tenor of the process changed, with Authority staff having the courage of their convictions, and all parties being better off for it. He concluded by saying that the result will give Authority staff the incentive to continue their hard work on the Niagara relicensing process.

4. Motion to Conduct an Executive Session

On motion duly made and seconded, an Executive Session was held for the purpose of discussing matters related to potential litigation and the financial and credit history of a particular corporation.

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

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

**6. Proposed Contract for the Sale of Firm Power to Hudson River Park Trust
– Notice of Public Hearing**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize the holding of a public hearing, pursuant to Section 1009 of the Public Authorities Law, on the proposed contract for the sale of firm power to the Hudson River Park Trust (‘HRPT’).

BACKGROUND

“Pursuant to the provisions of Section 1005 of the Public Authorities Law, the Authority provides firm power service to 114 public corporations in the metropolitan area of the City of New York. These customers include, among others, the Metropolitan Transportation Authority, the Port Authority of New York and New Jersey, the City of New York, the State of New York and the County of Westchester.

“Since the initial contracts with Southeast New York governmental customers were completed in the 1970s, additional contracts for service to public corporations in the metropolitan area were completed in 1986 (the New York Convention Center Operating Corporation and Roosevelt Island Operating Corporation); seven additional contracts were completed in 1995 (North Castle South Fire District #1, Greenville Fire District, Town of Harrison – Fire District #4, Hawthorne Cedar Knolls U.F.S.D., Mt. Pleasant Cottage U.F.S.D., Pocantico Hills C.S.D. and the Village of Rye Brook); two additional contracts were completed in 2000 (Millwood No. 1 Fire District and Mt. Pleasant-Blythedale U.F.S.D.); and one additional contract was completed in 2001 (Hugh L. Carey Battery Park City Authority).

“HRPT is eligible for power service because it is a public corporation authorized to receive Authority service under Section 1005 of the Public Authorities Law.

DISCUSSION

“HRPT is a public benefit corporation, and a State and City partnership whose mission is to design, construct and operate the Hudson River Park (the ‘Park’), which is a new 550-acre park along Manhattan’s west side (spanning five miles from Battery Park to 59th Street). The Park is the largest open space development in Manhattan since the completion of Central Park and comprises six segments, of which one is open, another is under construction and the remainder are in various stages of design. Ultimately, the Park’s development will include 13 public piers, a continuous waterfront esplanade, a bikeway/walkway, and numerous public use facilities such as playgrounds, ball fields, boat docking, lawns, gardens, plantings and fountains.

“This customer will use the power sold under the proposed contract at the public facilities and for lighting in public areas throughout the HRPT properties.

“Submitted herewith as Exhibit ‘6-A’ is the proposed contract with the applicant. HRPT has agreed to the terms of the proposed contract, which are the same as the basic Power Supply Agreement executed by existing governmental customers in the Southeastern New York area. HRPT will pay the same rates as other governmental customers in the same service class.

“HRPT will be served under Service Tariff No. 55. Based on current rates, staff estimates that the applicant would realize substantial electric cost savings compared with payments to Consolidated Edison Company of New York, Inc., its current supplier.

“The total load of the existing and future HRPT accounts is estimated at 500 kW. The Authority has sufficient capacity to meet HRPT’s current and projected power requirements.

RECOMMENDATION

“The Vice President – Major Accounts – Marketing and Economic Development, and the Director – Major Accounts Group – Governmental, recommend that the Trustees authorize the advertisement of a public hearing on the proposed contract, to be held in the New York City Office on December 17, 2003, or in the event of unforeseen circumstances, such other date as designated by the Chairman.

“It is also recommended that, pursuant to Section 1009 of the Public Authorities Law, the Executive Vice President, Secretary and General Counsel be authorized to transmit copies of the proposed contract to the Governor and Legislative leaders.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President – Marketing, Economic Development and Supply Planning and I concur in the recommendation.”

Ms. Maide presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Seymour as to the availability of power to serve the new customer, Ms. Morman replied in the affirmative.

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

RESOLVED, That the Trustees hereby authorize the advertising of a public hearing on the terms of the proposed contract with the Hudson River Park Trust; such hearing will be held on December 17, 2003, or in the event of unforeseen circumstances, such other date as designated by the Chairman; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized to transmit copies of such proposed contract 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, pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That subsequent to such public hearing the Authority shall reconsider the terms of the proposed contract and negotiate such changes as it deems necessary or advisable, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

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

**7. Charles Poletti Power Project Replacement of A-10 Dock Facility
Request for Additional Funding**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize additional funding of \$3,800,000 for a cost-sharing agreement with Astoria Generating Company, L.P., also known as Reliant Energy, Inc. (‘Reliant’) for the replacement of the A-10 Dock located at the Astoria Power Generating site.

BACKGROUND

“The Authority’s Expenditure Authorization Procedures require the Trustees’ approval of commitments of \$3,000,000 or greater.

“Under the 1981 Operating Agreement (‘Operating Agreement’) between the Consolidated Edison Company of New York, Inc. (‘Con Edison’) and the Authority, Con Edison maintains the A-10 Dock ‘in such manner as to accommodate barges and oceangoing vessels and to permit the discharge of fuel oil therefrom’ for use as a boiler fuel at the Charles A. Poletti Plant (‘Poletti’) and Astoria generating facilities. The Operating Agreement provides that the Authority is liable for a minimum of 36% of the carrying charges arising from the fuel oil facilities, which would include the cost of the A-10 Dock replacement, amortized over the useful life of the improvement. On August 20, 1999, Con Edison granted Astoria Generating Company, L.P. the non-exclusive right to use the A-10 Dock for an initial term of approximately 20 years with four automatic renewals of 20 years each. Con Edison also assigned its A-10 Dock maintenance obligation to Reliant.

“It was the Authority’s plan to install new unloading arms for receiving aviation kerosene (‘jet-kero’) at the A-10 Dock for the 500 MW Combined Cycle Project. Prior to granting the Authority permission to install the new unloading arms, Reliant required an inspection of the A-10 Dock. The initial inspection revealed that the wharf had deteriorated. The findings revealed that all of the timber elements supporting the platform were in poor condition, due primarily to marine borer infestation. The final inspection and report completed in July 2002 concluded that there was a strong potential for a catastrophic failure. On August 15, 2002, a portion of the A-10 Dock, as well as the adjacent A-11 Dock, collapsed and were indefinitely closed by Reliant for further oil deliveries.

DISCUSSION

“The Authority’s percentage of the reimbursement obligation is consistent with the terms and conditions of the existing Operating Agreement with Reliant and the historical use of the A-10 Dock.

“At their meeting of October 29, 2002, the Trustees authorized an agreement with Reliant for the cost sharing associated with replacement of the A-10 Dock, including authorization of initial funding of up to \$4,500,000, representing approximately 40% of Reliant’s initial cost estimate of \$11,000,000.

“With the completion of the engineering, design, licensing, procurement, and construction contracting, Reliant has prepared the final project cost estimate in the amount of \$20,650,000. Under the terms of the agreement, this increases the Authority’s cost share by \$3,800,000, to \$8,300,000.

“The final cost estimate of \$20,650,000 developed by Reliant includes additional work and expenditures not provided for in the initial estimate. The major components of the additional cost are as follows:

- As part of the permitting process, the New York City Fire Department required an elaborate fire protection system for the entire dock area to reflect stricter rules implemented by the Fire Department after an oil barge explosion on Staten Island in January 2003. The fire protection system is being installed with two independent sources of water, including a new 200,000-gallon storage tank and

associated buildings, controls and instrumentation. Cost of added fire protection requirements is \$2,600,000.

- Construction of the new dock includes installation of about 700 feet of steel sheet piles anchored to seabed rock. Underwater drilling performed in May 2003 identified unanticipated underwater soil conditions. Extremely large concrete sections, boulders and rock fragments were found in the area where sheet piling was to be installed to form the bulkhead. These underwater obstructions had to be excavated and removed prior to driving of the sheet piles, which added \$2,000,000 to the cost of the project.
- A budget contingency of \$2,700,000 is included in the final cost estimate.

“Reliant has provided to the Authority a detailed explanation and justification for the increase in the cost estimate. Furthermore, Reliant has agreed to cap the Authority’s share of Reliant’s internal cost estimate to \$300,000.

“Reliant is responsible for the implementation of Project work to be performed by it or through the services of contractors and subcontractors. The Authority assumes no responsibility for the Project work other than the Authority’s reimbursement obligation. Reliant is solely responsible for assuring compliance with all applicable federal, state and local laws and rules relating to the performance of Project work.

“Construction of the new dock is proceeding as planned and is scheduled for completion by the end of 2003.

FISCAL INFORMATION

“The Authority’s share of the additional cost to replace the A-10 Dock will be reported as an operating expense and payment will be made from the Authority’s Operating Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Contracts and Real Estate and the Regional Manager – Southeast New York recommend that the Trustees authorize the additional funding of \$3,800,000 for the A-10 Dock replacement to bring the Authority’s total cost-sharing obligation to \$8,300,000, representing 40% of the total estimated cost of the project.

“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.”

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

RESOLVED, That the President and Chief Executive Officer, the Vice President – Project Management, or the Vice President – Contracts and Real Estate be, and hereby is, authorized on behalf of the Authority to execute all such agreements or instruments which may be deemed necessary or advisable to carry out the foregoing with the approval of the Executive Vice President, Secretary and General Counsel; 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.

8. Amendment of the Deferred Compensation Plan for Employees of the Power Authority of the State of New York (Section 457 Deferred Compensation Plan)

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to adopt and approve the attached amended and restated version of the Section 457 Deferred Compensation Plan (‘Plan’) (Exhibit ‘8-A1’), to be effective January 1, 2003, subject to receipt of an acknowledgment from the New York State Deferred Compensation Board (‘NYSDCB’). The Plan amendments are related to regulations pertaining to Section 457 and Section 401(a)(9) of the Internal Revenue Code and technical corrections pertaining to certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (‘EGTRRA’). In addition, the Plan is being amended to adopt modifications that update certain administrative provisions.

BACKGROUND

“The Plan has been maintained by the Authority since 1989. It was established primarily to provide those Authority employees covered by a collective bargaining agreement with a means of saving through a tax-deferred compensation program, although the plan is also available to salaried employees.

“The Authority has maintained the Plan as a model plan in accordance with the procedures of and pursuant to the regulations of the NYSDCB. In addition to addressing changes in regulations pertaining to sections of the Internal Revenue Code and technical corrections pertaining to certain provisions of EGTRRA, the changes update provisions related to the distribution of benefits to participants’ beneficiaries, the ability of the Plan to accept rollovers from other qualified retirement plans on behalf of spousal beneficiaries and alternate payees and the distribution of a beneficiary’s remaining assets upon his or her death. (A summary of the changes to the model plan is included in an addendum to this item, Exhibit ‘8-A2’.)

DISCUSSION

“The Plan has been reviewed by staff of the Human Resources and Law Departments, as well as by the Deferred Compensation Committee. They have found that the Plan, as amended and restated and as submitted for approval, complies with all of the rules and regulations imposed by the Internal Revenue Code, the State Finance Law, the regulations of the NYSDCB and applicable agreements.

FISCAL INFORMATION

“Amending and restating the Plan is a cost-neutral action.

RECOMMENDATION

“The Executive Vice President – Business Services and Administration and the Deferred Compensation Committee recommend that the Trustees adopt and approve the attached amended and restated Section 457 Deferred Compensation Plan to be effective January 1, 2003, subject to receipt of acknowledgment as specified in the regulations of the New York State Deferred Compensation Board.

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

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

RESOLVED, That the provisions of the Deferred Compensation Plan be amended and restated in order to conform with the text of the Model Plan, Exhibit “8-A1”; and be it further

October 28, 2003

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multiyear procurement contracts listed in Exhibit ‘9-A’ for the Authority’s Business Units/Departments, as well as for its Facilities. A detailed explanation of the nature of such services, the basis for the new awards and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

“The terms of these contracts will be more than one year; therefore, the Trustees’ approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts ranging in estimated value from \$45,000 to \$11,500,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

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

“In the past three years, the Authority’s Information Technology division (‘IT’) has undertaken major initiatives involving the upgrade and/or replacement of the Authority’s wide and local area networks, desktop hardware and telecommunications systems. During the next five years, IT will also launch major business application initiatives in support of the Authority’s Business Units. Such initiatives include: support of standard market design, customer information system, short-term load forecasting and load research for Marketing, Economic Development & Supply Planning; replacement of records management system and the implementation of document management and benefits Help Desk applications for Business Services and Administration/Human Resources; deal capture, risk reporting enhancements, forward curve enhancements and deployment of an option calculator for Energy Risk Assessment and Control; continued development of the SAP business warehouse and IT process automation efforts for Business Services; development of an Energy Risk Management trading portal and the enhancement of web-operational displays and applications at the Niagara and St. Lawrence Projects for Power Generation; and the ongoing delivery of information and applications via the intranet for all Business Units. In addition, IT will continue to support and maintain the Authority’s current investment in its computer and network infrastructure, as well as its existing computer business applications. In order to meet the needs of this ambitious plan, which comprises diverse, specialized programs, the Authority uses contractors to augment its technical staff on a short-term basis, as necessary.

“In an effort to prequalify firms to provide the services of temporary programming personnel to support the above-mentioned initiatives, 129 firms were invited to submit proposals for such services, including those responding to a notice in the New York State Contract Reporter. Based on the evaluation of the 51 bids received, a

list of 14 prequalified firms providing temporary programming personnel was selected. The prequalification selection process considered the legitimacy of the bidder as a firm with a full-time recruitment team and significant experience in the tri-state area. The primary evaluation factors thereafter were price and adherence to the Authority's commercial terms and conditions. Analysis of pricing over a five-year period for all bidders was extensive and resulted in a composite price index for comparison. The hourly rate structure should provide significant savings over present contracts. Competition among the group is expected to provide qualified talent from a wide variety of firms. As specific positions become available, the Authority will request resumes of candidates based on the requirements and experience required for each position from all 14 pre-qualified firms. Contracts would only be awarded to the successful firms, as each required position is bid among the entire prequalified group. During the first-year trial period, firms that do not perform at a satisfactory level may be removed from the prequalified list and/or their contracts may be terminated.

"The following 14 firms have been identified as a result of the prequalification selection process: **Carlyle Consulting Services, Inc., Computer Generated Solutions, Inc., Eclaro International, Garrett Sayer Group, Gebbs Software International, Inc., Horizon Companies, Inc., L.J. Gonzer & Associates, Inc., Larsen & Toubro Infotech Ltd., The Monroe Group LLC, RCG Information Technology, Inc., RJE Telecom, Inc., Systems Edge USA LLC, Unique Comp, Inc., and Volt Information Sciences, Inc. (Q-02-3171, PO #s TBA).** Contracts would become effective on or after October 1, 2003, subject to the Trustees' approval. The 14 aforementioned firms were the lowest qualified bidders providing such services at reasonable prices. In addition, some of these firms have provided such services to the Authority under previous contracts in a timely and satisfactory manner. The intended term of these contracts is three years, with an option to extend for up to two additional years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, including the option years, \$11,500,000. Commitments will be made through individual purchase order releases against master outline agreements with the successful firms, as positions are required; total commitments and expenditures for all awarded contracts will also be tracked against the approved total.

"In 2002, the Authority purchased a new telephone and voicemail system (HiPath 4000 and HiPath Xpressions, respectively) from Siemens Information and Communication Networks Inc. The contract for the purchase of the system (4600000835) included a one-year warranty, which also covered the first year of maintenance. The implementation of the system has been staggered by site; to date, the system has been installed at the following Authority locations: White Plains Office, Clark Energy Center, Albany Office and Flynn Plant. The Poletti Project is scheduled for December 2003 and the remaining three facilities (St. Lawrence, Blenheim-Gilboa and Niagara Project) are scheduled for 2004. The new contract with **Siemens Enterprise Networks LLC (PO# TBA)** would provide for maintenance services to support the telephone and voicemail systems. This contract is awarded on a sole-source basis, since Siemens is the original equipment manufacturer of the telephone system, which consists of proprietary hardware and software. The subject contract would become effective on November 1, 2003, for an intended term of three years per site, subject to the Trustees' approval, which is hereby requested. Due to the aforementioned staggered implementation of the system at different Authority facilities, the projected completion date of the contract would be October 31, 2008. Approval is also requested for the total amount expected to be expended for the term of the contract, \$881,874. It should be noted that staff negotiated a 25% discount based upon the award of a three-year contract and multiple sites. It should also be noted that the eventual goal is to have Authority staff trained to handle basic maintenance and troubleshooting services by the end of the contract term.

"The contract with the **State University of New York at Stony Brook ('SUNY – Stony Brook')/Division of Occupational and Environmental Medicine (4600001127)** would become effective on January 1, 2004, subject to the Trustees' approval. The purpose of this contract is to provide for annual and occupational health physical examinations and other miscellaneous medical services for employees of the Richard M. Flynn Power Plant ('Flynn'), as required by all applicable safety and health standards, federal and State requirements and Authority policy. Services also include, but are not limited to, pre-employment examinations and specialized medical examinations, such as annual respirator clearance, exposure to asbestos or high noise and fitness of crane operators. In addition, the contractor will store and maintain employee medical records at its facility and, with proper written release authorizations, will forward all medical information related to work fitness and laboratory test results to the Authority's medical review officer. SUNY – Stony Brook was the sole responding bidder of 10 firms invited to bid for such services, including those responding to a notice in the New York State Contract Reporter. Based on its

qualifications and ability to perform such work (as evidenced by its satisfactory performance under the current contract), in addition to its competitive pricing, staff recommends the award of the subject contract to SUNY – Stony Brook. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$45,000.

FISCAL INFORMATION

“Funds required to support contract services for various Headquarters Office Business Units/Departments and the Facilities have been included in the 2003 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Deputy Secretary and Deputy General Counsel, the Vice President – Procurement & Real Estate, the Chief Information Officer, the Director – Corporate Services, the Director – Operations (Flynn) and the Regional Manager – Southeast New York recommend the Trustees’ approval of the award of multiyear procurement contracts to the companies listed in Exhibit ‘9-A’ and as discussed above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multiyear procurement contracts set forth in Exhibit “9-A”, attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing resolution of the President and Chief Executive Officer; and be it further

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

**10. St. Lawrence/FDR Power Project Relicensing Procurement (Services) Contract
– Environmental Studies Services for Compliance and Implementation**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a procurement contract to Kleinschmidt Associates, Inc. (‘Kleinschmidt’) for environmental studies services associated with compliance and implementation for the forthcoming new St. Lawrence/FDR Power Project (‘Project’) license. The term of the contract will be for three years, with options for two one-year extensions. The total cost of the contract is \$3,800,000 for five years.

BACKGROUND

“At their meeting of October 30, 2001, the Trustees approved the filing of the application 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 New York State Department of Environmental Conservation (‘DEC’), the U.S. Fish and Wildlife Service (‘USFWS’), and New York Rivers United (‘NYRU’) on January 15, 2003. This Agreement and the license application included the implementation of Habitat Improvement Projects (‘HIPs’) to benefit fish and wildlife, significant improvements to the Wilson Hill Wildlife Management Area (‘WHWMA’) and temperature monitoring below Long Sault Dam. On February 6, 2003, the Authority filed an Offer of Settlement with FERC which included the Agreement with NYSDEC, USFWS and NYRU.

“In May 2003, FERC issued a Notice indicating that it would issue an order on its decision on the Application (i.e., New License Issuance) in October 2003. FERC issued the final Environmental Impact Statement (‘FEIS’) for the Project on September 18, 2003. The new license was issued October 23, 2003.

“In anticipation of New License Issuance in 2003, at their meeting of March 20, 2003, the Trustees approved a request for \$66.8 million for costs associated with compliance with the New License and implementation of terms of the Offer of Settlement in 2003. These expenditures included the services of a contractor to assist the Authority in arranging for and managing studies associated with implementation of the HIPs, WHWMA improvements, and temperature monitoring. In addition, the contractor will assist with related tasks such as design and engineering of minor projects, preparation of implementation and management plans and compliance reports, limited collection of field data, and support for meetings with involved agencies and organizations.

DISCUSSION

“In its Application for New License, the Authority proposed construction of the individual HIP projects beginning in 2004, and the WHWMA improvements beginning in 2005. For these projects, environmental baseline studies and surveys will be required; a limited number have already commenced to meet the construction schedule for the earliest projects. The number and pace of these studies and surveys will accelerate significantly in 2004. Following completion of the HIPs and WHWMA improvements, up to five years of effectiveness monitoring studies will follow. Given the number of studies and surveys involved, it is necessary to hire a firm to assist the Authority in procuring the specialty contractors needed to: conduct the studies; coordinate and manage the concurrent execution of multiple studies; prepare implementation and management plans; and prepare compliance reports. The Authority needs to hire this environmental studies management firm in 2003, to begin preparation for environmental studies beginning in 2004. The duration of the contract is three years, with the option for two one-year extensions.

“In August 2003, the Authority issued a Request for Proposal (‘RFP’) for the above services, including a notice in the New York State Contract Reporter. Proposals were received from: 1) ENSR International (‘ENSR’); 2) Gomez & Sullivan Engineers (‘GSE’, teamed with Woodlot Alternatives; Riveredge Associates, and Aquatic Science Associates); 3) Kleinschmidt; and, 4) PB Power (‘PB’, teamed with Normandeau Associates).

“Staff from the Authority’s Licensing, Environmental and Procurement Divisions and from the Project evaluated the proposals for technical qualifications and pricing on a time-and-materials basis. The reviewers agreed that the proposal from ENSR underestimated the breadth of the compliance and implementation studies work, particularly with respect to engineering and aquatic biology expertise and cost-control strategies, and the ENSR proposal was not considered further. For the remaining three bids, further technical review was performed and a comparison was developed for staff rates under this proposed time-and-materials contract.

“Kleinschmidt had the best proposal from a technical and project management standpoint. Kleinschmidt’s proposal demonstrated the most in-depth understanding of the specific work to be performed. They have committed to provide the same demonstrated expertise in biology, engineering and project management as furnished for similar services during the relicensing process phase, and these personnel are more knowledgeable of the specific work to be performed for the HIPs and WHWMA than either GSE or PB. Kleinschmidt’s past performance for similar work for the Authority has been excellent. Unlike the other proposals, Kleinschmidt’s outlined very specific measures that would be taken to manage its own and subcontractors’ cost and schedule performance.

“Bidders were requested to submit billing rates for categories of personnel anticipated to be involved in the performance of services. An analysis was performed of two billing scenarios (based on actual experience with similar services) calculating the bidders’ projected cost based on billing rates and hours by job category. As neither travel nor equipment costs were anticipated to be a significant portion of the total cost, the analysis of billing rates was the primary basis for the comparison of projected costs. In the analysis, Kleinschmidt proved to be the lowest cost service provider as its weighted cost of \$67.0/hour was slightly lower than GSE’s (\$67.4/hour), and substantially lower than PB’s (\$76.7/hour).

“Based on the strength of the technical qualifications of Kleinschmidt’s personnel, its knowledge of the work to be performed, and its billing rates, it is recommended that the contract be awarded to Kleinschmidt Associates, Inc.

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 Kleinschmidt Associates, Inc. for \$3,800,000 for environmental studies services related to the implementation of Habitat Improvement Projects, Wilson Hill Wildlife Management Area improvements and temperature monitoring, and for other related tasks in support of compliance with the new St. Lawrence/FDR Power Project license.

“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.”

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 three years commencing on November 1, 2003 to December 31, 2006 (with options for two one-year extensions) to Kleinschmidt Associates, Inc. in the amount not to exceed \$3,800,000 for environmental studies and other related technical and administrative services in support of implementation of Habitat Improvement Projects, Wilson Hill Wildlife Management Area improvements and water temperature monitoring in compliance with the new license, as recommended in the foregoing report of the President and Chief Executive Officer;

Contractor

Kleinschmidt Associates, Inc.

Contract Approval

\$3,800,000

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.

**11. St. Lawrence/FDR Power Project Life Extension and Modernization
– Request for Increase in Expenditure Authorization**

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to authorize an additional capital expenditure of \$12,000,000 for auxiliary facilities of the St. Lawrence Life Extension and Modernization (‘LEM’) Program, thereby increasing the LEM Program expenditure authorization limit to \$82,700,000.

BACKGROUND

“At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost \$254,139,000 to renew the generation assets of St. Lawrence and also authorized capital expenditures of \$2,211,000 to support the engineering effort and to continue refurbishment tasks in progress. This authorization, together with an earlier authorization through the Expenditure Authorization Procedure (‘EAP’), brought the total authorization to \$2,670,000. The Trustees were informed that the LEM 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. At their meeting of March 27, 2001, an additional \$18.6 million was authorized for a second unit for a total authorization of \$38.2 million.

“At their meeting of January 29, 2002, the Trustees authorized additional expenditures in the amount of \$32.5 million for procurement of the third, fourth and fifth turbines and associated work, bringing the total authorized amount to \$70.7 million.

DISCUSSION

“It is requested that the LEM Program expenditure authorization limit be increased by \$12,000,000 to \$82,700,000 in order to undertake the beginning of the design and construction of LEM Program auxiliary facilities. These auxiliary facilities, included in the original project budget at an estimated cost of \$40 million, include the St. Lawrence Facility Station Service Upgrades, the Long Sault Dam Station Service Upgrades, Embedded Conduit Replacement, Gantry Cranes Upgrades, Generator Step Up Transformers Replacement, Warehouse Modifications, Facility Control/Communication Backbone Installation, Facility Civil Works and Turbine Gallery HVAC. As construction of the auxiliary facilities proceeds, we will return to the Trustees for additional expenditure authorization. The items listed, in addition to the other auxiliary facility construction tasks, are to be completed within the LEM Program schedule.

“In terms of the overall LEM Program cost, we will return to the Trustees in January 2004 to present our analysis, including the proposed procurement costs associated with the second set of eight turbines. Currently, the second set of eight turbines (which are of a different design than the first set) have been competitively bid with proposals due on November 17, 2003. In January 2004, we will request the Trustees to approve and award the new turbine contract, authorize expenditures for the prototype of the new turbines and authorize expenditures for the continued LEM Program construction effort.

FISCAL INFORMATION

“Payments will be made from the Capital Fund.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer – Power Generation, the Regional Manager – Northern New York and the Project Manager recommend that the Trustees increase the St. Lawrence LEM Program expenditure authorization to \$82,700,000.

“The Executive Vice President – Power Generation, 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.”

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

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

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

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

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

12. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, November 25, 2003, at 11:00 a.m., at the New York Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

13. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:35 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