MINUTES OF THE REGULAR MEETING
OF THE
POWER AUTHORITY OF THE STATE OF NEW YORK
December 19, 2000

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Timothy S Carey, Trustee

Trustee Frank S. McCullough was excused from attendance.

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
H. Kenneth Haase	Senior Vice President - Transmission
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Robert J. Deasy	Vice President – Power Contracts and Resource Management
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Gary Paslow	Executive Deputy Policy Development
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
Angelo Esposito	Director – Energy Services Division
John L. Murphy	Director – Public Relations
William V. Slade	Director – Environmental Programs
Noel DesChamps	Director – Safety and Quality Oversight
George W. Collins	Treasurer
Craig D. Banner	Manager - Municipal and Cooperative Regulation - Marketing
Wayne Gowen	LAN Administrator
Barbara Vahue	Assistant Secretary and Secretary to the Executive Committee
Bonnie Fahey	Executive Administrative Assistant
Anne Wagner-Findeisen	Deputy Secretary
Betty C. Fennell	Assistant Secretary
Angela D. Graves	Assistant Secretary
Alice F. Simon	Assistant Secretary

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on November 28, 2000 were approved.

2. Financial Report for the Eleven Months Ended November 30, 2000

3. Report from the President and Chief Operating Officer

President Zeltmann introduced Mr. Noel DesChamps, Director – Safety and Quality Oversight, who provided an overview of the Authority's Industrial Safety Program and major statistics arising under the program over the most recent nine-year period. Mr. DesChamps presented data on the steady downward trend in the worker injury incidence rate (injuries per worker hours) from 4.79 in 1991 to the current 0.75 (through December 15, 2000).

Mr. DesChamps described the key elements of the program, which is firmly based on senior management's commitment and support, noting that President Zeltmann not only attends Safety Administrators' meetings, but also challenges staff participants on various safety issues. Mr. DesChamps noted that most large companies that have first class safety programs also have senior management buy-in, as is certainly the case at the Authority.

Mr. DesChamps then discussed the steady improvement in safety culture which includes: regularly held Safety Administrators' meetings; safety self-assessments performed by employees; various communications tools employed by management, including the safety web page; and an on-going project of continuously improving, updating and making the Safety, Occupational Health and Fire Protection standards easily accessible to employees in a user-friendly format. All of these efforts foster and promote a safety directed culture.

Lastly, Mr. DesChamps reported on the principal safety strategies adopted for 2001, including continuing improvements to safety web page effectiveness; improving the lost-time injury rate; better capturing statistics and information concerning "near misses"; and continued benchmarking and implementation of industry "best practices".

In response to questions from Trustee Ciminelli concerning NYPA results compared to others in the industry, Mr. DesChamps explained that the Authority's performance has been very good.

President Zeltmann commended all of the Safety Program Administrators and the HQ safety group referred to by Mr. DesChamps, as well as those other managers associated with the safety effort. President Zeltmann urged that they not let up on their attention to detail and continue the terrific work they have been doing on safety matters.

At President Zeltmann's request, Mr. Crouch presented a status update on the progress of the Power Now generation project. Mr. Crouch advised that two gas turbines are slated to be installed at both the Hell Gate and Harlem River Yard sites in the Bronx; two turbines at the Vernon Boulevard location in Queens; single units at North 1st and Grand and at 23d and 3d streets in Brooklyn; a single unit at Pilgrim State Hospital in Brentwood, Long Island (although the site could accommodate two turbines); and a single unit at Pouch Terminal on Staten Island. With respect to Staten Island, Mr. Crouch reported that since the last Board meeting, staff explored, with the assistance of the Metropolitan Transit Authority, the site at Pouch Terminal, and that an Environmental Assessment was before the Trustees for their determination as to whether to issue a Negative Declaration. Mr. Crouch further reported that geotechnical work, including boring, on all sites, except for Staten Island, was proceeding on a roughly parallel track, noting that an archeological study at Vernon Blvd. was close to completion and did not currently appear to raise any impediment to using the site.

Mr. Crouch further reported that all of the public hearings were held as scheduled on December 14th and, with the exception of Long Island, were well attended. Generally individuals who spoke at the hearings expressed opposition to the project. Mr. Crouch then explained that two Power Now project items were before the Trustees for action at this meeting. The first involved the award of the construction management contract that would be discussed in greater detail later in the meeting. The second involved the selection of a firm for the General Construction contract.

Lastly, Mr. Crouch stated that staff would like to update the Trustees on the issue of the estimated total cost of the Power Now project noting that; the previous estimated and budgeted amount of $450 million needed to be revised upwards to some $509 million. The increase reflects the bids that were received for the work as well as the costs of the compressed schedule, which calls for two 10-hour shifts, six days per week, with further overtime on Sundays to be used for catch-up tasks. Further, Mr. Crouch explained, the final costs of the land acquisition are some $17 million higher than originally anticipated. Mr. Crouch stated that to date, the Trustees have authorized expenditures of $252 million; of which some $160 million has been expended. Lastly, Mr. Crouch reported that the first five turbines left Houston, Texas on barges on November 29th and were expected to arrive in New York in mid-January.

Chairman Rappleyea stated that the Engineering, Legal and Environmental staffs have been working around the clock to compress two years' worth of work into six or seven months, and that their efforts are greatly appreciated by the Trustees. Pointing to the current energy crisis in California, the Chairman underscored the Authority's commitment to keeping the lights on in New York, and commended all Authority staff for their efforts on this important undertaking.

4. 2001 Operation and Maintenance and Capital Budgets

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the 2001 expenditure budgets for Operation and Maintenance ('O&M'), Fuel Purchases and the 2001 Capital Budget as follows:

	2001 Budget ($ Millions)
O&M	197.7
Fuel	276.9
Capital	464.0

BACKGROUND

"The Authority's 2001 Strategic Plan continues to emphasize performance excellence in order to be 'best in class' in key areas of our operations. The Authority is committed to provide reliable, affordable energy, retain and create jobs within New York State and promote the development of energy efficient technologies. The 2001 budgets are intended to provide the Authority's operating facilities and support organizations with the resources needed to meet these strategic objectives.

DISCUSSION

O&M

"The O&M budget of $197.7 million represents a decrease of $248.7 million or 55.7% from the 2000 budget of $446.4 million. The majority of the decrease is directly attributable to the sale of the nuclear operations, $241.4 million, coupled with a reduction in Headquarters support of $10.8 million; a reduction in Research and Development for nuclear related spending, $2.9 million; offset by increases in Power Generation, $5.9 million; and Transmission, $0.5 million. Salaries, including overtime and fringe benefits, account for $125.5 million or approximately 64% of the budget.

"For comparative purposes, the 2001 budget of $197.7 decreases by $4.3 million from the 2000 non-nuclear budget of $202.1. The 2001 payroll budget decreases slightly, $ 0.5 million, as the budget includes a net reduction of 30 authorized positions in support of our cost objectives, coupled with an increase in payroll being charged to support capital projects. This is mostly offset by wage increases for salaried and union personnel of $2.8 million. Non-payroll expenses of $72.2 million decrease by $3.8 million in 2001 primarily due to reduced Headquarters support, partially offset by increases in non-recurring project operations initiatives.

"Power Generation's 2001 budget is $5.9 million (6.6%) over 2000, primarily due to an increase in non-recurring work including; LPGP Overhaul ($3.9 million), turbine refurbishments for Flynn ($1.5 million), Niagara Upgrade ($.8 million), various building and support activities at Poletti ($0.7 million), Niagara Travelling Crane Repair ($0.5 million) and CEC Computer Room Renovation ($.3 million). The 2001 Transmission budget is $0.5 million (1.6%) above the 2000 budget, partially as a result of the inclusion of fees for the newly formed Transmission Owners Committee under the ISO.

"Headquarters support departments are $10.8 million or 14.9% below 2000 levels, primarily due to net savings resulting from the consolidation of the headquarter offices, ($6.3 million); the exclusion of nuclear embedded costs, primarily in Information Technology ($3.5 million); and the completion of several non-recurring 2000 support initiatives, such as the NYO/WPO relocation/renovation ($3.4 million). Offsetting these reductions are increases in Marketing & Development ($2.0 million) due to the addition of 8 positions and increased consulting support, combined with an increase in Corporate Finance ($1.5 million) representing additional funding for fiscal agent fees and increases in property and liability insurance and workers' compensation.

"The R&D budget of $9.6 million is $2.9 million (23.0%) below 2000, reflecting the elimination of nuclear-related programs and fees.

"The 2001 O&M budget does not yet include funding for the operation and maintenance of the In-City Combustion Turbines scheduled for commercial operation next June. Current cost estimates are insufficiently refined to justify inclusion in this budget. The Trustees will be asked to approve an O&M budget for these facilities in a few months.

Fuel

"The fuel budget of $276.9 million is an increase of $85.4 million (45%) over 2000. This is a cash budget reflecting planned fuel purchases in 2001. This budget includes fossil fuel purchases for Poletti, Flynn and the Combustion Turbines. The budget assumes higher commodity prices, in line with 2000 actuals, an increase in Poletti generation, and the Combustion Turbines becoming operational in June 2001.

Capital

"The 2001 Capital Budget totals $464.0 million, which is an increase of $245.6 million (112.5%) over 2000. Included in this request are both new and ongoing capital jobs as well as general plant equipment purchases. The large increase in the capital budget is primarily due to 2001 spending on the In-City Generation project. The budget of $228.2 million for site preparation and the installation of the combustion turbines, accounts for 49% of the total capital budget. Energy Conservation/Renewable projects budgeted for $90.6 million are 19.5% of 2001's request. Other significant projects include $34.3 million for Poletti Combined Cycle; $21.7 million for the continuation of the Niagara Upgrade; $16.5 million for the St. Lawrence Upgrade/Life Extension; and $12.3 million for the Flexible Alternating Current Transmission System ('FACTS').

FISCAL INFORMATION

"Payment will be made from the Operating Fund for Operation and Maintenance and Fuel Purchases.

"Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for Capital expenditures.

RECOMMENDATION

"The Vice President and Controller and the Senior Vice President and Chief Financial Officer recommend approval of the 2001 Operation & Maintenance, Fuel and Capital budgets as discussed herein.

"The respective Vice Presidents, Regional Managers, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur on the recommendation."

The following resolution was unanimously adopted, with the exception of that portion of the proposed O&M budget relating to expenditures for outside counsel services to be provided by the law firm of Holland & Knight, from which Chairman Rappleyea abstained, and which was adopted by a vote of three in favor and one abstention.

RESOLVED, That the 2001 Operations & Maintenance budget, including research & development, fuel expenditures and the 2001 Capital budget, as discussed in the foregoing report of the President, are hereby approved; and be it further

RESOLVED, That it is hereby authorized that up to $101.0 million of monies in the Operating Fund be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1) (a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer.

5. Delaware County Electric Cooperative –
Increase in Retail Rates – Notice of Adoption

The President submitted the following report:

SUMMARY

"The Board of Delaware County Electric Cooperative (the 'Cooperative'), New York has requested the Trustees to approve revisions in the Cooperative's base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about $374,000 or 10.5 percent. The Authority's energy and power rates are not changing.

BACKGROUND

"The Cooperative Board has requested the proposed rate increase to provide revenues to meet the Cooperative's additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1988.

"The management of the Cooperative has planned a four-year capital program amounting to $3,800,000. The capital program consists of a major upgrade of its distribution substation equipment, consumer meters, line transformers and replacement of old poles. The Cooperative plans to finance its capital program by borrowing $3,500,000 and the remainder from the proposed rate increase.

"Under the new rates, an average residential customer who currently pays about 6.8 cents per kWh, will pay about 7.6 cents. An average small commercial customer currently pays 9.0 cents per kWh and will pay 9.9 cents after the increase. Large commercial customers are presently paying 5.9 cents and will pay 6.3 cents after the increase. Public buildings currently pay 8.7 cents and will pay 9.9 cents after the rate increase.

"The proposed rate revisions are based upon a cost-of-service study prepared by the Cooperative and reviewed by Authority staff.

DISCUSSION

"Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Cooperative's proposed revisions in retail rates. Such notice was published on November 1, 2000, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Cooperative on September 15, 2000. There was no opposition to the proposed rates, and the Cooperative Board has requested that they be approved.

"Expense and Revenue Summary, Comparison of Present and Proposed Annual Total Revenues and their corresponding rates by service classification are attached as Exhibits '5-A', '5-B' and '5-C', respectively.

RECOMMENDATION

"The Manager - Municipal and Cooperative Marketing recommends that the attached schedule of rates for the Delaware County Electric Cooperative, New York, be approved as requested by the Cooperative, to take effect beginning with the first full billing period following this date.

"It is also recommended that the Trustees authorize the Executive Vice President, Secretary and General Counsel to file notice of adoption with the Secretary of State for publication in the State Register and to file such other notice as may be required by statute or regulation.

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

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

RESOLVED, That the proposed rates for electric service for the Delaware County Electric Cooperative, New York, as requested by such Cooperative, be approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President; and be it further

RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of final adoption with the Secretary of State for publication in the State Register and to file other notice as is required by statute or regulation.

6. Richard M. Flynn Power Plant – Energy Pricing Modification and Gas Balancing Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Senior Vice President-Marketing and Economic Development to execute the attached: (i) amendment to an agreement with the Long Island Power Authority ('LIPA') providing for new energy pricing terms and conditions associated with the sale of electricity from the Richard M. Flynn Power Plant ('Flynn') (Exhibit '6-A'); and (ii) a Gas Balancing Agreement with KeySpan Energy ('KeySpan') for Flynn (Exhibit '6-B'). The new energy pricing arrangements would ensure savings to Long Island ratepayers, optimize the operation of Flynn and provide the Authority the opportunity to fully recover Flynn gas costs.

BACKGROUND

"Pursuant to a December 13, 1991 Capacity Supply Agreement ('CSA'), the Authority sells the full output of Flynn to LIPA. Because of a relatively high cost of gas set forth in the CSA, Flynn would have operated at a very low capacity factor when it commenced service in 1994. As this was not in the interest of the Authority or the ratepayers of Long Island, the Authority and the Long Island Lighting Company ('LILCO'), LIPA's predecessor, negotiated amendments to the CSA in 1994 and 1997 which ensured that (i) Flynn would operate at a high capacity factor and (ii) the Authority would recover a greater portion of its gas costs than would have been realized under the CSA. Both amendments were approved by the Trustees.

"The currently effective 1997 Amendment (Amendment No. 2) expires on December 31, 2000. A new energy pricing arrangement is required to ensure that Flynn operates after that date. Amendment No. 3, which was signed in September 1998, addressed price adjustments to the gas compressors that were installed as a result of the October 1997 Amendment. Amendment No. 4 modified the CSA to recognize the transfers of the LILCO transmission and distribution systems to LIPA and of the LILCO gas system to KeySpan.

DISCUSSION

"Recognizing that it is in the interest of all parties to maximize the operation of Flynn, the Authority and LIPA have negotiated the attached Amendment No. 5 incorporating an energy pricing methodology designed to accomplish this objective.

"As set forth in Amendment No. 5, the daily energy price for all Flynn energy would be the lesser of the market gas price as defined therein (which is essentially the equivalent of the Authority's gas costs) or 95 percent of the 24-hour average of the day-ahead locational based marginal energy price ('LBMP') for the New York Independent System Operator's Long Island zone. To the extent that 95 percent of LBMP applies for any day, the Authority will under-recover its gas cost.

"A monthly shared savings arrangement (equal sharing between the Authority and LIPA) would allow the Authority the opportunity to recover all or a portion of its uncollected gas costs as long as LIPA's energy cost savings from Flynn are at least 20 percent for the month. Amendment No. 5, which would ensure energy cost savings to LIPA ratepayers ranging from five percent to more than 20 percent, would become effective on January 1, 2001 and would expire December 31, 2002.

"Gas balancing, which is necessary for Flynn to operate, had been provided by LILCO under the 1994 and 1997 letter agreements for $150,000 per month. As KeySpan has replaced LILCO as the gas distributor on Long Island, the Authority has negotiated the gas balancing arrangements under which KeySpan would continue to supply this service for Flynn at the existing monthly charge of $150,000 for a two year period beginning January 1, 2001. While the Authority has absorbed Flynn's gas balancing costs in the past, the shared savings provision of the Letter Agreement will provide the Authority the opportunity to recover all, or a portion, of such costs.

FISCAL INFORMATION

"An analysis of historical pricing data was performed to determine the relationship between the market gas price under Amendment No. 5 and the LBMP prices in the Long Island zone. The analysis indicated that the market gas price would have been more expensive than 95 percent of the average daily LBMP, during only 11 percent of the study period (January 2000 through September 2000). Under such conditions, and with the application of the shared savings arrangement, Amendment No. 5 would have enabled the Authority to recover all its gas costs (including balancing costs) for that period. In addition, Amendment No. 5 would optimize the operation of Flynn, thus restricting operating and maintenance costs. Finally, it would ensure savings to Long Island ratepayers.

"While the energy pricing arrangement incorporated in Amendment No. 5 provides for the Authority to recover virtually all its gas costs if the market gas prices continue at the levels experienced this year, this would not be the case if market gas prices were to drop during the term of Amendment No. 5. As such, staff will evaluate the feasibility of entering into hedging transactions to protect the Authority in the event of low gas prices. For example, staff has reviewed purchasing a put option with a strike price of $3.54 per Decatherm ('Dth') (the 2001 floor price in the Authority's gas supply contract with Enron). Should gas prices drop below $3.54 per Dth, such an option would be exercised. NYPA would recover the difference between the lower

price of gas (what LIPA pays the Authority) and the $3.54 floor price (what the Authority pays Enron). This will provide price protection and manage the risk of price volatility.

"Based on a projected option cost of about $2 million, the Authority's 2001 net revenues from Flynn would be positive through the full ranges of likely gas prices. Without the option, 2001 net revenues from Flynn turn negative at gas prices less than $3.00 per Dth and are estimated to be as low as negative $11 million if a $2.00 per Dth gas price was sustained for the entire year.

RECOMMENDATION

"The Vice President – Power Contracts and Resource Management recommends that the Senior Vice President – Marketing and Economic Development be authorized to execute the attached Amendment No. 5 and a Gas Balancing Agreement with KeySpan.

"The Senior Vice President – Marketing and Economic Development, the Senior Vice President and Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations and I concur in the recommendation."

Mr. Deasy added that for the first time, the Authority would recover all of the gas balancing costs.

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

RESOLVED, That the Senior Vice President – Market and Economic Development be, and hereby is, authorized to execute Amendment No. 5 to the Capacity Supply Agreement with the Long Island Power Authority, substantially in the form attached hereto as Exhibit "6-A", and a Gas Balancing Agreement with KeySpan Energy Corporation, substantially in conformance with the terms contained in KeySpan's December 4, 2000 letter, attached hereto as Exhibit "6-B", with such modifications as the Senior Vice President - Marketing and Economic Development deems necessary or advisable, subject to approval as to form by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That all officers of the Authority, be and each of them hereby is, authorized on behalf of the Authority to do any and all things and to take any and all actions and execute and deliver any and all certificates, agreements and other documents to effectuate the foregoing resolutions.

7. Niagara Power Project Upgrade – Expenditure Authorization for Upgrade of 630 Ton Gantry Crane at RMNPP and 150 Ton Gantry Crane at LPGP – Simmers Crane Design and Service, Inc. – Award

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize a capital expenditure of $3,482,186 and to award a contract to Simmers Crane Design & Services, Inc. ('Simmers Crane') to furnish, deliver and install components to upgrade the 630 ton Gantry Crane at the Robert Moses Niagara Power Plant ('RMNPP') and the 150 ton Gantry Crane at the Lewiston Pump Generating Plant ('LPGP').

BACKGROUND

"Beginning in the early 1980s, the Authority undertook a series of studies to increase the ability of the Niagara Power Project to produce electricity during peak demand periods. After receiving Federal Energy Regulatory Commission ('FERC') approval in 1989, the upgrade program of the Robert Moses units began in 1991. Installation of the prototype turbine-generator on Unit 4 was completed in 1993. Since then, upgrades have been completed on Unit 13 (1995), Unit 2 (1996), and Unit 1 (1997), Unit 10 (1998), Unit 6 (1999) and Unit 3 in July 2000. The remaining units are scheduled to be upgraded at the rate of one per year, with the program concluding in 2006.

"The gantry cranes have been utilized extensively during the upgrades and have been subject to several breakdowns and repairs. Breakdown of the gantry cranes has a serious impact on the unit outages and creates unnecessary delay. Furthermore, under certain circumstances, it becomes costly when Authority staff is forced to engage outside help to continue with scheduled lifts or other related services.

"In order to continue the upgrade work and assure reliable operation of the cranes during future maintenance activities, it is necessary to refurbish and upgrade the 630 ton crane at the RMNPP and the 150 ton crane at the LPGP.

"The primary objective of the crane refurbishment and upgrade is to improve crane operation by making the cranes more reliable to operate. The upgrade will provide greater control and precision in handling the lifted load by the use of infinitely variable speed drives with control provisions for small movements.

DISCUSSION

"In response to public advertisement, proposals were received from the following two bidders:

Bidder	As Received Bids
Simmers Crane Design & Services Inc. Canton, Ohio	$3,163,932
Morris Material Handling Oak Creek, Wisconsin	$2,501,406

"An Evaluation Team consisting of Engineering Power Generation, Procurement and Project Management evaluated the proposals. Consistent with the Authority's bid evaluation procedures, the two proposals were evaluated on the basis of cost, completeness, schedule, warranty, exceptions taken to the Bidding Documents, experience, quality control, safety and adherence to the Authority's M/WBE participation goals and Equal Opportunity requirement. In addition, the Evaluation Team met with the low bidder to clarify various aspects of the proposal and to determine the contractor's work plans and methodology for rehabilitation work.

Morris Material Handling

"Morris Material Handling was initially the apparent low bidder based on its original bid proposal, and they provided adequate information indicating that they are technically capable of completing the project as designed. After reviewing their proposal, staff determined that a number of items were either missing from their proposal or required further clarification. Three additional lists of questions were provided to Morris, and a meeting was held on October 19, 2000 to discuss these questions at length. Submission of written responses to all questions included revised pricing for a number of items.

"The pricing from Morris Material Handling was adjusted to reflect their response to the questions with their revised pricing. Their evaluated price was higher than Simmers Crane.

"In addition, the Authority's Procurement Department has concerns about the solvency of Morris Material Handling. It is currently in Chapter 11 proceedings and is 'financially restructuring'. Dunn & Bradstreet data obtained on PH Morris Material Handling (MMH Holdings, Inc.) indicated evidence of bankruptcy proceedings. Additional data, such as Form 10-Q and balance sheets acquired from search results by Hoovers Online and JS Online, support evidence of bankruptcy proceedings ongoing since PH Morris Material's filing of Chapter 11 on May 17, 2000. It is critical that the schedule for the crane overhaul be met. Since an award to PH Morris would place a high degree of risk into the equation and could possibly delay the Niagara Project Upgrade overall, it is recommended that the bid from PH Morris not be considered further.

Simmers Crane Design & Services, Inc.

"Simmers Crane was initially the second lowest bidder based on their original bid proposal. They also provided adequate information indicating that they are technically capable of completing the project as designed. After reviewing their proposal, staff determined that a number of items required further clarification. Three additional lists of questions were provided to Simmers, and a meeting was held on October 20, 2000 to discuss these questions at length. Submission of written responses to all questions included revised pricing for a number of items.

"Financial data on Simmers Crane obtained from the source of Pollock Research and Design, Inc. indicated an acceptable financial executive summary.

"A spreadsheet was prepared. Following revision, the bids reflect pricing consistent with the Authority's technical specifications and include pricing for equivalent components from both contractors. Simmers Crane Design & Services, Inc. is the lowest evaluated bidder. The evaluated bid prices are as follows:

Bidder	Evaluated Bids
Simmers Crane Design & Services, Inc. Canton, Ohio	$3,140,776
Morris Material Handling Oak Creek, Wisconsin	$3,224,514

"In addition, the Evaluation Team recommended that the following optional items be included in the contract award:

New motors	$ 135,569
Spare parts	134,005
Addition of a second collector mast for the 150 ton crane	63,226
Monorail wheel replacement	8,610
Total Optional Items	$ 341,410

Evaluated Bid	$3,140,776
TOTAL CONTRACT PRICE	$3,482,186

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Regional Manager - Western New York, the Vice President and Chief Engineer - Power Generation, the Vice President - Project Management, and the Vice President - Procurement and Real Estate recommend that the Trustees authorize capital funding of $3,482,186 for the upgrade of the 630 ton Gantry Crane at the Robert Moses Niagara Power Plant and the 150 ton Gantry Crane at the Lewiston Pump Generating Plant. It is further recommended that the Trustees authorize the award of a contract to Simmers Crane Design & Services, Inc., in the amount of $3,482.186.

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

In response to questions from Trustee Ciminelli, Messrs. Hiney and Lipsky explained that during the work on the gantry cranes, progress on the upgrade will be in hiatus for about four months, and that this time period had been anticipated and built into the original timeline for the upgrade.

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

RESOLVED, That additional funding is hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the upgrade of the 630 ton gantry crane at the Robert Moses Niagara Power Plant and the 150 ton gantry crane at the Lewiston Pump Generating Plant, in the amount and for the purpose listed below, and be it further

RESOLVED, That pursuant to the Authority's Guidelines for Procurement Contracts, approval is hereby granted to award a contract to Simmers Crane Design & Services, Inc., subject to approval as to form by the Executive Vice President, Secretary and General Counsel, in the amount and for the purpose listed below:

Capital	**Expenditure Authorization**	**Contract Approval**
Upgrade of 630 and 150 Ton Gantry Cranes		
Simmers Crane Design & Services, Inc.	$3,482,186	$3,482,186

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

The Executive Vice President – Project Operations submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '8-A' in support of projects and programs for the Authority's Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contracts with the following firms: Carter, Ledyard & Milburn; Dickstein Shapiro Morin & Oshinsky; General Electric International Inc.; Hawkins Delafield & Wood; Kleinschmidt Associates; and Van Ness Feldman PC; as well as a combined compensation ceiling for multiple - award contracts with up to fourteen firms providing the services of temporary programming personnel. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

BACKGROUND

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

"The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of $500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of $3,000,000.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods, or if special expertise is required which is not available within the Authority.

"Although the firms identified in Exhibit '8-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

"Extension of each of the contracts identified in Exhibit '8-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in support of Business Units/Departments and Facilities:

"The contract with **ABB Energy Information Systems, Inc. (4500026893)** provides for full maintenance support services for the ABB Power gateway software. This proprietary software provides the communication link between the Energy Control Center's ('ECC') Energy Management System ('EMS') and the New York Independent System Operator's ('ISO') Market Information System ('MIS'). Services include program improvements, changes and/or debugging and new versions of the program developed by the licensor in an effort to improve software performance and to keep up with NYISO MIS changes. The original contract became effective on January 1, 2000 for a one-year term. The award was made on a sole source basis to the original software developer. Due to the proprietary nature of the software, which does not present an opportunity for competitive bidding, staff recommend extension of the current contract. A two-year extension is therefore requested in order to continue such services as may be required. The current contract amount is $49,375; it is anticipated that an estimated additional $120,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

"The contract with **Armrest Security Patrol, Inc., a New York State certified Minority Business Enterprise, (4500015968)** provides for the services of security receptionists for the Centroplex Building (White Plains Office). The original award, which was competitively bid, became effective on February 1, 2000 for an initial term of one year, with an option to extend for up to two additional years. It should be noted that the original award also provided such services in support of the New York Office in the Paramount Building. With the consolidation of the offices in White Plains, such services are needed for only one location. A two-year extension is now requested in order to continue services. The current contract amount is $400,000; it is anticipated that an additional $580,000 will be required for the extended term. Mark-up rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through January 31, 2003 and to approve the additional funding requested.

"The contract with **Corporate Counseling Associates, Inc. (S97-00566)** provides for Employee Assistance Program ('EAP') services for all Authority employees and retirees. The firm also acts as gatekeeper for mental health and alcohol/substance abuse services provided under the United Healthcare Plan. At their meeting of November 26, 1996, the Trustees approved a three-year award in the amount of $465,000, with an option to extend for one additional year. The original award, which was competitively bid, became effective on March 1, 1997. The option to extend services for one additional year was subsequently exercised, and an additional $120,000 was authorized in accordance with the Authority's Expenditure Authorization Procedures. Pursuant to the agreement between the Authority and Entergy for the sale of the Authority's nuclear plants, Entergy is required to provide the same benefits to those employees transferring to Entergy as the Authority currently offers employees for a period of one year from the closing date. Entergy has also agreed to use the same firms as the Authority to provide such benefits. In order to ensure that the Authority and Entergy are using the same firms to provide EAP and gatekeeper services, an additional one-year extension is now requested to continue such services through February 28, 2002. The current contract amount is $585,000; it is anticipated that an additional $175,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 28, 2002 and to approve the additional funding requested.

"The contract with **H.J. Murphy Associates, Inc. (S98-01709)** provides for consulting services to assist the Authority's senior officers in connection with work associated with the Niagara Power Project and St. Lawrence – F.D. Roosevelt Power Project relicensing issues; commercial claims arising out of defective parts or operation of the Authority's power plants; the sale, repowering or expansion of the Charles A. Poletti Power Project; and/or any transactions involving the sale, disposition, use or purchase of assets by the Authority. Such services include technical, engineering and strategic advice and analysis. The original contract became effective on March 1, 1998 for an initial term of one year, with an option to extend for two additional years. At their meeting of December 15, 1998, the Trustees approved a two-year extension through February 28, 2001 and a total contract amount of $120,000. In view of the many issues now ongoing, an additional ten-month extension is

now requested in order to continue services in support of the aforementioned matters. The current contract amount is $120,000; it is anticipated that an additional $50,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2001 and to approve the additional funding requested.

"The contract with **Industrial Medical Associates, P.C. (4500020030)** provides for medical examinations (annual physicals, pre-employment physicals and return-to-work examinations) and related medical services for employees of the Frederick R. Clark Energy Center, as required by all applicable safety and health standards, federal and state requirements and Authority policy. Services also include, but are not limited to: Fitness for Duty testing, respiratory clearance tests, exposure to asbestos or high noise, fitness of crane operators, and commercial driver's license testing. The original award, which was competitively bid, became effective on March 1, 2000 for an initial term of less than one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and continue services. The current contract amount is $33,000; it is anticipated that an additional $66,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

"The contract with **J & L Laboratories, Inc., a New York State certified Women's Business Enterprise, (4500018087)** provides for analytical laboratory and sampling services for the St. Lawrence – F.D. Roosevelt Power Project. Such environmental sampling includes the identification of contaminants in drinking water, wastewater, waste oils, soil samples, and hazardous waste. The original award, which was competitively bid, became effective on January 25, 2000 for an initial term of one year, with an option to extend for two additional years, subject to the Trustees' approval. A two-year extension is now requested in order to exercise this option and continue services as required. The current contract amount is $10,000; it is anticipated that an additional $30,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

"The contract with **M.W. Pomfrey & Associates, Inc., 'POMCO' (S96-77685)** provides for third party administrative services for the Authority's medical, dental, prescription drug and short-term disability programs for the Authority's union and salaried employees. At their meeting of September 27, 1995, the Trustees approved a three-year award, with an option for two additional years, in the amount of $945,000. The original contract, which was competitively bid, became effective on January 1, 1996. The option to extend for two additional years was subsequently exercised and the contract amount was increased by $304,000 per year. Pursuant to the agreement between the Authority and Entergy for the sale of the Authority's nuclear plants, Entergy is required to provide the same benefits to those employees transferring to Entergy as the Authority currently offers employees for a period of one year from the closing date. Entergy has also agreed to use the same firms as the Authority to provide such benefits. In order to ensure that employees transitioning to Entergy are provided the same benefits offered to Authority employees, and to maintain continuity in the vendor relationships, an additional one-year extension is now requested to continue such services through December 31, 2001. The current contract amount is $1,553,000; it is anticipated that an additional $197,400 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2001 and to approve the additional funding requested.

"The contract with **Michael Kinsella (4500021809)** provides for consulting services in connection with the relicensing effort in support of the Niagara and St. Lawrence-F.D. Roosevelt Power Projects, regulatory and tax issues affecting public power, issues relating to the transition to competition in electric markets, and such other matters as may be required. Such services include strategic advice and analysis and federal legislative and administration activities when directed by the Vice President for Policy and Governmental Affairs. The original contract became effective on February 1, 2000 for an initial term of one year, with an option for up to three additional years. A one-year extension is now requested in order to exercise the first year of the option and continue services in connection with the aforementioned issues. The current contract amount is $74,000. It is

anticipated that an additional $74,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 2002 and to approve the additional funding requested.

"At their meeting of August 25, 1992, the Trustees approved the award of a contract for the modernization of the Centroplex Building elevators, as well as a five-year award for elevator maintenance services (which were to commence in the third year of the original modernization contract and continue through December 31, 1999, at a monthly cost of $5,900 subject to escalation). The contract with **Montgomery KONE Inc., formerly Montgomery Elevator Company, (S92-37668)**, which was competitively bid, became effective on November 1, 1992. Services were provided for the approved term through December 31, 1999, and a one-year extension for continued elevator maintenance through December 31, 2000 was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. Since the software that runs the logic controls for the Centroplex building and garage elevators is proprietary to Montgomery and since maintenance and upgrades to the system can only reasonably be performed by Montgomery, an additional two-year extension is now requested in order to continue such maintenance services at a monthly cost of $6,578. The current contract amount is $1,362,059; it is anticipated that an additional $100,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2002 and to approve the additional funding requested.

"The contract with **Stuntz Davis & Staffier PC (S98-00459)** provides for legal advice and counsel to the Authority in connection with the Authority's relicensing of the Niagara and St. Lawrence-F.D. Roosevelt Power Projects ('Projects'). The original agreement became effective on February 1, 1998 for an initial term of one year. At their meeting of December 15, 1998, the Trustees approved a two-year extension of the subject contract through January 31, 2001 and a total contract amount of $150,000. Since the continuation of this firm's experience and expertise is necessary in assisting in-house counsel on relicensing matters for the Projects, an additional two-year extension is now requested. The current contract amount is $150,000; it is anticipated that an additional $150,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 2003 and to approve the additional funding requested.

"The contract with **Universal/MMEC (Universal Electric Corp. and Michael Mazzeo Electric Corp., 4500001812)** provides for installation services of a fuel cell at North Central Bronx Hospital ('NCBH') as part of the Authority's Research & Technology Development program. The purpose of the fuel cell is to supplement the hospital's supply of electricity during normal operation and to provide additional backup power during emergencies. The original award, which was competitively bid, became effective on February 8, 1999 for an initial term of less than one year. Due to numerous project delays primarily related to the upgrade of the hospital's natural gas system and installation of the related gas piping, the contract was subsequently extended past the original term. An additional extension through December 31, 2000 is now requested to bring the project to completion. Staff have recently advised that in order to complete the project, it was necessary to have Universal perform various tasks that were outside the scope of the original contact; most of these tasks were necessary as a result of actions by NCBH. Such tasks included rerouting of conduits, heat trace and telephone/data lines, cancellation of fuel cell rigging, relocation and discarding of stored materials, relocation of meters, material deliveries after working hours, and plume suppressor rigging. The current contract amount is $345,052; an additional $44,162 is required to cover the costs for the additional tasks. The Trustees' approval is requested to ratify all prior extensions, to extend the subject contract through December 31, 2000 and to approve the additional funding requested.

Increases in Compensation Ceiling:

"The contract with **Carter, Ledyard & Milburn (4500034530)** provides for legal services in connection with permitting, environmental review and litigation matters concerning the Authority's Generation Projects and such other matters as the Authority may from time to time request. Because of the need to commence services, interim approval to award the contract was authorized by the President. The agreement became effective on August 25, 2000 for an initial term of up to one year, with an option to extend for one additional year. This firm will serve as special counsel for the Generation Projects. Although Authority staff is fully committed to this

project, both the importance and high visibility of the site selection and permitting for the project, the probability of litigation, as well as the other ongoing demands on staff resources, make it advisable to retain special environmental counsel to assist in securing all required state, federal and, if required, local permits for the project. This firm will advise the Authority in connection with the requirements of the State Environmental Quality Review Act ('SEQRA') and other relevant statutes and will serve as outside counsel in any ensuing matters. In addition to the work on the In-City Project, this firm is providing services to the Authority with respect to the Town of Cortland/Hendrick Hudson High School District SEQRA litigation. The current contract amount is $450,000; it is anticipated that an additional $725,000 may be required for the extended term. The Trustees' approval is requested to ratify the award and previously authorized funding of the subject contract through August 24, 2001 and to approve the additional funding now requested, thereby increasing the compensation ceiling to $1,175,000.

"The contract with **Dickstein Shapiro Morin & Oshinsky (S98-02869)** provides for legal advice and counsel to the Authority regarding various regulatory issues and activities and, if requested by the Authority, representation before regulatory bodies (e.g., Federal Energy Regulatory Commission, Public Service Commission, New York State Siting Board) in connection with anti-trust matters and hydro-rate litigation. The services of this firm are requested when special expertise is required that is not available within the Authority, or when it is cost-effective to handle peak workloads that cannot be covered with in-house staff. This firm has also been assigned work in support of the Authority's Generation Projects. This work includes providing advice to the Authority concerning: 1) a contract with General Electric Company to fabricate and deliver up to 11 turbine generators and accessories; 2) the impact of local laws on the Authority; 3) eminent domain issues associated with the Brooklyn Naval Yard takings; and, 4) gas supply contracts with Consolidated Edison. In addition, the firm provides advice on the Poletti expansion case. Due to the need to commence services, interim approval to award the contract, which became effective on March 1, 1998, had been authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. At their meeting of March 31, 1998, the Trustees approved a three-year award in the amount of $750,000. An additional $187,500 was subsequently authorized in accordance with the Authority's Expenditure Authorization Procedures. Since the continuation of this firm's experience and expertise is necessary in connection with the various ongoing aforementioned matters, an additional two-year extension is now requested. The current contract amount is $937,500; it is anticipated that an additional $700,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through February 28, 2003, to ratify the previously authorized funding, and to approve the additional funding now requested, thereby increasing the compensation ceiling to $1,637,500.

"The contract with **General Electric International , Inc. ('GE', 4500013941)** provides for engineering and procurement of the 'Power Island' components for the 500 MW Combined Cycle Facility at the Charles A. Poletti Plant site. The scope of the 'Power Island' components will consist of two gas turbines with a corresponding heat recovery steam generator ('HRSG'), a steam turbine, cooling tower, condenser, and all necessary mechanical and electrical ancillaries to operate the plant. The 'Power Island' will be interconnected to the existing infrastructure at the site (such as natural gas, fuel oil, cooling water and city water lines). At their meeting of October 26, 1999, the Trustees approved the award of the subject contract to GE in the total amount of $191,389,000 and authorized an initial $23,000,000 in connection with licensing, engineering and procurement services to be performed in 2000. Subsequently, an additional $1,743,273 was authorized in accordance with the Authority's Expenditure Authorization Procedures ('EAPS') in order to comply with the payment schedule specified in GE's proposal. The current amount committed and expended is $24,743,273. It is anticipated that an additional $35,000,000 will be required for work to be performed in 2001. Such services include: completing the detailed 'Power Island' design, issuing four construction specifications, procuring most of the balance of plant ('BOP') equipment and release engineering for these items to support the detailed design effort, and finalizing the shop design parameters for the gas turbines and steam turbine prior to releasing for full fabrication at GE's and their suppliers' facilities. The Trustees' approval is requested to ratify the additional funding authorized in accordance with the EAPs and to approve the release and allocation of previously approved funding to the subject contract, as set forth above, thereby increasing the compensation ceiling to $59,743,273. It should be noted that the funding requested in support of this contract was previously approved by the Trustees; approval is now

sought to release and allocate the previously approved funding to the subject contract for services to be performed in 2001. It should be noted that this does not include the planned change in cooling method (from water to air cooling), which is currently being negotiated with GE and will be presented to the Trustees at a future meeting.

"The contract with **Hawkins Delafield & Wood (CZ-7116)** provides for advice and counsel to the Authority concerning changes in tax laws and regulations and for services relating to the Authority's ability to issue obligations under the Power Authority Act and various bond and note resolutions. The firm is at the center of numerous substantive matters, including the marketing of Authority power and transmission services under Internal Revenue Service ('IRS') regulations, and New York State electric industry restructuring. This contract became effective on April 1, 1986 and was reviewed and approved by the Trustees at their meetings of April 29, 1986, December 19, 1988, November 27, 1990, August 30, 1994, September 24, 1996, and December 14, 1999, respectively. At their meeting of December 14, 1999, the Trustees approved a contract extension through December 31, 2001 and a revised compensation ceiling of $2,812,000. An additional $550,000 was subsequently authorized pursuant to the Special Resolution of March 28, 2000, which approved an aggregate $2,000.000 for services in connection with the sale of the nuclear plants; and an additional $500,000 was recently authorized by the President in accordance with the Authority's Expenditure Authorization Procedures ('EAPs'), for services provided in support of the Series 1 – 4 Subordinate Bond issuance. The current contract amount is $3,862,000; it is anticipated that an additional $1,500,000 may be required for the current term of the contract to provide the following services: 1) Series 2000A Bonds and Series 5 – 13 Subordinate Bond issuance and related expenses; 2) additional costs incurred in connection with the sale of the nuclear plants; and 3) continuation of legal advice regarding issues arising under bond and note resolutions, tax issues relating to debt issuance, and compliance with applicable IRS regulations and miscellaneous issues arising under the Power Authority Act. The Trustees' approval is therefore requested to ratify the previously authorized additional funding and to approve the additional funding now requested, thereby increasing the compensation ceiling to $5,362,000.

"The Authority's existing Federal Energy Regulatory Commission ('FERC') license for the St. Lawrence – F.D. Roosevelt Power Project ('Project') expires in October 2003. In 1996, the Authority initiated relicensing activities with FERC and the New York State Department of Environmental Conservation ('DEC') and began formal consultation with the public and regulatory agencies in a process known as the Cooperative Consultation Process ('CCP'). Working with other members of the CCP Team, the Authority identified a number of environmental, land management, recreational, socioeconomic and other studies required to address issues raised in the CCP and to prepare an Environmental Impact Statement ('EIS') in conjunction with the Authority's application for a new license. Given the relicensing schedule, number and magnitude of studies, range of issues, and demand for Authority staff to participate in settlement discussions, the Authority required the assistance of a relicensing services contractor to plan and manage these studies and to prepare associated reports in a timely fashion. At their meeting of May 20, 1997, the Trustees approved the award of a multi-year contract to **Kleinschmidt Associates ('KA'; C97-Z0048)** for planning, procuring, managing, and coordinating services for various studies to be performed in support of the Project relicensing effort. The Trustees also authorized $8,400,000 for studies to be conducted by subcontractors ($6,000,000) and for KA's management of such subcontractors ($2,400,000). The contract, which was competitively bid, became effective on May 21, 1997 for an initial term of three and one-half years. At their meeting of March 28, 2000, the Trustees approved additional funding in the amount of $3,770,000. KA has performed very well during the past 44 months, providing the Authority with good technical support and studies of good quality (approximately 35 to date). They have been very effective in managing studies, selecting subcontractors and controlling costs. KA staff have been very responsive to the Authority, at times under very aggressive schedules. KA's knowledge of the Authority, the Project and the study data make them unique to be considered for continuing this work. A one-year extension through December 31, 2001 is now requested in order to continue services. The current contract amount is $12,170,000. It is anticipated that an additional $4,330,000 will be required for the forthcoming year (to be allocated as follows: approximately $1.33 million to KA and $3 million to subcontractors, as needed). KA's work through the end of 2001 will include: 1) reviewing and finalizing reports for studies initiated in 1999 and 2000; 2) planning, procuring, managing and coordinating six firms who will perform additional relicensing studies related to a) upstream and downstream passage of American eel, b) studies required by FERC, and c) studies agreed upon in the settlement agreement; 3) providing expert consultation services to the Authority, as well as mapping

services and related engineering work; 4) supporting the Authority in settlement negotiations; 5) coordinating study results, data and material to be used by the Third Party Contractor to prepare the draft and final EIS; and 6) preparing the final license application to be filed by October 31, 2001. The Trustees' approval is, therefore, requested for the additional funding, thereby increasing the compensation ceiling to $16,500,000. Studies in support of relicensing and settlement negotiations are ongoing and are anticipated to continue until June 2003. Additional authorization to extend this contract and associated funding beyond 2001 will be requested at a future time.

"The contract with **Van Ness Feldman PC (S98-00371)** provides for strategic advice and counsel to the Authority relating to the relicensing process of the Niagara and St. Lawrence – F.D. Roosevelt Power Projects ('Projects') and the substantive issues involved. In addition, this firm has significant experience and familiarity with the Federal Energy Regulatory Commission ('FERC') and with issues of national policy relating to environmental and hydro-licensing concerns, including hydro-curtailment, and has the resources to supplement the efforts of Authority staff when necessary. The original agreement became effective on February 1, 1998 for an initial term of one year. At their meeting of December 15, 1998, the Trustees approved a two-year extension through January 31, 2001 and a total contract amount of $600,000. An additional $131,735 was subsequently authorized in accordance with the Authority's Expenditure Authorization Procedures. Since the continuation of this firm's experience and expertise is necessary in assisting in-house counsel on relicensing matters for the Projects, an additional two-year extension is now requested. The current contract amount is $731,735; it is anticipated that an additional $1,030,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 2003 and to approve the additional funding requested, thereby increasing the compensation ceiling to $1,761,735.

"During the next three years, Information Technology ('IT') will undertake major initiatives involving the upgrade and/or replacement of the Authority's wide and local area networks, desktop hardware and telecommunications systems. Additionally, IT will also launch major business application initiatives, such as the upgrade of SAP (the Authority's enterprise-wide business management system) and the implementation of new functional SAP modules; improvements to the Maintenance Resource Management ('MRM') environment, and implementation of new systems in such areas as power trading, risk management, transmission and environmental. 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 an effort to pre-qualify firms to provide the services of temporary programming personnel to support the above-mentioned initiatives, seventy-two firms were invited to submit proposals for such services. Based on the evaluation of the 37 bids received, a list of vendors providing the most experienced, qualified temporary programming candidates, with competitive hourly rates, was established. Nine firms were identified for multiple-award contracts to provide such services; of this number, six provide generic programmers and three provide specialized services (for Geographic Information System, SENY and wholesale customer billing systems, and communications programmers); an additional five firms were identified as alternates. As specific positions become available, the Authority will request resumes of candidates based on the requirements and experience required for each position from the six generic firms (or directly from a specialized firm, as may be required). To date, only **Hobart Information Technology, LLC/dba Multifact Business Concepts, Inc. (4600000474)** has provided actual services. Contracts with the following firms and/or alternates would become effective as services are required: **Carlyle Consulting Services Inc. (4600000477), H.L. Yoh Company, LLC/dba Yoh Scientific (4600000476), Maxim Group, Inc. (4600000482), CNC Consulting, Inc. (a New York State certified Minority Business Enterprise; 4600000483), Ibase Consulting, LLC (4600000481), PlanGraphics, Inc. (4600000479), Syllogy Corp. (4600000486), and Pertel Communications of N.E., Inc. (4600000478). Alternates include Artech Information Systems, LLC, L.J. Gonzer Associates, kforce.com, InterSys, Inc., and NCS Technologies, Inc.** The contract with Multifact became effective on June 5, 2000 for an initial term of one year, with an option to extend for an additional two years. A two-year extension is now requested in order to exercise the option to continue such services and provide ongoing support for the aforementioned initiatives. The current combined contract amount authorized for these multiple-award contracts is $800,000. It is anticipated that an additional $3,000,000 will be required for the extended term. The Trustees' approval is requested to extend the term of the above-listed multiple-award contracts for temporary programming personnel through June 4, 2003 and to approve

the additional funding requested, thereby increasing the combined compensation ceiling to $3,800,000. Commitments will be made through individual releases against the above-listed master outline agreements as positions are required; commitments and expenditures for all contracts will also be tracked against the approved total.

FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2001 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. Funds required to support the contract for the St. Lawrence Project relicensing effort will be withdrawn from the Authority's Capital Fund and will be disbursed in accordance with the Project's relicensing Capital Expenditure Authorization Request.

RECOMMENDATION

"The Regional Manager - Northern New York, the Regional Manager - Western New York, the Regional Manager - Central New York, the Regional Manager - Southeast New York, the Director - Power System Operations, the Director - Employee Benefits, the Director - Corporate Support Services, the Director - Research and Technology Development, the Vice President - Information Technology and Chief Information Officer, the Vice President - Project Management, the Vice President and Chief Engineer - Power Generation, the Vice President - Policy and Governmental Affairs, the Deputy Secretary and Deputy General Counsel, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the extensions, additional funding and increases in compensation ceiling of the procurement contracts listed in Exhibit '8-A'.

"The Senior Vice President and Chief Financial Officer, the Senior Vice President - Transmission, the Senior Vice President - Energy Services and Technology, the Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel and I concur in the recommendation."

The attached resolution, as recommended by the Executive Vice President – Project Operations, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "8-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the attached memorandum of the Executive Vice President Project - Operations; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Carter, Ledyard & Milburn, Dickstein Shapiro Morin & Oshinsky, General Electric International Inc., Hawkins Delafield & Wood, Kleinschmidt Associates, and Van Ness Feldman PC, as well as a combined compensation ceiling for multiple-award contracts with up to fourteen firms providing the services of temporary programming personnel, be, and hereby are, approved as recommended in the foregoing report of the Executive Vice President - Project Operations in the amounts and for the purposes listed below:

O & M	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide legal services for Generation Projects:		
Carter, Ledyard & Milburn 4500034530		
Additional Funding Requested	$725,000	08/24/01 (+ option for 1 addt'l year)
Previously Authorized Amount	$450,000	
REVISED COMPENSATION CEILING	**$1,175,000**	

O & M	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide advice & counsel to the Authority re regulatory issues, anti-trust matters, hydro-rate litigation, In-City Generation Project & Poletti expansion case:		
Dickstein Shapiro Morin & Oshinsky, LLP S98-02869		
Additional Funding Requested	$700,000	02/28/03
Previously Approved Contract Amount	$750,000	
Additional Amount Authorized per EAPs	$187,500	
REVISED COMPENSATION CEILING	**$1,637,500**	

Capital

Procurement of Power Island components for 500MW Combined Cycle facility (POL):

General Electric International Inc. 4500013941		
Current Release Requested	$35,000,000	12/31/04
Previously Approved Release	$24,743,273	
REVISED COMPENSATION CEILING	**$59,743,273***	

Note: represents the released portion of the previously approved total, $191,389,000

O & M

Provide planning, procurement, management & coordination services for STL relicensing studies:

Kleinschmidt Associates
C97-Z0048

Additional Funding Requested	$4,330,000	12/31/01
Previously Approved Contract Amount	$12,170,000	
REVISED COMPENSATION CEILING	**$16,500,000**	

O & M	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date

Provide legal services re finance, tax and legislative matters:

Hawkins Delafield & Wood
CZ-7116

Additional Funding Requested	$1,500,000	12/31/01
Previously Approved Contract Amount	$3,362,000*	
Additional Amount Authorized per EAPs	$500,000	
REVISED COMPENSATION CEILING	**$5,362,000**	

* Note: includes $2,812,000 approved per 12/14/99 Trustee Item + $550,000 authorized from aggregate $2 million approved by Special Resolution of 3/28/00

O & M

Provide legal services re hydroelectric relicensing matters for NIA & STL:

Van Ness Feldman PC
S98-00371

Additional Funding Requested	$1,030,000	01/31/03
Previously Approved Contract Amount	$600,000	
Additional Amount Authorized per EAPs	$131,735	
REVISED COMPENSATION CEILING	**$1,761,735**	

O & M

Provide services of Temporary Programming Personnel:

Hobart Information Technology, LLC/dba Multifact Business Concepts, Inc.
4600000474

Carlyle Consulting Services Inc.
4600000477

H.L. Yoh Company, LLC/dba Yoh Scientific
4600000476

Maxim Group, Inc.
4600000482

CNC Consulting, Inc. (a NYS certified Minority Business Enterprise)
4600000483

Ibase Consulting, LLC
4600000481

PlanGraphics, Inc.
4600000479

Syllogy Corp.
4600000486

Pertel Communications of N.E., Inc.
4600000478

Contracts may also be awarded to one or more of the following alternates, as required:

Artech Information Systems, LLC
LJ Gonzer Associates
kforce.com
InterSys, Inc.
NCS Technologies, Inc.

Additional Funding Requested	$3,000,000	06/04/03
Previously Authorized Combined Total	$800,000	
REVISED COMBINED COMPENSATION CEILING	**$3,800,000**	

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

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '9-A' for the Authority's Office Business Units/Departments, as well as for the 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 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, require Trustees' approval.

DISCUSSION

"While the Authority's policy is to use its own staff to perform necessary engineering, technical and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods or if special expertise is required that is not available within the Authority. This is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

"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 $7,686,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in support of Business Units Facilities:

"The Authority has been self-insured for Workers' Compensation since 1995. The contract with **Helmsman Management Services, Inc., a majority owned subsidiary of Liberty Mutual Insurance Company (4500035843)** became effective on November 1, 2000, subject to subsequent Trustees' ratification and approval as soon as practicable. Since the contract is not being awarded to the incumbent provider, a transition period is required for the transfer of personnel files and for Information Technology to set up accounts and program files prior to the commencement of actual third party administrative services on January 1, 2001. In order to allow sufficient lead time for the new vendor to prepare for the January 1 cut-over date, interim approval to award the subject contract was authorized by the President in the not-to-exceed amount of $40,000. The purpose of this contract is to provide third party administrative services for the Authority's self-insured Workers' Compensation

program. Helmsman Management Services was evaluated as the most qualified bidder of nine bids received (in addition to ten non-responding bidders, including those responding to a notice in the Contract Reporter). Of the nine proposals received, the three most qualified firms were further evaluated. Helmsman is highly service oriented, providing many features (such as in-house medical and legal services), greater controls in the claim examiners' function, greater versatility in reporting, and their average case load per examiner is lower. In addition, their annual claims administration cost is lower than the other evaluated competitor. The intended term of this contract 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 $600,000, the total amount expected to be expended for the term of the contract, including option years. It should be noted that this figure does not include actual claims funding.

"The contract with **IRIS Power Engineering, Inc. (4500033523)** became effective on October 30, 2000, subject to subsequent Trustees' ratification and approval as soon as practicable. Due to scheduling constraints, interim approval to commence services in the not-to-exceed amount of $100,000 was authorized until the December, 2000 Trustees' meeting, at which time approval would be sought for the full contract term and amount. The purpose of this contract is to develop and implement an online hydro-generator diagnostic expert system ('HydroX') in support of the St. Lawrence – F.D. Roosevelt Power Project life extension and modernization effort. Functionally, HydroX will process and diagnose the electrical and mechanical faults of the turbine-generator at a hydro power plant based on dynamic (e.g., vibration, air gap, partial discharge, sound, video) and static (e.g., process variables from the control system) sensor measurements. The goal is to help the plant protect its assets, reduce the cost of operations, transition from preventative to condition-based maintenance, extend machine life, reduce forced outages and avoid catastrophic failures. Authority staff have worked very closely with the Electric Power Research Institute ('EPRI') and its contractors (especially IRIS) during a multi-year effort, which culminated in the development of the functional specification and detailed design under a Tailored Collaboration/Co-funding agreement between the Authority and EPRI. Since the original effort represents a significant investment of Authority resources and the resulting information is considered extremely valuable and proprietary, the subject contract is awarded on a sole source basis. Although HydroX is expected to be fully operational by June 30, 2002 (twenty-month term), the contract term requested is two years, to include an additional four months for more field testing, subject to the Trustees' approval, which is hereby requested. Approval is also requested for $960,416, the total amount expected to be expended for the term of the contract. It should be noted that the Authority will own the HydroX technology and plans to license the product to IRIS for commercialization. Royalty provision negotiations for the Authority to receive 10% from the sale of each HydroX unit have been successful. In addition, the Authority would benefit from free upgrades and the use of HydroX technology at its other hydro facilities.

"At their meeting of October 31, 1995, the Trustees approved the award of the first contracts in support of the Authority's Public Housing Energy Efficiency Program, which provides for the procurement (furnish/delivery) of super energy efficient refrigerators for the New York City Housing Authority ('NYCHA'). The installation of the new refrigerators and the removal of the old units are provided under a separate agreement with another contractor. The initial contract with Maytag Corp. became effective in 1997 for an initial one-year term. Subsequently, Authority staff annually conducted a competitive search of refrigerator manufacturers to meet or exceed the original energy efficiency standard. This resulted in the Trustees' approval of annual extensions to the Maytag contract, because this was the only manufacturer able to provide units with the requisite energy efficiency level. Since the Authority's Public Housing Energy Efficiency Program is ongoing, once again staff contacted six refrigerator manufacturers to meet the standard for 2001, resulting in four competitive bids and a new contract award. Based on a life cycle cost analysis per unit (i.e., cost of refrigerator and cost of energy usage per year in kilowatt hours ['kWh'], Maytag was the low bidder of four bids received (in addition to two non-responding bidders including those responding to a notice in the Contract Reporter). The contract with **Maytag Corp. (4500034467)** would become effective on January 1, 2001, subject to the approval of the Trustees, as well as the receipt of an executed cost recovery agreement from NYCHA. In order to commence delivery of the new more efficient refrigerators no later than February 28, 2001, interim approval was granted on November 7, 2000 for an initial award in the not-to-exceed amount of $45,000 through the December , 2000 Trustees' meeting, at which time approval would be sought for the entire gross sum amount of $7,686,000, for a maximum

26,000 15-cubic foot Magic Chef super energy efficient refrigerators. The cost of the new Maytag refrigerator is $300, compared to the previous year's cost of $329 per unit. The energy consumption in kilowatt hours for the 2001 refrigerator is 386 kWh compared to the previous three years at 437 kWh. Because Maytag may not be able to deliver the new more efficient 386 kWh refrigerators before February 28, 2001, the contractor agreed to reduce the cost of the 437 kWh refrigerators currently provided to $270 for the first two months of 2001. The intended term of this contract is one year, with an option for two additional years, subject to the Trustees' approval which is hereby requested. Approval is also requested for $7,686,000, the total amount expected to be expended for the first year of the contract. It should be noted that the Authority will recover all of the funding pursuant to its contract with NYCHA.

"The contract with **EarthCare Company of New York, Inc., dba RGM Liquid Waste Removal Corp. (4600000480)** would become effective on January 1, 2001, subject to the Trustees' approval. The purpose of this contract is to provide supervision, labor, materials and equipment to load, transport and dispose of between 25,000 – 60,000 gallons (per request) of waste water from a 100,000 gallon storage tank, and up to 3,000 gallons of non-toxic biomass sludge from an underground holding tank located at the Richard M. Flynn Power Plant to the Suffolk County Department of Public Works Publicly-Owned Treatment Works ('POTW') or Scavenger Plant. RGM was the low bidder of three bids received (in addition to ten declining/non-responding bidders, including those responding to a notice in the Contract Reporter). The vendor has provided satisfactory service to the Flynn plant for the last three years, and the pricing is reasonable in comparison to the current contract rates. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for $300,000, the total amount expected to be expended for the term of the contract.

"The contract with **The State University of New York at Stony Brook/Division of Occupational & Environmental Medicine (4600000484)** would become effective on January 1, 2001, 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, 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 relative to work fitness and laboratory test results to the Authority's medical review officer. SUNY – Stony Brook was the sole responding bidder of eight bids solicited, including responses to a notice in the Contract Reporter. The vendor has provided satisfactory service to the Flynn plant for the last five years and the pricing is reasonable in comparison to the current contract rates. In addition, Authority staff negotiated a 2% reduction of the annual escalation rate. The intended term of this contract is three years, subject to the Trustees' approval which is hereby requested. Approval is also requested for $45,000, the total amount expected to be expended for the term of the contract.

"The contract with **Siemens Power Transmission & Distribution, Inc. (PO # TBA)** would become effective on January 1, 2001, subject to the Trustees' approval. The purpose of this contract is to provide maintenance services for the proprietary Spectrum software required to support the Siemens Energy Management System ('EMS') installed at the Authority's Energy Control Center ('ECC'). Services consist of 200 hours of technical and maintenance services to provide software support on an 'as required' basis and include program improvements, changes and/or debugging and new versions of the program developed by the licensor in an effort to improve program performance. This award is made on a sole source basis since Siemens is the original equipment manufacturer of the EMS system and developer of the Spectrum software installed at the ECC. The intended term of this contract is three years, subject to the Trustees' approval which is hereby requested. Approval is also requested for $300,000, the total amount expected to be expended for the term of the contract.

FISCAL INFORMATION

"Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2001 proposed 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. Payment for the contract in support of the refrigerator program will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

"The Director – Risk Management, the Director – Research and Technology Development, the Director – Energy Services, the Director – Power System Operations, the Regional Manager – Central New York, the Regional Manager – Southeast New York, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '9-A', and as discussed above.

"The Senior Vice President – Transmission, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Energy Services & Technology, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "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 attached memorandum of the President and subject to approval as to form by the Executive Vice President, Secretary and General Counsel

10. Generation Project – Ratification of Award For construction Management Services – Frederic R. Harris, Inc., and Additional Expenditure Authorization

The Executive Vice President – Project Operations submitted the following report:

SUMMARY

"The Trustees are requested to ratify the President and Chief Operating Officer's interim approval to negotiate and enter into service contracts with Frederic R. Harris, Inc. for Construction Management Services for oversight and management of the installation of eleven gas turbine generator units and Balance of Plant equipment to support the Generation Projects ('Projects'), and to authorize an estimated $6,000,000, any or all such amount, in furtherance of said contracts.

BACKGROUND

"As determined by the Trustees at their meeting of August 29, 2000, the Authority has found that there is a deficiency in installed electric generation capacity in New York City and that there is an urgent and compelling need for such deficiency to be cured by installing additional electric generation capacity in New York City before June 1, 2001. The Authority staff reaffirms that the construction of the Projects: (i) is necessary and desirable to assist in maintaining an adequate and dependable supply of electricity in New York City, by supplying power and energy for one or more of the enumerated beneficiaries of the third unnumbered paragraph of Section 1005 of the New York Public Authorities Law; and (ii) will assist in preserving reliability of electric service and in deterring further extraordinary increases in rates for electric service in the New York City metropolitan area; and (iii) will assist in maintaining an adequate, dependable electric power supply for the State of New York.

DISCUSSION

"At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President - Project Operations, or his designee, to negotiate and enter into procurement contracts having such terms as deemed necessary or advisable for the acquisition of up to 520 megawatts ('MW') of generation capacity to support in-city and statewide requirements including, without limitation: (a) an agreement with GE Packaged Power, Inc. ('GEPP') in an amount not to exceed $220,000,000 for procurement and delivery of up to eleven LM6000 Gas Turbine Generator sets; and (b) to expend any portion of such monies for procurement in furtherance of said agreements including, without limitation, the disbursement of an initial payment equal to ten percent of the amount of the GEPP contract, on or before August 30, 2000.

"This initiated three additional critical path activities to support the Projects: 1) site selections; 2) hiring a Construction Management ('CM') contractor; and 3) hiring a general contractor.

"In furtherance of hiring a Construction Manager, a general notice was placed in the New York State Contract Reporter advising that New York City-experienced firms should submit their qualifications to the Authority for consideration to perform the services.

"Due to the critical schedule and emergency nature of these Projects to provide additional capacity to New York City next summer, in addition to the details for scope, siting, equipment and construction, all concurrently being developed at this time, formal bidding could not be conducted. The listing in the Contract Reporter and professional knowledge of the staff regarding qualified firms to perform CM activities were used to establish a list of potential qualified bidders for the services. The selection of the Construction Manager and the general contractors will be done on a competitive search basis.

"The following firms were contacted to determine whether they had qualifications necessary to perform the services of a construction manager:

1. Frederic R. Harris, Inc. ('FRH')
   New York, NY

2. Williams Power Corp. ('WPC')
   Stone Mountain, GA

3. Northeast Generation Services
   Rocky Hill, CT

4. Stone & Webster
   New York, NY

"Formal meetings with FRH and WPC were held in the White Plains Office on October 25th and 30th, respectively.

"Northeast Generation Services was not considered as qualified to perform these services. Their main experience was installing LM6000 units in Connecticut for North East Utilities. In addition, they had no experience in New York City construction or construction management. Their installation was simple and straightforward: They installed on the utilities' property with all gas and electrical utilities adjacent to the installation. In addition, they did not have to install any balance of plant equipment for emissions, acoustics, cooling or water treatment.

"Stone & Webster was not considered further because they failed to pursue follow-up phone calls to set up meeting dates. In addition, although their past history in New York City CM services is significant, they only recently survived bankruptcy by being purchased by another company, Shaw Industries. The Authority staff is concerned that this recent organizational change, in conjunction with Stone & Webster's recent financial problems, makes them a poor risk for a critical project which will require a sound company with enough staffing and certain back office support to meet the Authority's needs.

"Both FRH and WPC provided information and presented their qualifications in person; however, FRH was deemed to be superior in those areas that staff considers most critical for successful completion of these Projects, as follows:

1) NYC CM experience;
2) NYC construction experience, in particular subsurface excavating;
3) Ability to adjust staffing to meet job requirements; and
4) Home office engineering capabilities.

"FRH was superior in all four areas listed above whereas WPC did not have similar local (NYC) expertise or experience needed to make this effort successful. Knowledge of local crafts is critical considering the current shortage of experienced craft in specialties such as electrical work and the accelerated nature of the work to be performed.

"Therefore, the staff recommends awarding a contract to FRH for the CM services. The estimated cost for these services, is expected to be $6,000,000.

"On November 7, 2000, subsequent to the President and Chief Operating Officer granting interim approval, a contract was awarded to Frederic R. Harris, Inc. for CM services for oversight and management of the installation of eleven gas turbine generator units and Balance of Plant equipment to support the Generation Projects.

FISCAL INFORMATION

"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 Deputy Secretary and Deputy General Counsel, recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees approve additional capital expenditures of $6,000,000 for Construction Management services. In addition, it is recommended that the Trustees ratify the interim approval granted by the President and Chief Operating Officer to negotiate and enter into a services contract with Frederic R. Harris, Inc., for Construction Management Services to oversee and manage the installation of eleven gas turbine units and Balance of Plant equipment to support the City Generation Projects.

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

The attached resolution, as recommended by the Executive Vice President – Project Operations, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, additional capital expenditures be, and hereby are, approved as recommended in the foregoing report of the Executive Vice President - Project Operations, in the amounts and for the purposes listed below; and be it further

RESOLVED, That the Trustees ratify the interim approval granted by the President and Chief Operating Officer, to negotiate and enter into all agreements as deemed necessary with Frederic R. Harris, Inc., for Construction Management Services, subject to approval of the form thereof by the Executive Vice President Secretary and General Counsel, and in the amounts and for the purposes listed below:

Capital

City Generation Project –
Procurement of 11 gas turbine generator sets:

Current Request (for Construction Management Services by Frederic R. Harris, Inc.	$ 6,000,000
Previous Authorization	$220,000,000
Previous Request (for BOP & SCS equipment)	$ 4,400,000
	$224,400,000
Previous Request (for 11 Gas Compressor Units by a vendor to be announced)	$ 10,600,000
	$235,000,000
TOTAL AMOUNT AUTHORIZED	$241,000,000

11. Generation Projects – Award for General Work Contract – Slattery Associates, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a contract award to Slattery Associates, Inc. for the installation of eleven gas turbine generator units, balance of plant equipment and transmission and substation work to support the Generation Projects and to authorize Capital expenditures of up to $150,000,000 in furtherance of said contract.

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.

"As determined by the Trustees at their meeting on August 29, 2000, the Authority has found that there is a deficiency in installed electric generation capacity in New York City and that there is an urgent and compelling need for such deficiency to be cured by installing additional electric generation capacity in New York City before June 1, 2001. The Authority staff reaffirms that the construction of the Projects (i) is necessary or desirable to assist in maintaining an adequate and dependable supply of electricity in New York City by supplying power and energy for one or more of the enumerated beneficiaries of the third unnumbered paragraph of Section 1005 of the New York Public Authorities Law, (ii) will assist preserving reliability of electric service and in deterring further extraordinary increases in rates for electric service in the New York City metropolitan area, and (iii) will assist in maintaining an adequate, dependable electric power supply for the State of New York.

DISCUSSION

"At their meeting of August 29, 2000, the Trustees authorized the Executive Vice President – Project Operations, or his designee, to negotiate and enter into procurement contracts having such terms as deemed necessary or advisable for the acquisition of additional generation capacity to support in-city and statewide requirements, including, without limitation, an agreement with General Electric for procurement and delivery of up to eleven LM6000 Gas Turbine Generator sets.

"This initiated three additional critical path activities to support the project: 1) site selections; 2) hiring a Construction Manager ('CM') contractor; and 3) hiring a General Contractor. Site selections are in the process of being finalized, and the Authority has contracted with Frederick R. Harris, Inc. of New York City to perform construction management activities for the Generation Projects.

"Given the fast track nature of these Projects and the limited detailed design and engineering completed at the time of preparation of the bid documents for the construction activities required for these Projects, the Authority decided to solicit qualification statements from general contractors to determine a list of qualified bidders for the construction work. A notice was included in New York State's Contract Reporter, and the Authority also contacted various potential bidders for this work. It should be noted that due primarily to the accelerated schedule for this work, the already existing heavy workload of contractors in the New York City area, and difficulties of this work, including transmission and substation work in a compressed timeframe, only three firms submitted qualification information. These firms were Slattery Associates, Inc. of Whitestone, New York; North Star Contracting Corporation of New Rochelle, New York; and NAB Construction Corporation. of College Point, New York.

"It should be noted that all of these firms have satisfactorily performed work of differing nature and value for the Authority in the past.

"After initial interviews with these firms, it was decided to solicit proposals for the construction work from all of these firms. Bidders were advised that the criteria to be utilized by the Authority in evaluating proposals would include overall experience and qualifications to perform this work, pricing on a firm lump-sum basis, financial condition, experience with installation of LM6000 gas turbines or other gas turbine projects, and the ability to meet bonding requirements.

"The Authority's typical contracting approach is to have a relatively high level (80—90%) of detailed design and engineering completed for a specific construction package prior to soliciting proposals. This approach eliminates the majority of unknowns and allows bidders to provide more precise pricing proposals on a lump sum basis with fewer contingencies. For the Generation Projects, the accelerated Projects' schedule does not provide for such completion of detailed design and engineering prior to solicitation of proposals. The approach to be utilized for these Projects, in order to meet the targeted in-service date of June 1, 2001, is design-build, where construction proceeds as the design is being completed. With this approach, it is necessary to establish a baseline for bidders to respond to and to establish pricing changes as detailed design is completed, as well as to monitor the contractor's actual work very closely in the field.

"Due to the limited detailed engineering and design availability at the time of bid document preparation and the need to solicit proposals immediately to support the Projects' schedule, it was determined that the only viable approach was to prepare a scope of work for a two-unit site (which is anticipated to be the prevalent installation approach at the majority of the seven sites under consideration), based upon the typical two-unit layout prepared by the Authority's Engineer, Sargent & Lundy. Since specific subsurface designs were not completed, bidders were advised to base their proposals upon specific assumptions regarding subsurface work (primarily installation of piles), foundation work and electrical work. Detailed information was provided from the General Electric Corporation regarding the LM6000 units and their installation, and bidders were requested to provide unit pricing addition and deletion to the work. The overall objective was to have bidders provide proposals based upon certain base assumptions with unit prices that would form the basis to adjust the overall base price as detailed design and engineering is completed for each specific installation site.

"Authority staff and its construction manager, Frederick R. Harris, Inc., have evaluated the proposals in detail and have met with each of the bidders for this work. The following is a summary of the findings of this evaluation team:

1. <u>FINANCIAL CONDITION AND EXPERIENCE</u>

a. <u>Slattery Associates, Inc.</u>

"Slattery Associates, located in Whitestone, New York, is a large general contractor, specializing in bridge construction, highways, pile driving and mechanical contracting. It had total gross revenues of $487 million in 1999, with net income of $24 million and is a subsidiary of Skansha (U.S.A.) Inc., which had overall revenues exceeding $3.9 billion in 1999. Slattery has completed projects ranging from installation of a 40 MW cogeneration gas fired turbine unit at the State University of New York at Stony Brook; a design-build contract for the water treatment system for the Brooklyn Navy Yard's 250 MW cogeneration facility; storage structures for water pollution control plants in New York City; and is the lead for the consortium constructing the $1.5 billion, 8.4 mile, light rail system which will link JFK International Airports' six passenger terminals to each other and to train and bus lines. Slattery has also been the general contractor for rebuilding the antiquated chiller system, expanding the electrical system, and adding a new 600 HP boiler for the Brooklyn Superior Court, as part of the Authority's Energy Efficiency Program.

"Slattery's electrical subcontractor, Welsbach Electric, of College Point of New York, has substantial experience in all facets of substation and transmission work and is a subsidiary of ENCOR Group Inc., which

provides electrical, mechanical construction and facilities management internationally. Slattery will also be utilizing another electrical subcontractor, Forest Electric. Both Wellsbach and Forest Electric have satisfactorily performed work for the Authority.

"Of the three bidders, Slattery has exhibited a more detailed knowledge of the work to be performed for the Generation Projects. Slattery has proposed a price based upon a higher number of total manhours than the other bidders to complete the work.

"Slattery has extensive experience in completing construction projects on a design/build basis, and have offered to establish a significant portion of its prices at risk to cover specific materials and other work not specified in the bid documents but which Slattery believes will have to be performed for this installation. Sixty percent of any amounts not utilized as part of the at-risk fund will be credited to the Authority at the completion of their Projects.

b. NAB Construction Corp.

"NAB, located in College Point, New York is a general contractor specializing in industrial building and highway construction. Its gross revenues for its financial year ending September 30, 1999 were $110 million with a net loss of $8.8 million. Its major projects include rehabilitation of the Brooklyn Bridge for the Department of Transportation ('DOT'); rehabilitation of cable suspension system at Williamsburg Bridge for the DOT; reconstruction of West 72nd Street Subway Station, 7th Avenue line for NYC Transit Authority; and construction of Flushing viaduct for NYC Transit Authority. NAB satisfactorily performed the replacement of condensers at the Authority's former JAF Nuclear Power Plant in 1996.

"NAB's proposal, as an evaluated basis, is the highest price, but is based upon a significantly lower number of manhours (72,000) than Slattery's proposal. Their proposed electrical subcontractors, Island Electric and Fazio, have successfully performed work for the Authority in the past. While NAB has the qualifications to perform this work, its presentation to the evaluation committee was the least impressive of the three bidders.

c. North Star Contracting Corp.

"North Star, located in New Rochelle, New York, is a general contractor performing bridge rehabilitation, transmission line, railroad track and electrical work. It is a subsidiary of Lovece Holding, Inc., which is solely owned by its President, Joseph Lovece, Jr.. North Star is also affiliated with two other subsidiaries of Lovece Holding, Inc.; J. William Foley, Inc., specializing in utility line construction and Brock Leasing Corporation, an equipment leasing company. North Star has not provided specific financial information to date. North Star's recent projects include various MTA projects involving overhead electric line maintenance, construction of a railroad wheel truing facility, track work throughout the North East corridor, and 345 kV substation work for Orange & Rockland.

"In the past, North Star has satisfactorily completed major transmission and substation projects for the Authority, including the 345 kV transmission line project from Marcy to Fishkill, New York, and the expansion of the Marcy and Massena substations. North Star has not had any past experience in installing similar equipment for gas turbine projects (including cogeneration), but has experience in all other facets of the Projects.

2. BONDING

"All three bidders have submitted bid bonds and can provide performance and labor and material bonds, required for these Projects.

3. PRICING

"The evaluation team reviewed in detail the pricing, manhour and quantity assumptions made by the various bidders. The proposal submitted by North Star did not conform to the Request For Proposal in that North Star did not provide a lump-sum price for every item of work but included a man-hour allowance for various work items. If these man-hours are exceeded, additional compensation at a fixed hourly rate would be paid. The total man-hours estimated by North Star are approximately 83,000, which compares to approximately 72,000 for NAB and approximately 130,000 by Slattery for staffing for a typical two-unit site. In addition, North Star's allowances for materials and equipment to be purchased by the General Contractor (such as Raw Water Tanks and Dimineralized Water Tanks) were too low, and approximate adjustments were made to arrive at an evaluated price based upon comparable assumptions for all bidders. Similarly, Slattery's proposal included work items which will not be required to be performed by them, and appropriate adjustments were also made to its proposed pricing. NAB also required adjustments for work items not originally included in its proposal or where allocations for equipment to be purchased by the Contractors were considered unreasonably low.

"The following is a summary of the evaluated pricing as prepared by the Authority's Construction Manager for each bidder for power island, transmission and substation work for a typical two unit site:

Slattery Associates	$ 23,918,475
North Star Contracting	$ 25,472,152
NAB Construction	$ 28,531,000

"The Construction Manager, Frederick R. Harris, recommends that the contract be awarded to Slattery.

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Procurement & Real Estate and the Deputy General Counsel, recommend that pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, the Trustees approve additional capital expenditures of up to $150,000,000 for the general work contract to Slattery Associates, Inc., based upon Slattery's acceptable pricing, superior qualifications to perform the work on a design, build basis, and superior financial condition as compared to the other bidders, all subject to negotiation of satisfactory terms and conditions with Slattery.

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

Trustee Ciminelli asked as to the bases on which the various bidders formulated their bids for submittal. Mr. Crouch explained that typically, the bidder would take their knowledge of the required work, apply it to a standard two-unit plant and, factoring in specific knowledge of transmission lines and substation work, come up with a lump sum. However, one bidder, North Star, had bid for a cost plus, time and materials, type of award. Mr. Crouch noted that Slattery, the recommended firm, has performed large construction project work before in the New York City area and is familiar with the local crafts and related costs. Trustee Ciminelli cautioned against the potential for future claims against the lump sum by the contractor for out-of-

scope work. Mr. Crouch explained that Slattery is willing to put the amount of $5 million "at risk", as it were, to cover changes to scope, and thus Slattery is committed to performing within its own estimated parameters. Trustee Ciminelli, noting that this will not be an easy contract to administer, urged that all parties clearly agree beforehand as to what work is covered in the defined scope.

Trustee DiMarco inquired as to potential NYPA liability if the project is delayed for reasons beyond our control. Mr. Hoff explained that a contractual provision governing NYPA's ability to suspend work has been incorporated and that it envisions no penalties as such, and in the worst case, only a re-start work fee. Trustee Ciminelli noted that the proposed award represents a significant "risk management" opportunity for the Authority.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization Procedures adopted by the Authority, that the general work contract for the Generation Projects be awarded to Slattery Associates, Inc. and that additional capital expenditures be, and hereby are, approved as recommended in the foregoing report of the President and Chief Operating Officer, in the amounts and for the purpose listed below;

Capital

Generation Project

General Work Contract

Slattery Associates Inc.

Current Request	**$ 150,000,000**

General Work Contract

Slattery Associates Inc.

TOTAL AMOUNT AUTHORIZED	**$ 150,000,000**

12. Petroleum Overcharge Restitution Funds – Transfer of Funds to the State of New York and Authorization of POCR Programs

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the transfer of up to $1.5 million to the State of New York ('State') in exchange for Petroleum Overcharge Restitution ('POCR') funds from the State in an equal amount, upon execution of an agreement between the State and the Authority, memorializing the understandings between the State and the Authority concerning such transfer. This sum shall be withdrawn from the Operating Fund.

"The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing POCR funds authorized by the 2000 legislation discussed below.

BACKGROUND

"On May 15, 2000, the Governor approved the 2000 Budget Bill as Chapter 61 of the Laws of 2000 ('Chapter 61'). Sections 1-8 of Part I of this legislation authorize the transfer of $1.5 million in POCR funds to the Authority for various energy-related programs. Section 2 of Part I of this legislation indicates that the Authority shall transfer $1.5 million to the State on or before March 31, 2001. Those legislative provisions reflect an understanding between the Authority and the State that the Authority will transfer $1.5 million to the State and that the State will transfer to the Authority a like amount received from POCR monies. Sections 1-8 of Part I of Chapter 61 are set forth in Exhibit '12-A' hereto.

"At their meeting of January 30, 1996, the Trustees approved five POCR-funded programs: a Solar Electric Grant Program, an MTA Hybrid Bus Program, a Pilot Coal Conversion Program, an Independent College and University Energy Assistance Loan Program, and a HELP Revolving Loan Program.

"At their meetings of December 17, 1996 and December 16, 1997 the Trustees approved the continuation of these programs and several new POCR-funded grant initiatives including a statewide energy efficiency program for primary and secondary public schools and public facilities and the reinstatement of the furnace and boiler demonstration program, established by Section 21 of Chapter 598 of the Laws of 1993.

"At their meeting of December 15, 1998 the Trustees approved the continuation of (a) the independent college and university energy assistance loan program, (b) the HELP programs of the Authority and (c) several new POCR-funded grant initiatives, including energy efficiency improvements in public facilities.

"At their meeting of December 14, 1999 the Trustees approved various energy-related programs, established by Sections 1-9 of Chapter 413 of the Laws of 1999.

DISCUSSION

"The payment by the Authority of the $1.5 million in funds matching the POCR funds identified in Chapter 61 would be reasonable and consistent with the Authority's mission and statute. The POCR funds that the Authority receives as a part of the understanding with the State will be used for energy efficiency projects throughout the State.

"Section 4 of this legislation authorizes the Authority to use $0.5 million in POCR funds for existing HELP programs of the Authority, which are eligible under Federal guidelines for the use of POCR funds.

"Section 5 of this legislation authorizes the Authority to use $0.5 million in POCR funds to implement energy service projects.

"Section 6 of this legislation authorizes the Authority to use $0.5 million in POCR funds to implement energy projects, which include, but are not limited to, energy conservation, energy efficiency, weatherization, alternative fuels, other non-electric energy projects, flexible technical assistance, technology transfer and/or renewable or innovative energy projects which are eligible under federal guidelines for the use of POCR funds.

"Before the State can disburse the POCR funds, the Authority is required to develop the various energy-related programs, which would utilize the POCR funds and, with the assistance of the New York State Energy Research and Development Authority, apply to the Department of Energy ('DOE') for approval of the programs. POCR funds cannot be used for purposes or programs that the DOE does not approve, notwithstanding what Chapter 61 might envision.

"Judicial decisions and Federal regulations that apply to the POCR funds (principal and interest) require that the funds ultimately be used for consumer restitution through energy-related programs. Because of the nature of the POCR funds, the Authority is presently prohibited from utilizing these funds for general Authority purposes. As such, the use of any interest earned from these POCR funds can only be used to complete previously approved POCR programs and for the administration of these programs.

"The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing POCR funds authorized by the 2000 legislation.

FISCAL INFORMATION

"The funds to be paid to the State, as described above, will be disbursed from the Operating Fund.

RECOMMENDATION

"The Senior Vice President - Energy Services and Technology recommends that the Trustees authorize the payment to the State for the purposes, and under the conditions described above, and that the Trustees authorize the implementation of Petroleum Overcharge Restitution programs as described above."

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

RESOLVED, That the payment to the State of up to $1.5 million for the purpose described in the attached Memorandum of the President, is hereby authorized, contingent upon the execution of an agreement between the Authority and the State relating to such payment, and that the Chairman, the President and Chief Operating Officer, and the Treasurer are, and each hereby is, authorized to execute such agreement with the State having such terms and conditions as such officer deems necessary or desirable, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That it is hereby authorized that up to $1.5 million of the Operating Fund monies be withdrawn from such Fund and utilized for making the payment specified in the attached Memorandum of the President, provided, however, that such withdrawal be conditioned upon a certification by the Treasurer that such amounts to be withdrawn from the Operating Fund are not then required for any of the purposes specified in Paragraphs (a)-(c) of Section 503 (1) of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented; and be it further

RESOLVED, That the Senior Vice President - Energy Services and Technology is hereby authorized to develop and implement the various programs utilizing POCR funds authorized by the 2000 legislation discussed in the foregoing report of the President, provided that such programs shall be implemented only upon approval of such programs by the United States Department of Energy and by any other agency or court having jurisdiction over such programs; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Senior Vice President - Energy Services and Technology and the 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, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further assurances 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.

13. <u>Motion to Conduct Executive Session</u>

"Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions concerning potential litigation arising under the Power Authority Act."

On Motion duly made and seconded, an Executive Session was held.

14. Neighboring State Power Sales –
Rescission of Prior Approval

The Executive Vice President, Secretary and General Counsel submitted the following report:

SUMMARY

"The Trustees are requested to rescind a prior authorization to transmit to the Governor new contracts with neighboring state bargaining agents.

BACKGROUND

"Pursuant to statutory and license requirements, the Authority sells a total of 256 megawatts of firm hydropower and 40 megawatts of peaking hydropower to the bargaining agents for the seven neighboring states, specifically Connecticut, Massachusetts, Rhode Island, Vermont, New Jersey, Pennsylvania and Ohio.

"In 1999, the Authority completed negotiations of new hydropower contracts with five of the seven bargaining agents (all but Connecticut and Massachusetts). Those contracts were the subject of a public hearing held on December 15, 1999 and were approved by the Trustees on January 25, 2000 for transmittal to the Governor. Section 1009 of the Power Authority Act requires the Authority to reconsider terms of proposed contracts following the public hearing and to negotiate any modifications that it deems necessary or advisable. As a result of comments raised at the hearing, the Authority staff determined that a modification to the contracts was necessary to make clear that the contracts would not be extended into the period of new licenses for the projects, unless such extensions were required by the terms of the new licenses. Staff offered proposed language accommodating the foregoing to the five neighboring states, but never reached agreement with any of the five on the necessary contract revisions.

DISCUSSION

"In the St. Lawrence relicensing proceedings, the State of Massachusetts, which refused to accept the contract draft that was the subject of the public hearing, has taken the position that at least 20% of St. Lawrence power should be required to be sold to the neighboring states (as opposed to the current 8.5% allocation) and that the states should have much greater control over Project output than is currently the case. It has now become apparent that further action on the five proposed contracts, even if the outstanding issues with them could be settled, will not resolve the out-of-state sales issues because of the position of Massachusetts. It is therefore recommended that the Trustees' January 25, 2000 authorization to transmit the new contracts to the Governor be rescinded.

RECOMMENDATION

"The Vice President - Power Contracts and Resource Management recommends that the January 25, 2000 authorization to transmit new contracts with neighboring states to the Governor be rescinded. The Senior Vice President - Marketing and Economic Development and I concur in the recommendation."

The attached resolution as recommended by the Executive Vice President, Secretary and General Counsel, was unanimously adopted.

RESOLVED, That the January 25, 2000 authorization to transmit to the Governor new contracts with five neighboring state bargaining agents be, and hereby is, rescinded.

15. Motion to Resume in Open Session

"Mr. Chairman, I move to resume in Open Session."

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

16. Generation Real Estate
Authorization and Delegation

The Executive Vice President – Project Operations submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition in fee simple or leasehold, by purchase, eminent domain or transfer of jurisdiction, a site located in New York City, County of Richmond, including any permanent or temporary easements necessary for the construction, operation and maintenance in development of this site for the Generation Projects.

"Further, the Trustees are requested, based upon the enclosed Environmental Assessment and the recommendation of the Director of the Environmental Division, to approve the attached Resolution ratifying, approving and adopting: (1) the determination that the siting, construction and operation of the Generator Unit referred to in the Environmental Assessment will not have a significant adverse impact on the environment and will not require the preparation of an environmental impact statement; and (2) the issuance of a Negative Declaration with respect to such actions.

BACKGROUND

"As discussed in the Memorandum to the Trustees from the Executive Vice President - Project Operations of November 28, 2000, there is a need for immediate action to add new generating capacity in southeastern New York for summer 2001 and thereafter. Immediate action is needed to assure adequate electrical supply during summer 2001 and to help protect and preserve human life, health, property, and natural resources in light of the potential shortfall next summer in generating capacity in the southeastern New York metropolitan area. This need for immediate action results from the fact that growth of demand for electric power and energy is outstripping the supply. In order to meet the in-city and statewide generation requirements established by the New York Independent System Operator ('ISO') and the New York State Reliability Council, at least 450 megawatts of new generating capacity must be developed within the in-city service territory of the Consolidated Edison Company of New York, Inc. and the adjacent area of Long Island by June 1, 2001. Both the staff of the Department of Public Service and the ISO support and urge this addition of new generating capacity in southeastern New York to meet reliability needs during summer 2001. The pertinent facts concerning this capacity shortfall are detailed in the above-referenced memorandum, as well as in an earlier memorandum to the Trustees, dated August 28, 2000, seeking authorization to enter into procurement contracts for the GE LM6000 natural gas turbines ('Generator Units') that will be used for these Projects. The maintenance of a continuous and reliable supply of dependable electric power and energy is an essential matter of urgent public concern and requires emergency action.

"The timely installation of the proposed Generator Units is necessary to provide the required capacity discussed previously. Further, the sites for the proposed Generator Units must be acquired immediately, and on an emergency basis, by the Authority, in order to permit the timely completion of engineering and construction preparations by June 1, 2001. Equipment for these Units is scheduled to be delivered in early 2001.

"In the November 28, 2000 memorandum, the Trustees were requested to, and did, authorize the emergency acquisition in fee simple or leasehold, by purchase, eminent domain or transfer of jurisdiction of six sites located in New York City and Suffolk County, including any permanent or temporary easements necessary for the construction, operation, and maintenance in development of these sites for the Generation Projects. Those six sites would accommodate 10 of the 11 turbine generators purchased by the Authority. That memorandum also indicated that the staff was investigating a site on Staten Island, County of Richmond, and that

the Environmental Assessment had disclosed that its use would result in a significant adverse impact on the environment necessitating the preparation of a targeted Environmental Impact Statement. Since the proposed Pouch Terminal site results in no significant adverse impact on the environment, it is a substitute for the site previously under investigation.

DISCUSSION

"Since the November Trustee meeting, staff has continued to examine possible sites that meet the Authority's criteria of environmental compatibility, electric system compatibility, fuel supply access and the June 1, 2001 in-service date to assure that the best available locations are utilized. The staff has identified a location on Staten Island, County of Richmond, known as the 'Pouch Terminal' site, which meets all of these criteria. This approximately 1.1 acre site, which is on Map NYS-9, is bordered on the north by Edgewater Street, on the northwest by Lynhurst Avenue, on the southwest by Bay Street and is currently owned by the Metropolitan Transportation Authority. As with the other sites, this site was selected based upon detailed analysis of the availability of gas and electrical connections, on a desire not to concentrate the sites in any one borough, and on a detailed Environmental Assessment which the Authority has carried out, as 'Lead Agency' under the State Environmental Quality Review Act ('SEQRA'), of the potential environmental impacts of constructing and operating the Generator Unit at the proposed site. Pursuant to 21 NYCRR 461, the Director of the Environmental Division has determined, based on such Environmental Assessment, that the proposed siting, construction and operation of the Generator Unit as part of the Generation Project (a Type I action under SEQRA) will not have a significant adverse impact on the environment and, thus, will not require the preparation of an Environmental Impact Statement under SEQRA.

"The Authority will withdraw its application for an air permit from the New York State Department of Environmental Conservation for the Staten Island site originally under consideration and file an application to construct and operate the Generator Unit at the Pouch Terminal site instead.

FISCAL INFORMATION

"Payment will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Project Manager, the Vice President - Contracts and Real Estate and the Vice President - Project Management recommend that the Trustees delegate to the Chairman and Chief Executive Officer, the President and Chief Operating Officer and/or the Vice President Contracts and Real Estate, the authority to approve the selection of the Pouch Terminal site to be acquired by purchase, eminent domain, transfer of jurisdiction, or lease.

"The Project Manager, the Director of the Environmental Division, the Vice President - Contracts and Real Estate and the Vice President - Project Management further recommend that the Trustees approve the attached Resolution ratifying, approving and adopting: (1) the determination that the siting, construction and operation of the Generator Unit referred to herein and in the Environmental Assessment will not have a significant adverse impact on the environment and will not require the preparation of an Environmental Impact Statement; and (2) the issuance of a Negative Declaration with respect to such action.

"The Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

The attached resolution, as recommended by the Executive Vice President – Project Operations, was unanimously adopted.

RESOLVED, That the Authority hereby ratifies, approves and adopts a determination that: (1) the siting, construction and operation of a natural gas turbine unit at the site referred to as the Pouch Terminal site in the Authority's Environmental Assessment for the proposed action will not have a significant adverse effect on the environment; and (2) an environmental impact statement need not be prepared in connection with such proposed action. The Director of the Environmental Division is directed to prepare, file and publish a Negative Declaration for the proposed action in accordance with the requirements of the State Environmental Quality Review Act; and be it further

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary and essential to acquire in fee simple by purchase, eminent domain, or transfer of jurisdiction, the real property on which to site, construct and operate the Pouch Terminal Generator Unit and any permanent or temporary easements or other real estate interests which are necessary and essential for the development of such site; and hereby finds and determines that such real property is required for public use; and hereby determines that such real property is absolutely necessary for the construction, maintenance and operation of the Generation Projects; and hereby further finds that the absence of adequate electric generating capacity in the City of New York creates an emergency situation in which the public interest will be endangered by any delay caused by the public hearing requirement of Article 2 of the Eminent Domain Procedure Law; and be it further

RESOLVED, That the Chairman and Chief Executive Officer, the President and Chief Operating Officer and/or the Vice President Contracts and Real Estate be, individually and severally, and hereby are, authorized to acquire the site identified as the Pouch Terminal site by purchase, eminent domain, or transfer of jurisdiction in order to site, construct and operate a Generator Unit to meet electric power needs in New York City, and are hereby authorized to approve the payments to be made for the acquisition of such site; and be it further

RESOLVED, That the President and Chief Operating Officer, the Vice President and Chief Engineer - Power Generation, the Vice President - Project Management or the Vice President Contracts and Real Estate be, and hereby are, authorized and directed to execute on behalf of the Authority such certificates, requests, and directions as are necessary for the acquisition of such real property, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel or the Vice President Contracts and Real Estate be, and hereby are, authorized on behalf of the Authority to execute any and all other agreements, leases, indentures, papers or instruments which may be deemed necessary or advisable to ensure that the foregoing is carried out, with the approval of the Executive Vice President, Secretary and General Counsel as to the form thereof.

17. <u>Hyman Miller</u>

WHEREAS, Hyman M. Miller served with distinction as a Trustee of the New York Power Authority for more than a decade in which he enlivened and elevated the deliberations of this Board through a unique blend of humor, perception, verve and meticulous preparation; and

WHEREAS, Mr. Miller played a vital role in an array of financial, policy and operational decisions that have shaped today's Power Authority and prepared it for success in the competitive electricity industry; and

WHEREAS, Mr. Miller's tenure at the Authority from June of 1990 through November of 2000 capped an extraordinary career in public service that began in local government and continued through 18 productive years in the State Assembly, where he was a key figure in addressing a range of vital issues while earning the respect of colleagues on both sides of the aisle and rising to a leadership position in his own party; and

WHEREAS, he frequently served as his party's principal spokesman on energy-related issues and was a pivotal supporter of the landmark 1987 legislation that significantly expanded the Power Authority's role in economic development and laid the foundation for the beneficial statewide programs that continue to this day; and

WHEREAS, Mr. Miller, throughout his years at the Authority, was a valued counselor to his fellow Trustees and to successive Chairmen and senior managers; and

WHEREAS, he won the admiration and affection of countless staff members, including those who sometimes found themselves the objects of the trenchant questioning and wry skepticism that were his boardroom stocks-in-trade; and

WHEREAS, Mr. Miller's contributions to his country and his Syracuse-area community have ranged from distinguished service in the U.S. Army Air Corps during World War II to membership on numerous boards and the presidency of his synagogue; and

WHEREAS, his achievements in public life have complemented his considerable successes in the private sector as the founder and long-time head of the independent insurance agency that bears his name; and

WHEREAS, Mr. Miller has resigned as a Power Authority Trustee because of increasing personal commitments;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York salute their colleague, Hy Miller; express their heartfelt gratitude to him for his singular contributions to the Authority and the people of New York State, and for the pleasure and honor of his company; and extend their warmest best wishes to him; his wife, Anne; and the other members of their family.

18. Appointment of Trustee McCullough To Audit Committee

The Chairman submitted the following report:

SUMMARY

"In accordance with the By-laws of the Power Authority of the State of New York, as amended December 17, 1996, and the Charter of the Audit Committee, adopted December 17, 1996, the Trustees are requested to select Frank S. McCullough, Jr. as a member of the Audit Committee, effective December 19, 2000.

BACKGROUND

"At their meeting of December 17, 1996, the Trustees approved a resolution adding a new Section 3 to Article V of the By-laws of the Authority, which provided for the establishment of an Audit Committee consisting of two Trustees, other than the Chairman.

"The Charter of the Audit Committee, also adopted at December 17th meeting, provides that neither Audit Committee member may serve as Chief Executive Officer or in any other position of Authority management. Audit Committee members are to be selected from eligible Trustees by vote of the Trustees. Audit Committee members shall serve for a period of two years subject to their term of office, and may be reelected to serve for additional periods of one year subject to their term.

DISCUSSION

"In view of the retirement of Trustee Hyman Miller, who served on the Authority's Audit Committee, it is desirable to appoint a second Trustee to serve on such Committee."

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

RESOLVED, That Frank S. McCullough, Jr. is hereby selected as a member of the Audit Committee, effective December 19, 2000.

19. <u>Next Meeting</u>

The regular meeting of the Trustees will be held on **Tuesday, January 30, 2001** at the **White Plains Office at ll:00 a.m.,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

20. Closing

Upon motion made and seconded, the meeting was closed at 12:35 P.M.

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

DECMIN00