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

July 30, 2002

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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 10:00 a.m.

Present:	Louis P. Ciminelli, Chairman
	Frank S. McCullough, Jr, Vice Chairman
	Timothy S. Carey, Trustee
	Gerard D. DiMarco, Trustee
	Trustee Joseph J. Seymour, was excused from attendance

Eugene W. Zeltmann	President and Chief Executive Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Power Generation
Vincent C. Vesce	Executive Vice President – Business Services and Administration
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
John M. Hoff	Vice President – Procurement and Real Estate
Robert J. Deasy	Vice President – Energy Resource Management
Anne Wagner-Findeisen	Vice President - Ethics & Regulatory Compliance and Deputy Secretary
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
George L. Johansen	Inspector General
Dennis T. Eccleston	Chief Information Officer
John J. Hahn	Acting Inspector General
Joseph J. Carline	Assistant General Counsel – Power and Transmission
Gerard V. Loughran	Assistant General Counsel – Human Resources and Labor Relations
George W. Collins	Treasurer
Allison Shea	Senior Attorney II
John L. Osinski	Executive Director – Regulatory Affairs
Gary Paslow	Executive Director – Policy Development
John R. Bopp	Director – Compensation and Employee/Labor Relations
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director - Accounting
Angelo S. Esposito	Director – Energy Services
Jules G. Franko	Director – Fossil/Gas Turbines
John B. Hamor	Director – Intergovernmental Relations
Douglas M. Kerr	Director – Marketing Planning and Pricing
John L. Murphy	Director – Public Relations
Mark D. O'Connor	Director – Real Estate
Donald A. Russak	Director – Financial Planning
Michael A. Saltzman	Senior Information Specialist
William Helmer	Special Licensing Counsel
Helen L. Eisenfeld	Manager – Cost Control
Charles Vacek	Manager – Federal Affairs
John Grzan	Senior Project Manager
Ronald W. Ciamaga	Regional Manager – Western New York
Randy D. Crissman	Regional Manager – Northern New York
Richard E. Kuntz	Regional Manager – Southeastern New York
James J. McCarthy	Regional Manager – Central New York
Thomas P. Antenucci	Project Manager
Michael J. Norris	Real Estate Appraiser
Wayne Gowen	LAN Administrator

Angela D Graves	Assistant Secretary – Legal Affairs
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Noelle Zandri	Secretary to General Counsel

Chairman Ciminelli 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 of June 25, 2002 were unanimously adopted as amended.

2. **Financial Reports for the Six Months Ending June 30, 2002**

Mr. Urbach provided the final Financial Reports for the six months ending June 30, 2002.

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

President Zeltmann reported on the Authority's successful efforts in meeting the challenges posed by record demand for electricity in and around New York City due to the recent heat wave. The President described some of the problems which have arisen, including a loss of 500 MW from an electrical transformer failure in a New York City power plant, and he emphasized that the Authority is working with Con Edison to manage any such equipment problem in the future because the hot and humid weather conditions and the resulting load demands in the City create the potential for serious shortages. President Zeltmann also underscored that the Authority's small generation units, located throughout the City, were once again playing a critical role in meeting the City's demand for power during the heat emergency.

At the President's request, Messrs. Barden and Hamor then provided an update on the status of various legislative proposals under consideration by the New York State Legislature. Mr. Hamor reported that the Power for Jobs legislation, which would continue eligibility of certain New York businesses to low-cost power for economic development purposes had passed both houses of the legislature and had been submitted to Governor Pataki on July 18th for his signature.

Mr. Hamor also reported on the status of various pending bills which might potentially impact the policies, programs and operations of the Power Authority.

Responding to questions from Chairman Ciminelli, Messrs. Hamor and Paslow discussed the contents of a bill regarding the proposed redistribution of certain power allocations among businesses in Niagara and Erie counties.

Responding to questions from Vice Chairman McCullough, Mr. Hamor explained that the item on today's agenda regarding the Authority's Energy Efficient Refrigerator Replacement Program has similar objectives to a piece of proposed legislation.

Mr. Hamor expressed the Public Affairs Department's appreciation for the efforts of the Law Department in assisting with legislative activities.

At President Zeltmann's request, Mr. Hiney reported on the demand and capacity situation in and around New York City. Mr. Hiney credited the Authority's staff engineers for their excellent work in responding to a recent fire emergency at a Consolidated Edison substation in Yonkers, which knocked out a transmission line owned by the Authority. The President added that many Authority engineers and personnel worked throughout the July 4th weekend to obtain vital parts from Japan and install them to restore disrupted services. The President commended them for their hard work and dedication in assessing the measures needed to remedy the situation and to implement the necessary steps. Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Messrs. Hiney and Haase explained that the Authority's future preparation for such emergency will include purchasing and installing two new reactors.

4. <u>Quarterly Review of Power For Jobs Employment Commitments</u>

The President and Chief Executive Officer submitted the following report:

SUMMARY

"All of the Power for Jobs ('PFJ') contracts contain a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

"In order to ensure compliance with agreed-upon job commitments, Authority staff initiates a review of all PFJ power allocations that have an 'anniversary date' within the quarter being reported. This quarterly review covers companies that began receiving power during the 4th Quarter of 1998, 1999, and 2000. The Authority had 56 customers with 61 contracts first receiving power in the 4th Quarter of 1998, 37 customers with 37 contracts first receiving power in the 4th Quarter of 1999, and 8 customers with 8 contracts first receiving power in the 4th Quarter of 2000.

"Thus, staff reviewed a total of 100 customers with 106 contracts. This initial review resulted in a detailed examination of 25 contracts with 25 customers that were below the 90% job commitment threshold. Of these 25 customers, it is recommended that the Trustees approve the continuation of current power allocations to 25 companies that were below their jobs commitment levels.

BACKGROUND

"The 100 contracts reviewed represent overall power allocations of 68.610 MW and total employment commitments of 52,108 jobs. In the aggregate, these customers reported actual employment of 52,850.54 positions, which represents some 101.43% of the total job commitments for PFJ customers reporting on their anniversary dates. Notwithstanding, there are 25 customers whose actual job levels are below the minimum threshold.

DISCUSSION

"At their meeting of March 26, 2002, the Trustees approved a one year moratorium against taking enforcement action against PFJ customers when their actual employment levels fall short of their agreed upon employment commitments.

"As a result, the following discussion of PFJ customers is for informational purposes only. A summary of all contracts discussed in this memorandum is provided as Exhibit '4-A'.

<u>A.T. Reynolds & Sons, Inc</u>., Kiamesha Lake, Sullivan County

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 74 base jobs and 42 created jobs by the end of third year; Phase 4 jobs - 116 jobs

Background: A.T. Reynolds & Sons, Inc., is a fourth generation family owned business, which began in 1885, originally as a manufacturer of ice products, and has since expanded to bottled water and container making for bottled water. Though A.T. Reynolds is below 90% of its employment commitment for the year, it is growing and met its employment commitment with the average of the last 6 months reported. The company hired 23 new people last year. For the past year A. T. Reynolds & Sons, Inc. averaged 97.17 jobs, i.e., 83.76% of its employment commitment.

<u>Alken Industries Inc.</u>, Ronkonkoma, Suffolk County

Allocation: 125 kW of Power for Jobs Power
Jobs Commitment: 47 base jobs and 10 created jobs by the end of third year; Phase 4 jobs - 57 jobs

Background: Alken Industries Inc., founded in 1964, is a small machine shop that manufactures many parts, such as fittings and assemblies, for the aerospace industry. Due to September 11th, several contracts were cancelled, resulting in some lay-offs. However, in January 2002 the company won 3 new Defense Department contracts and has already hired 2 people and is looking for 2 more. Though it is hard for the company to find skilled labor to fill its open spots, they are growing again. Alken expects to meet its commitment next year. For the past year Alken Industries Inc. averaged 45.50 jobs, i.e., 79.82% of its employment commitment.

American Diamond Tool, Inc., Buffalo, Erie County

Allocation: 125 kW of Power for Jobs Power
Jobs Commitment: 40 base jobs and 8 jobs created by end of third year

Background: American Diamond Tool, Inc., founded in 1987 by former Carborundum employees, uses diamonds and borazon for grinding for the forest products industry and many other grinding applications. Business has been hit hard by the economy, as they dropped to about 60% of their workforce compared to before the economy turned downward. However, the company is climbing back and each week things are getting better. ADT is at 32 employees as of May 2002. The company expects to meet its employment commitment next year. For the past year American Diamond Tool, Inc. averaged 32.17 jobs, i.e., 80.42% of its commitment.

Asia Society, Manhattan, New York County

Allocation: 225 kW of Power for Jobs Power
Jobs Commitment: 120 jobs; Phase Four Jobs - 120 jobs

Background: The Asia Society, founded in 1956, is a non-profit organization dedicated to increasing American understanding of the culture, history and contemporary affairs of Asia, as well as, fostering communication between Asians and Americans. The society had undergone a major renovation of its headquarters in 2000 and didn't have operations running in their headquarters until 2001. The average of the last 10 months of reporting met the employment commitment. For the past year Asia Society averaged 106.25 jobs, i.e., 88.54% of its commitment.

CEN Electronics Inc., Caledonia, Livingston County

Allocation: 300 kW of Power for Jobs Power
Jobs Commitment: 175 jobs; Phase 4 Jobs - 121 jobs

Background: CEN Electronics Inc./Applied Energy Solutions, began in 1949 as a magnetics, coils and transformer manufacturer. Today, the company produces industrial battery chargers, hi-tech magnetics for both commercial and military use, as well as, electronic assemblies. The economic downturn hit them hard and forced the company to lay people off. However, the company invested heavily in new equipment and is launching three new products this year -- a rapid charger, opportunity charger and an on board charger. CEN/Applied has garnered high recognition among the world's automotive manufacturers. The company sees growth for the coming year but may not reach its commitment. CEN is almost at 85% of its Phase 4 commitment. For the past year CEN Electronics Inc. averaged 100.74 jobs, i.e., 57.57% of its commitment.

Chapin Watermatics Inc., Watertown, Jefferson County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 82 jobs; Phase 4 Jobs - 82 jobs

Background: Chapin Watermatics Inc., a family owned business, pioneered drip irrigation. The company designs and manufactures row crop drip irrigation hoses and specialty items from its Watertown facility, and distributes it world-wide. Chapin met its employment commitment in 2001 for the first 10 months of reporting but due to the change in the economy after September 11th, its job level was reduced during the fourth quarter. By January 2002 the company met its employment commitment again. For the past year Chapin Watermatics Inc. averaged 69.1 jobs, i.e., 84.27% of its employment commitment.
Cherry Creek Woodcraft Inc., South Dayton, Cattaraugus County

Cherry Creek Woodcraft Inc., South Dayton, Cattaraugus County

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 115 jobs; Phase 4 Jobs - 115 jobs

Background: Cherry Creek Woodcraft Inc., founded in 1976 was a wooden giftwares and trophy component manufacturer that has since changed to become a fiberboard product manufacturer. The company is undergoing installation of new equipment and has also experienced some delays in the implementation of a new product line in the home furnishings market, which accounts for the shortfall in employment. The time frame for implementation has taken longer than anticipated. Cherry Creek fully expects to grow and meet its employment commitment. For the past year Cherry Creek Woodcraft Inc. averaged 83.08 jobs, i.e., 72.25% of its commitment.

Eastern Castings Corp., Cambridge, Washington County

Allocation: 250 kW of Power for Jobs Power
Jobs Commitment: 46 jobs

Background: Eastern Castings Corp., a family owned business, founded in 1946, makes aluminum castings through a permanent mold process. Some of the company's major customers include Harley Davidson Motorcycles and Black & Decker. Eastern Castings has had growth come back this year that has allowed them to bring back some laid-off employees. The company expects to be meeting its employment commitment by the end of this summer 2002. For the past year Eastern Castings Corp. averaged 38.92 jobs, i.e., 84.60% of its employment commitment.

F.P. Pla Tool & Manufacturing Co., Buffalo, Erie County

Allocation: 100 kW of Power for Jobs Power
Jobs Commitment: 40 jobs; Phase 4 Jobs - 40 jobs

Background: F.P. Pla Tool & Manufacturing Co., founded in 1944, is a machine shop functioning on a job-order basis, machining miscellaneous details on small volume lots. The company laid-off several employees in January 2001 but has maintained a steady employment level of about 27 employees since then. They expect the company to grow as the economy improves and they have a positive outlook for meeting their commitment next year. For the past year F.P. Pla Tool & Manufacturing Co. averaged 33.67 jobs, i.e., 84.17% of its employment commitment.

Fermer Precision, Ilion, Herkimer County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 101 base jobs and 41 jobs created by end of third year; Phase 4 Jobs - 80 jobs

Background: Fermer Precision, in business over 15 years, provides machining applications for the metal and plastics industry, specializing in parts for firearms, brakes and gears. Fermer laid off workers due to the economic downturn. The company is growing and is interviewing people, with the expectation of being at 75 employees by year end. While 75 employees does not meet the employment commitment for the third year, it would meet Fermer's Phase 4 job commitment. For the past year Fermer Precision averaged 64.50 jobs, i.e., 45.42% of its commitment.

Flower City Printing, Inc., Rochester, Monroe County

Allocation: 1150 kW of Power for Jobs Power
Jobs Commitment: 167 base jobs and 100 jobs created by end of third year; Phase 4 Jobs - 267 jobs

Background: Flower City Printing, Inc., founded in 1971, is a premier packaging and commercial printer that produces commercial printing, such as catalogues, for consumer oriented manufacturing companies. Last year, Flower City grew employment to over 91% of their employment commitment but the recession and September 11th hurt their business, yet, they did not have large lay-offs like other printers in the area. The company expects to meet its commitment this year. This is so, even while Flower City uses a strategy of overtime rather than new employment as much as they can to limit layoffs in times of uncertainty. For the past year Flower City Printing, Inc. averaged 200.75 jobs, i.e., 75.19% of its employment commitment.

Indian Country Inc., Deposit, Delaware County

Allocation: 450 kW of Power for Jobs Power
Jobs Commitment: 132 base jobs and 50 jobs created by end of third year; Phase 4 Jobs - 182 jobs

Background: Indian Country Inc., a family owned business operating since 1972, makes wood components. In January 2001 the company sold off an unprofitable division resulting in a drop of 40 employees. However, they invested heavily in new equipment and comp leted a major expansion in September 2001, resulting in a hiring of 18 employees. The facility is now the most technologically advanced bluestone production and fabrication facility in the world. The company is expanding and expects to meet their job commitment next year. For the past year Indian Country Inc. averaged 119.42 jobs, i.e. 65.61% of their employment commitment.

Levonian Brothers, Inc., Troy, Rensselaer County

Allocation: 350 kW of Power for Jobs Power
Jobs Commitment: 71 base jobs and 50 jobs created by end of third year; Phase 4 Jobs - 121 jobs

Background: Levonian Brothers, Inc. has been in business since 1947 and is a meat distributor, as well as, a manufacturer of meat products. The company suffered this past year due to the economic downturn and worked very hard to maintain a steady employment level. Recently, they added staff for the summer season. Levonian looks optimistically towards business improving this year. For the past year Levonian Brothers, Inc. averaged 79.50 jobs, 65.70% of its commitment.

Loretex Inc., Guilderland Center, Albany County

Allocation: 750 kW of Power for Jobs Power
Jobs Commitment: 78 base jobs and 26 jobs created by end of third year; Phase 4 Jobs - 104 jobs

Background: Loretex Inc., in business over 30 years, manufactures woven polyethylene industrial fabrics, used primarily for industrial and agricultural applications. Demand for Loretex's product has fallen hard, resulting in a partial shutdown and layoffs. The company expects things to improve later this year. Several new products are going on line and should result in a significant gain in new business. For the past year Loretex Inc. averaged 68.75 jobs, i.e., 66.11% of its employment commitment.

New York Blood Center, Manhattan, New York County

Allocation: 600 kW of Power for Jobs Power
Jobs Commitment: 343 jobs

Background: New York Blood Center (‘NYBC’) has been operating over 30 years. NYBC is the largest blood bank in the world. They provide blood and blood products to many NYC area hospitals. The Center also conducts research in transfusion medicine, including viral research on AIDS and hepatitis. While the Center is slightly below its employment commitment due to lower donations this past year, they currently have plans to hire an additional 10 to 15 full time equivalents. The Center should meet its commitment in 2002. For the past year New York Blood Center averaged 296.77 jobs, i.e., 86.52% of their employment commitment.

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

Allocation: 500 kW of Power for Jobs Power
Jobs Commitment: 140 jobs; Phase 4 Jobs - 140 jobs

Background: Oak-Mitsui, Inc., founded in 1976, produces electro-deposited copper foil for use in printed wire board applications. Oak-Mitsui temporarily reduced their workforce due to a sudden drop in demand for their product, which was caused by the downturn in the economy. As the economy comes back, they expect to grow back as well. They believe that they will be back up to their commitment level this year. For the past year Oak-Mitsui, Inc. averaged 115.50 jobs, i.e., 82.50% of its employment commitment.

Oneida Container Co., Inc., Vernon, Oneida County

Allocation: 200 kW of Power for Jobs Power
Jobs Commitment: 111 base jobs and 12 jobs created by end of third year

Background: Oneida Container Co., Inc., in business for 38 years, manufactures corrugated packaging and corrugated packaging displays. The downturn in the economy hurt Oneida hard. Their major customers business is down by 20%. Oneida's largest customer moved most of its manufacturing overseas, resulting in a significant reduction in Oneida's business. The company is working hard at expanding its out-of-state customers. Oneida anticipates growth during 2002. For the past year Oneida Container Co., Inc. averaged 90.00 jobs, i.e., 81.08% of its employment commitment.

Philips Broadband Networks, Inc., Manlius, Onondaga County

Allocation: 800 kW of Power for Jobs Power
Jobs Commitment: 783 base jobs and 322 created jobs by end of third year

Background: Philips Broadband Networks, Inc., is a leading supplier of hybrid/fiber coaxial wire for telecommunications, as well as, wireless telecommunications platforms. The company provide systems for broadband voice, internet and interactive data, plus, monitoring equipment for broadband network. The economy really hurt the business badly. Employment levels won't be back up to the commitment level for a few years. Philips predicts that their employment level will stay level or grow a little but essentially stay around the 475 to 500 person range. For the past year Philips Broadband Networks, Inc. averaged 665.25 jobs, i.e., 84.96% of its employment commitment.

Richards Machine Tool Co., Inc., Lancaster, Erie County

Allocation: 60 kW of Power for Jobs Power
Jobs Commitment: 21 base jobs and 3 jobs created by end of third year; Phase 4 Jobs - 24 jobs

Background: Richards Machine Tool Co., Inc. was founded in 1973 and is a precision machine shop that manufactures many items out of various materials. In addition to the recession of the past year, September 11th caused business to decline and the company laid-off people for the first time in their history. However, the company has managed to maintain a fairly steady level of employment. Richards just completed its ISO9002 Certification, which it believes will lead them to new business customers. The company is still optimistic that it will grow to meet its commitment. For the past year Richards Machine Tool Co., Inc. averaged 17.58 jobs, 73.25% of its employment commitment.

Shepard Niles Inc., Montour Falls, Schuyler County

Allocation: 800 kW of Power for Jobs Power
Jobs Commitment: 199 base jobs and 7 jobs created by end of third year; Phase 4 Jobs - 206 jobs

Background: Shepard Niles Inc., founded in 1878, is currently a privately held Woman-owned business, that manufactures overhead material handling equipment, particularly, hoists, cranes, monorails and monorail carriers. In January 2002 Shepard Niles filed for Chapter 11 protection. The company is sound on an operational level but has been hampered by legal costs to defend itself in asbestos litigation for asbestos used in their brakes in the early twentieth century, as well as, the very high cost of post-retirement benefits for their retirees. The company is currently looking for asset buyers. For the past year Shepard Niles Inc. averaged 159.67 jobs, i.e., 77.51% of its employment commitment.

Stature Electric Inc., Watertown, Jefferson County

Allocation: 400 kW of Power for Jobs Power
Jobs Commitment: 315 base jobs and 102 jobs created by end of third year

Background: Stature Electric Inc., founded in 1974 as a manufacturer of motor parts sets, now has a complete line of universal and permanent magnet motors and gear motors. Stature also produces brakes for some applications. The company had a difficult year in 2001. The economic downturn, in addition to very fierce competition from home and China, has forced the company to reduce its employment level dramatically. Sales with core customers were down 50%. However, the company is growing again due to development of new markets and new products. Stature rehired 20 laid-off workers as business has come back. The company anticipates meeting its emp loyment commitment by the end of 2002. For the past year Stature Electric Inc. averaged 243.58 jobs, i.e., 77.33% of its employment commitment.

Strandflex, Oriskany, Oneida County

Allocation: 340 kW of Power for Jobs Power
Jobs Commitment: 85 jobs

Background: Strandflex, founded in 1968, manufactures strand and cable in galvanized high carbon steel, stainless steel and other metals for customers manufacturing applications. Strandflex met its employment commitment for the first four months of reporting. The economic downturn significantly hurt business, resulting in lay-offs. Business has since been growing significantly and the company anticipates meeting its commitment by the end of 2002. For the past year Strandflex averaged 59.58 jobs, i.e., 70.10% of its employment commitment.

The Brooklyn Historical Society, Brooklyn, Kings County

Allocation: 30 kW of Power for Jobs Power
Jobs Commitment: 16 jobs

Background: The Brooklyn Historical Society, a not-for-profit organization, fosters an appreciation of Brooklyn and its' 90 plus ethnic groups, through historical artifacts and documents in its gallery and library, as well as, educational programs and after-school workshops. The average of the last 7 months of reported jobs met the employment commitment. The Brooklyn Historical Society currently is meeting its commitment. For the past year The Brooklyn Historical Society averaged 13.21 job, i.e., 82.56% of its employment commitment.

The Harlem School of the Arts, Inc., New York, New York County

Allocation: 50 kW of Power for Jobs Power
Jobs Commitment: 76 jobs

Background: The Harlem School of the Arts, Inc., provides training in the visual and performing arts (music, dance and theater) for kids ages 4 to 21. The school has over 3000 students, with the largest segment of them in the after-school and Saturday program. The school offers on-site arts training ('OLA') to PS District 5 for grades 1 through 3, as well as, college prep for conservatory and arts college bound students. Due to September 11th the Opportunity Learning Arts ('OLA') program was cut causing 20 jobs to be lost. The school hopes to start the program again in September 2002. Provided the program starts again, the school would need to bring back the 20 jobs, which would put them back to meeting their commitment. For the past year The Harlem School of the Arts, Inc. averaged 50.83 jobs, i.e., 66.88% of its employment commitment.

Vesuvius USA Corp., Buffalo, Erie County

Allocation: 750 kW of Power for Jobs Power
Jobs Commitment: 133 jobs; Phase Four Jobs - 133 jobs

Background: Vesuvius USA Corp., purchased the site from Ferro Corp. in 1992 and manufactures refractory cements, crucible and retorts, kiln furniture, wear resistant shapes, pressure pour refractories, investment casting and refractory tubes. The company had significant lose of business this past year due to the slowing economy and the strong dollar, as over 10% of business is for export. The recovery of their business is dependent on the foundry and automotive sectors. Vesuvius does not foresee growth in the short term. For the past year Vesuvius USA Corp. averaged 115.67 jobs, i.e., 86.97% of its employment commitment.

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

Mr. Yates noted that the aggregate number of employees reported by customers whose contracts were reviewed by Authority staff exceeded the total number of job commitments that were made.

Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Mr. Yates explained that, of those customers below the job commitment threshold, some are expected to increase their employment levels in the near future while some are not, and that the "moratorium" recently promulgated by the Trustees runs through the end of the current calendar year.

Exhibit “4-A”

I. ALLOCATIONS TO CONTINUE WITH NO CHANGE

Company	Date of Trustee Approval	Type of Power	Allocation kW	Employment Commitment	Average ‘00-‘01 Jobs	Average Annual % Achieved
A. T. Reynolds & Sons, Inc.	9/28/98	PFJ	500	116	97.17	83.76
Alken Industries Inc.	9/28/98	PFJ	125	57	45.50	79.82
American Diamond Tool, Inc.	6/29/99	PFJ	125	48	32.17	80.42
Asia Society	4/28/98	PFJ	225	120	106.25	88.54
CEN Electronics	9/28/98	PFJ	300	175	100.74	57.57
Chapin Watermatics Inc.	9/28/98	PFJ	400	82	69.10	84.27
Cherry Creek Woodcraft Inc.	9/28/98	PFJ	500	115	83.08	72.25
Eastern Castings Corp.	5/25/99	PFJ	250	46	38.92	84.60
F. P. Pla Tool & Manufacturing Co.,	9/28/98	PFJ	100	40	33.67	84.17
Fermer Precision	9/28/98	PFJ	200	142	64.50	45.42
Flower City Printing, Inc.	3/31/98	PFJ	1150	267	200.75	75.19
Indian Country Inc.	9/28/98	PFJ	450	182	119.42	65.61
Levonian Brothers, Inc.	9/28/98	PFJ	350	121	79.50	65.70
Loretex	9/28/98	PFJ	750	104	68.75	66.11
New York Blood Center	5/25/99	PFJ	600	343	296.77	86.52
Oak-Mitsui, Inc.	9/28/98	PFJ	500	140	115.50	82.50
Oneida Container Co., Inc.	11/24/98	PFJ	200	123	90.00	81.08
Philips Broadband Networks, Inc.	5/25/99	PFJ	800	1105	665.25	84.96
Richards Machine Tool Co., Inc.	9/28/98	PFJ	60	24	17.58	73.25
Shepard Niles Inc.	9/28/98	PFJ	800	206	159.67	77.51
Stature Electric Inc.	6/29/99	PFJ	400	417	243.58	77.33
Strandflex	6/29/99	PFJ	340	85	59.58	70.10
The Brooklyn Historical Society	6/29/99	PFJ	30	16	13.21	82.56
The Harlem School of the Arts, Inc.	5/25/99	PFJ	50	76	50.83	66.88
Vesuvius USA Corp.	9/28/98	PFJ	750	133	115.67	86.97

5. Niagara Power Project - Robert Moses Niagara Power Project Upgrade - Capital Expenditure Authorization Request for Fire Main Replacement and Substructure Roadway - <u>Drainage Replacement and Gantry Crane Upgrade</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize the capital expenditures for the Niagara Power Project ('Niagara') of $3.8 million for replacement of the fire main; $3.55 million for replacement of the substructure roadway drainage; and $3.067 million for upgrade of the Lewiston Pump Generating Plant ('LPGP') 150-Ton Gantry Crane.

<u>BACKGROUND</u>

"The following projects were included in the 2002 Capital Budget approved by the Trustees in December 2001.

<u>DISCUSSION</u>

<u>Niagara Power Project Fire Main Replacement</u>

"The switchyard fire main provides water for the autotransformers deluge systems, fan and relay building, and the fire hydrants located throughout the Niagara switchyard. The existing fire main has deteriorated as a result of corrosion and circulating electrical ground currents. This deterioration has restricted flow on the fire pumps and is the cause of numerous leaks on the system. A new fire main will be installed in the switchyard. The new system will have a cathodic protection system to reduce the corrosion caused by the circulating currents and will meet the current 'National Fire Protection Association' code requirements. The Trustees are requested to approve a capital Expenditure of $3,800,000 for the replacement of the fire main at the Robert Moses Niagara Power Project ('RMNPP').

<u>Niagara Power Project Substructure Roadway Drainage Replacement</u>

"The roadway drainage system, located beneath Lewiston Road and the north and south bound lanes of the Robert Moses Parkway, is leaking and in need of replacement. The original system was designed with cast iron piping. De-icing salts used on the roadway have caused drainage system leaks due to corrosion of the pipes. The drainage system leaks are also causing the de-icing salts to deteriorate the concrete substructure of the roadway. This condition has been cited as a deficiency in the bi-annual bridge and tunnel inspection mandated by the New York State Department of Transportation ('NYS DOT'). The new system will use corrosion resistant piping. The Trustees are requested to approval a Capital Expenditure of $3,355,000 for the replacement of the roadway drainage system at the RMNPP.

<u>Niagara Power Project 150-Ton Gantry Crane Upgrade</u>

"The 150-ton gantry crane has been utilized extensively during the LPGP overhauls and has been subject to several breakdowns and repairs. Breakdown of the gantry crane has a serious impact on the unit outages and creates unnecessary delays. Further, 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 LPGP overhaul work and assure reliable operation of the crane during future maintenance activities, it is necessary to refurbish and upgrade the 150-ton crane at the LPGP. The primary objective of the crane refurbishment and upgrade is to improve crane operation by making the crane more reliable to operate.

"The Trustees are requested to approve a Capital Expenditure of $3,067,000 for upgrade and refurbishment of the 150-ton gantry crane at the LPGP.

FISCAL INFORMATION

"Payments will be made from the Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer- Power Generation, the Regional Manager – Western New York, and the Project Manager – Niagara Power Project recommend that the Trustees authorize capital expenditures of $3,880,000 for the Robert Moses Niagara Power Project fire main replacement; $3,550,000 for the Niagara Power Project substructure roadway drainage replacement; and $3,067,000 upgrade of the Lewiston Pump Generating Plant 150-Ton Gantry Crane.

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

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

Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Mr. Crouch explained that the requested replacements and upgrades are in the process of being competitively bid and were accounted for in the 2002 Capital Budget.

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

RESOLVED, That approval is hereby granted for Capital Funding to be committed in accordance with the Authority's Expenditures Procedures for the Capital Projects as set forth below and as recommended in the foregoing report of the President and Chief Executive Officer, in the amounts and for the purposes listed below:

Capital	**Amount Authorized**
Niagara Power Project Fire Main Replacement	**$ 3,800,000**
Niagara Power Project Substructure Roadway Drainage Replacement	**3,550,000**
Lewiston Pump Generating Plant 150-Ton Gantry Crane Upgrade	**3,067,000**
Total Expenditure Authorized	**$10,417,000**

6. St. Lawrence/FDR Project
Relicensing – Settlement Agreements

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President and Chief Executive Officer, and his designees, to enter into settlement agreements in connection with the relicensing of the St. Lawrence/FDR Project (the 'Project'). The Trustees are also requested to authorize the President and Chief Executive Office and his designees to sign such other documents associated with the settlement agreements as necessary or desirable. Should there be any significant deviations in the settlement agreements from what is described in this item, the President and Chief Executive Officer would not proceed without permission from the Trustees.

BACKGROUND

"At their meeting of October 30, 2001, the Trustees approved the filing of the applications for the Federal Energy Regulatory Commission ('FERC') license and the New York State Department of Environmental Conservation ('DEC') water quality certificate for the Project. In the application, the Authority proposed a number of enhancements to benefit the local communities, State Parks, and the environment. At that meeting, the Trustees were advised that conceptual agreements had been reached with the Local Government Task Force; the Office of Parks; Recreation and Historic Preservation ('OPRHP'); the DEC; the U. S. Fish and Wildlife Service ('USFWS') and New York Rivers United ('NYRU'). Since the filing of the application on October 31, 2001, staff has been negotiating formal detailed agreements based on the conceptual agreements of last year.

"Based upon the Trustees' action of October 2001, the Authority entered into an agreement with the local communities on February 22, 2002. As part of the agreement, the Trustees authorized the first payment of the Community Enhancement Fund to the local communities at their meeting of April 30, 2002.

"The formal agreements nearing completion include those addressing State Parks, Ecological Enhancements, and Fish Passage, as well as a Comprehensive Relicensing Settlement Accord ('umbrella agreement'), which will include the aforementioned agreements, the agreement with the local communities and the agreement with the St. Lawrence Aquarium and Ecological Center ('SLAEC').

DISCUSSION

"On May 17, 2002, FERC accepted the Authority's application for filing. In its letter, FERC included a schedule for the processing of the application. The next step in the process is for the Authority to provide additional information requested in FERC's acceptance letter by August 15, 2002, so that FERC may prepare the Draft Environmental Impact Statement ('DEIS') by the end of 2002. In addition to the information requested by FERC, it would be advantageous for the Authority to file its settlement agreements so that FERC can prepare the DEIS, the Final Environmental Impact Statement ('FEIS') and license order in an efficient manner.

"The following is a summary of the unsigned agreements (all costs are in Year 2003 dollars):

State Parks Agreement

- The Authority will be responsible for designing and arranging for the rehabilitation of existing recreational facilities and construction of new recreational facilities at Robert Moses State Park (estimated cost of $ 6.8 million).
- The Authority will be responsible for designing and arranging for the rehabilitation of existing recreational facilities and construction of new recreational facilities at Coles Creek State Park, including the Wilson Hill Boat Launch (estimated cost of $ 4.4 million).
- OPRHP will manage Galop Island. OPRHP will work with Lisbon to develop boat mooring, a day use dock and primitive recreational facilities on Galop Island. The Authority will provide $300,000 for the construction of these facilities.

- The Authority will implement the proposals within a five-year period commencing on the date upon which a final license for the Project has been issued by FERC and accepted by the Authority.
- OPRHP will support the Authority's application for a license to operate the Project for a term of 50 years in all relevant administrative and judicial forums.

Fish Enhancement, Mitigation and Research Fund ('FEMRF')

- The USFWS agrees that the FEMRF addresses fish passage issues under Section 18 of the Federal Power Act for the project. The Authority will make a lump sum payment of $24 million to establish a FEMRF for research on American eel and other species as they may be affected by the project and to provide mitigation.
- The Authority will install an American eel upstream passage facility (estimated cost of $1.6 million).
- The USFWS will reserve the authority to prescribe fish passage facilities during the term of the license.
- The Authority will reserve its right to challenge any such prescription.
- USFWS will support the issues of a 50-year license term.

Ecological Agreement

- The USFWS, DEC and NYRU agree that the Ecological Agreement, together with the FEMRF Agreement, mitigate any and all impacts from the Project to fish, wildlife and other ecological resources.
- The USFWS, DEC and NYRU support the Authority's entire proposal including a new 50-year license.
- The Authority will undertake and carry out the following ecological mitigation/enhancement measures:
    - Eleven Habitat Improvement Projects (estimated capital cost of $ 8.4 million);
    - Establish a Future Habitat Improvement Fund (estimated cost of $3.9 million);
    - Enhance the Wilson Hill Wildlife Management Area (estimated cost of $9.6 million);
    - Establish a Research and Education Fund (estimated cost of $ 1 million).

Comprehensive Relicensing Settlement Accord

"The Authority, USFWS, DEC, DOS, OPRHP, SLAEC, NYRU and Local Government Task Force and its constituent members would:

- Agree that this Settlement Accord, including the Proposed License Articles and Individual Agreements, will resolve all issues associated with, and constitute a comprehensive settlement relating to issuance of a new 50-year license for the Project.
- Agree that this Settlement Accord establishes the Authority's obligations for the protection, mitigation and enhancement of natural, cultural and recreational resources affected by the Project under a new license issued by FERC.
- Support the Authority's proposal as set forth in its Application for New License for the Project, filed with the FERC on October 31, 2001, and as supplemented and revised by the terms of this Settlement Accord.
- Actively support, in all relevant regulatory proceedings, the incorporation of the Proposed License Articles into the FERC license and incorporation of consistent terms into the water quality certification and other applicable permits and authorizations, as appropriate.
- Agree that if FERC incorporates into the new license the Proposed License Articles, without modification, they will not seek rehearing of the FERC order granting a new license.
- Agree on provisions for administrative appeals, judicial review, withdrawal from the agreement, and dispute resolution.

"The following is a summary of the estimated capital costs of enhancements as agreed to in the settlement agreements:

Local Government Task Force	$ 48.0 million
Aquarium	$ 24.6 million
State Parks Agreement	$ 11.2 million
Fish Enhancement, Mitigation and Research Fund	$ 25.6 million

Ecological Agreement	$ 22.9 million

"It is anticipated that these agreements will be ready for signing during August. To facilitate the execution of the agreements, the Trustees are requested to authorize the President and Chief Executive Officer as well as his designees - the Executive Vice President, Secretary & General Counsel and the Senior Vice President - Public and Governmental Affairs – to enter into the settlement agreements.

FISCAL INFORMATION

"The Trustees approved $6 million for settlement payments in the 2002 budget. It is anticipated that these funds will cover expenses through the end of 2002. Additional funds will be included in future submittals. Payments will be made from the Authority's Capital Fund.

RECOMMENDATION

"The Senior Vice President - Public and Governmental Affairs recommends that the Trustees authorize the President and Chief Executive Officer, and any of his designees, to enter into the settlement agreements for the relicensing of the St. Lawrence/FDR Project. The Trustees are also requested to authorize the President and Chief Executive Office of his designees to sign other documents associated with the settlement agreements as necessary.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary & General Counsel, and I concur in the recommendation."

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

Responding to questions from Vice Chairman McCullough and Mr. Vesce, Mr. Barden explained that the proposed settlement agreements address all of the claims made by community stakeholders, although some Native American issues remain.

Vice Chairman McCullough expressed regret that the media coverage rarely reflects the true extent of the Authority's vast capital expenditures and opined that the Authority should receive more recognition for the significant enhancements which the Authority has and will be undertaking in connection with its relicensing efforts.

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

RESOLVED, That the President and Chief Executive Officer, and his designees be, and hereby are, authorized to enter into the settlement agreements, which shall be approved as to form by the Executive Vice President, Secretary and General Counsel, for the relicensing of the St. Lawrence/F.D. Roosevelt Project; and be it further

RESOLVED, That the President and Chief Executive Officer and his designees be, and hereby are, authorized to sign other documents associated with the settlement agreements as necessary and as may be approved as to form by the Executive Vice President, Secretary and General Counsel.

7. Poletti 500 MW Combined Cycle Facility -
<u>Capital Expenditure Authorization</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize an additional $105 million for the capital expenditures through December 31, 2002 for the 500 MW Combined Cycle Plant at the site of the Charles A. Poletti Power Project ('Poletti'). Of the total of amount requested, $97 million is for scheduled payments to General Electric ('GE') for the 'Power Island' equipment as per the terms of the contract. This will increase the overall approved value of the Capital Expenditure Authorization Request ('CEAR') for this project from the previously authorized amount of $126.7 million to $231.7 million.

<u>BACKGROUND</u>

"At their meeting of December 15, 1998, the Trustees approved the initiation of a project to install 500 MW of combined cycle capacity at the site of Poletti with the authorization of $7.5 million in capital expenditures for the licensing and preliminary engineering services. Subsequently, the Trustees approved additional capital expenditures (listed below) bringing the total authorized amount to $126.7 million.

Date	Purpose	Amount Authorized
October 26, 1999	Funding for 2000 towards GE contract for engineering, design and procurement	$ 23,000,000
December 19, 2000	Funding for 2001 towards GE contract for engineering, design and procurement	$ 36,743,273
March 22, 2001	Funding for construction management services with DMJM Harris	$ 2,000,000
October 30, 2001	Funding for acquisition of emission reduction credits	$ 3,255,000
December 18, 2001	Funding for site preparation contract	$ 6,063,000
February 26,2002	Funding for January through April 2002	<u>$ 44,000,000</u>

As of June 2002, the total amount spent on the Project is $128.7 million.

"On August 18, 2000, the Authority submitted to the New York State Board on Electric Generation Siting and the Environment ('Siting Board') an application for a certificate to construct and operate the Project. The Authority submitted supplemental filings on October 9, 2000, January 22, 2001, and April 24, 2001. On April 30, 2001, the Siting Board advised the Authority that its Application was completed. A decision supporting the grant of a Certificate was issued by the presiding judges on December 17, 2001. As of January 22, 2002, the matters were fully briefed and presented to the Siting Board. On January 24, 2002, the Siting Board directed that there be additional hearings on the issue of the Project PM 2.5 impacts. The hearings were held on April 3, 4 and 5, 2002. To accommodate ongoing settlement discussions among several intervening parties to the Article X proceeding and the Authority, the Siting Board has, with Authority concurrence, postponed action on the Application through July 31, 2002.

"Engineering and design activities for the Project are essentially complete. The construction drawings are ready to be issued as soon as the award is made for General Work Contract. All major equipment has been ordered and is in fabrication. Equipment deliveries are scheduled to begin in August 2002. At their meeting of June 25, 2002, the Trustees authorized leasing of property from Consolidated Edison Company of New York, Inc. ('Con Edison') at the Astoria complex. This area will be used to unload and store equipment for the 500 MW Project.

"The site preparation contract was awarded to Northstar Contracting Corporation ('Northstar') on December 18, 2001. Due to fabrication lead time, the contractor was authorized only to procure steel piles for equipment foundations but was not authorized to mobilize on the site. The steel and sheet metal piles were fabricated and are in storage. The Authority has paid $1.6 million to Northstar for the material. The contractor was scheduled to start the site work in February 2002, based on the issuance of the Article X Certificate in February 2002, to support the plant in-service date of May 2004. The work on site cannot start until the Certificate is received. For each day the Certificate receipt is delayed, there will be a day-for-day delay in the in-service date for the new facility. Currently, the earliest in-service date is December 2004.

"A General Work Contract bid package for the construction of 'Power Island' was issued for bid in December 2001. Two bids were received on April 23, 2002. A fuel supply and bulk storage contract bid package was issued for bids on January 29, 2002, and five bids were received on May 7, 2002. Both sets of bid proposals are being evaluated. Authorization to award the General Work Contract and the fuel supply and bulk storage contract will be requested from the Trustees after the receipt of the Article X Certificate.

DISCUSSION

"Based on the General Work Contract bid prices, the Project budget estimate was increased from $475 million to $650 million.

"At their meeting of February 26, 2002, the Trustees authorized an additional $44 million for the capital expenditures from January through April 2002. At the time, it was expected that the Article X Certificate would have been issued by April 2002, at which time the balance of the funding for the Project and authorization to award the construction contracts would have been requested. To date, the Trustees have authorized $126.7 million, of which $98 million is for payments to GE for the plant equipment.

"The requested additional authorization of $105 million is for procurement, construction management, material storage, and Authority's direct and indirect costs for the remainder of the year 2002. Of the requested amount, $97 million is for scheduled payments to GE for the power plant equipment. The contract with GE calls for monthly payments from the inception through equipment deliveries to the site. As the issuance of the Article X Certificate is delayed, the Authority negotiated with GE delaying delivery of certain equipment to 2003. This resulted in reduction in the total scheduled payments to GE through the end of 2002.

"Delivery of steam generator components will start in August 2002. In order to facilitate unloading and storing of this material, the Authority leased vacant property at the Astoria complex from Con Edison. To store the equipment at the site, the property needs to be cleared, leveled, and graveled. In addition, a specialty rigging and transportation services contract is required to unload and transport the materials from a barge to the storage area. Estimated cost for this work is $2 million, which includes the cost of the Con Edison lease through the end of 2002.

"Based on the initial schedule to start the plant construction in early 2002, it was necessary to have a Construction Manager on board by mid 2001. In May 2001, the Trustees authorized award of a construction management services contract to DMJM+Harris of New York City in the amount of $8 million with an expenditure commitment of $2 million for the initial period of 12 months. As of May 2002, DMJM+Harris expended $1.5 million on the construction management services which included constructability review of the construction documents, assistance with preparation of bid documents and evaluation of bid proposals, development of the site layout plans, and preparation and submittal of construction permit applications.

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 Senior Project Manager, recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees authorize $105 million for the capital expenditures through December 31, 2002 for the 500 MW Combined Cycle Plant at the site of the Charles A. Poletti Power Project.

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

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

Responding to questions from Chairman Ciminelli, Messrs. Grzan and Crouch explained that staff is making every effort to keep the 500 MW power plant budget as low as possible and to meet the forecasted budget goals which were previously set. Mr. Crouch added that staff, for example, is working with GE to "repackage" certain "takeout prices" and is reviewing construction designs to keep costs down. Mr. Grzan noted that such efforts should result in potential savings of approximately three or four million dollars.

Responding to questions from Chairman Ciminelli, Mr. Grzan provided an overview of the cost and scope of the electrical work, and explained that he is attempting to cut costs by installing pre-wired equipment. Mr. Grzan also reported that contracts will be awarded for fuels; electrical transmission, and certain substation work.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts and Expenditure Authorization procedures adopted by the Authority, capital funding is hereby approved to be committed in the amount of $105,000,000 of the capital expenditures through December 2002 for the 500 MW Combined Cycle Plant at the site of Charles A. Poletti Power Project and for the purposes listed below:

Description	Current Estimate ($000's)	Previously Authorized Amount ($000's)	Current Request ($000's)	Total Authorized Amount ($000's)
Legal/Licensing	$ 10,000	$ 8,355	$ 0	$ 8,355
Eng/CM	16,000	7,400	1,000	8,400
Procurement	253,000	97,743	97,000	197,743
Construction	335,500	6,063	2,000	8,063
Working Capital	3,500	0	0	0
Direct/Indirect	32,000	7,146	5,000	12,146
Total	$ 650,000	$126,707	$ 105,000	$ 231,707

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, authorization for an additional commitment in the amount of $1,000,000 to DMJM+HARRIS for the period ending December 31, 2002 is hereby approved.

Capital	Contract Award	Previous Authorization	Current Authorization	Total Expenditure Authorization
DMJM+HARRIS	$8,000,000	$2,000,000	$1,000,000	$3,000,000

8. Agreement for Access to and Use of Sound Cable for Fiber Optic Strands by the Long Island Lighting Company

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an agreement ('Agreement') for access and use for a period of 30 years of four Sound Cable Project ('SCP') fiber optic strands to the Long Island Lighting Company D/B/A LIPA ('LIPA'), for annual payments of $60,000.

BACKGROUND

"Fiber optic cable was installed as part of the SCP. Each cable contains 12 fiber optic strands. The Authority currently uses eight of the 12 strands in each cable to meet the relay and communications requirements of the SCP. At the time of the installation of the fiber optic cable, the Authority installed four extra strands per cable at a differential cost of approximately $200,000. The Authority never had a planned use or need for these four extra strands per cable.

"LIPA and Consolidated Edison Company of New York, Inc. ('Consolidated Edison') own, operate and maintain a 345 kV transmission power cable between Consolidated Edison's Dunwoodie Substation and LIPA's Shore Road substation (the 'Y-50 Cable'). Since the original design for utilizing fiber optics as a means for protecting the SCP was implemented there have been major advances in technology. These advances have resulted in increasing the capacity of the individual strands, making it extremely unlikely that the Authority will ever need the unused four strands in each cable. In order to operate a high speed relay protection scheme to trip breakers on either end of the Y-50 Cable, LIPA has requested the right to use four of these spare fiber optic strands in the fiber cables owned, operated and maintained by Authority. The Authority proposes to allow LIPA access to and use of these four strands for a period of 30 years.

DISCUSSION

"After completion of the SCP, the Authority entered into discussions with a telecommunications company which expressed interest in access to some of the fiber optic strands. Those discussions concluded without an agreement. Subsequently, on March 8, 1993, the Authority advertised in the New York Times for companies interested in bidding for access to and use of eight fiber optic strands. Also, a notice of solicitation was placed in the New York State Contract Reporter in March 1993. Concurrently, bid packages were sent to six selected companies, including the company with which the Authority first held negotiations. Two proposals were received and the Authority entered into negotiations with the high bidder, (another telecommunications company). The high bidder encountered financial difficulties and advised the Authority, in April 1994, that it was withdrawing its offer.

"During August 1994, Metropolitan Fiber Systems of New York, Inc. ('MFS') contacted the Authority regarding the availability of access to eight of the SCP fiber optic strands. MFS did not previously approach or submit a bid for the fiber capacity. The Authority and MFS entered into an agreement which was terminated approximately three years after execution. During that period, the Authority collected in excess of approximately $1,200,000 of rental fees for the eight strands. MFS never utilized the strands. No subsequent requests for use of the SCP fiber optic strands have been received until LIPA's request which was initiated on or about December 2001.

"The Agreement is the result of LIPA and Authority staff negotiations. This Agreement with LIPA as a result of solicitation by LIPA does not contravene any applicable Authority policy or procedure. Also, the Agreement terms are financially equitable in light of the fact that there have been no competing requests for use of the cable and the Agreement with LIPA enables LIPA to operate a high speed relay protection scheme to trip breakers on either end of the Y-50 Cable and to ensure continued supply of electricity to Long Island.

"The total income from this Agreement to the Authority is $1,800,000 over the 30 year period. LIPA has the right to terminate the Agreement upon six months written notice to the Authority.

<u>FISCAL INFORMATION</u>

“The proposed Agreement will yield an income stream of $1,800,000 over the 30-year period. Funds received under this Agreement will be deposited to the Operating Fund.

<u>RECOMMENDATION</u>

“The Vice President and Chief Engineer – Power Generation, and the Vice President Procurement and Real Estate, recommend that the Trustees approve the proposed Agreement allowing the Long Island Power Authority the access to and use of four Sound Cable Project fiber optic strands on substantially the terms and conditions, as set forth in this memorandum.

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

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

Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Ms. Shea explained that, under the proposed agreement, the Authority retains the right to terminate after the initial 15 year term.

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

RESOLVED, That the Agreement between the Authority and the Long Island Power Authority, whereby LIPA shall have access to and use of four Sound Cable Project fiber optic strands on substantially the terms and conditions, including repair obligations, as set forth in the foregoing report of the President and Chief Executive Officer be, and hereby is, approved; and be it further

RESOLVED, That the Vice President and Chief Engineer – Power Generation, or his designee be, and hereby is, authorized to execute the aforesaid Agreement, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and to execute such other documents as may be necessary or desirable to effectuate the foregoing.

9. Transfer of High Load Factor Power from the
Encore Paper Company to SCA Tissue, N.A.

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the transfer of 20,000 kW of High Load Factor power from the Encore Paper Company ('Encore') to SCA Tissue, N.A, ('SCA'), a portion of which (up to 2,000 kW) will be delivered to SCA's Greenwich Facility in Washington County. As part of the transfer, SCA will maintain an employment level of 300 jobs at its facilities in South Glens Falls and Greenwich.

BACKGROUND

"Encore was established in March 1992 at the site of the former James River Mill facility. Since then, Encore has grown into becoming the state's largest recycler for the manufacture of paper towels, tissue and napkins and one of the largest employers in the South Glens Falls area.

"On January 16, 1996, the Authority entered into a contract with Encore for the sale of 9,000 kW of high load factor power and a job commitment of 254 jobs. At their meeting of April 28, 1998, the Trustees approved an additional allocation of 5,000 kW to Encore and increased its job commitment to 300 jobs as part of a proposed expansion project at the South Glens Falls facilities. At their meeting of May 20, 1999, the Trustees approved an additional allocation of 6,000 kW to further support Encore's expansion plans.

"SCA, a Swedish papermaking conglomerate, and the third largest tissue company in North America, recently purchased Encore and has requested that the agreement with Encore concerning the 20,000 kW allocation be assigned to SCA. SCA is also requesting that up to 2,000 kW of the 20,000 kW be made available for delivery to its Greenwich finishing plant. The total allocation of 20,000 kW will have a commitment of 300 jobs.

DISCUSSION

The Successful Expansion at the Paper Mill

"Beginning in 1996, with the help of the Authority's first allocation of 9,000 kW, Encore was able to invest approximately $2 million in new capital equipment and upgrades to existing equipment to boost production of its 100% recycled paper products.

"Three years later in 1999, with help from the Authority's second allocation of 5,000 kW, the company was able to complete a $36 million expansion including the installation of a new paper machine and de-inking facility, which boosted manufacturing capacity by 30%. At around this time, Encore also built a new 250,000-square foot warehouse and distribution facility in Saratoga Springs.

"The company now produces more than 85,000 tons of paper annually on three paper machines and converts six million cases of finished tissue products per year on 20 converting machines. Products produced include roll and folded towels; dinner, luncheon, and dispenser napkins; and bathroom tissue. Encore's brand names: Encore; Ovation; and Intuition, are marketed primarily to the Away-From-Home market in the eastern US.

Need for Additional Converting Capacity

"However, with the success of its ongoing expansion efforts, the South Glens Falls mill is now making more tissue than its converting machinery can handle. In papermaking, 'converting' means taking giant 'parent' rolls of paper weighing two tons or more, and placing them on highly specialized machinery to 'convert' or bring the giant rolls down to conventional size rolls of paper towel or bath tissue, or napkins of various types.

"Until recently, the only viable way to accommodate the increased requirement for converting was for Encore to contract with out-of-state converters to convert the bulk rolls of tissue and convert them into finished products.

SCA Acquisition - Synergies

"SCA's acquisition of Encore complements SCA's current tissue operations in the US through improved logistics. For example, SCA has owned a finishing-only operation in Greenwich, New York since 1995. The Greenwich mill, which converts tissue paper into napkins currently, is operating at about 45% capacity. With SCA's acquisition of Encore, the bulk rolls that cannot be finished due to capacity constraints at the South Glens Falls Mill, can now be shipped to SCA's Greenwich facility to be converted into various products, including paper towels and bathroom tissue. Concurrently, Encore's paper production can be used directly by SCA's nearby converting plants in northeastern US, while Encore's product offering in other regions of the US will be incorporated into SCA's current operations. Therefore, it is recommended that up to 2,000 kW of the total 20,000 kW be delivered to the Greenwich facility in support of the company's increased need for finishing capacity.

Dissolution of the Former Encore Paper Company

"With SCA's purchase of Encore, the former Encore Paper Company, including the name, 'Encore Paper Company' will be integrated into SCA. It is projected that SCA and Encore combined will have annual sales of approximately $850 MM and 2,650 employees in 15 locations in the US and Canada. The combined companies will have 445,000 tons of paper production capacity and 580,000 tons of converting capacity.

"As a result of this acquisition SCA will gain the ability to pool its resources and achieve economies of scale, in addition to combining the strengths of the different companies involved and improving its service to its customers.

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

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the transfer and distribution of the 20,000 kW of High Load Factor Power from the Encore Paper Company to SCA Tissue, N.A as indicated above.

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

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

RESOLVED, That the transfer and redistribution of Encore Paper Company's allocation of 20,000 kW to SCA Tissue North America be, and hereby is, approved as described in the foregoing report of the President and Chief Executive Officer; and be it further

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

10. Authorization to Increase Budget and Authorize Funding Relating to NYISO Interconnection Costs

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize an increase in the budget for the PowerNow! Generation Project ('PowerNow! Project') in the amount of $7.5 million and to authorize funding for the PowerNow! Project and the 500 MW Poletti Project ('500 MW Project' as follows: (1) $10.645 million for the PowerNow! Project, and (2) $10.994 million for the 500 MW Project, which funding shall allow for the payment by the Authority of its obligations under the New York Independent System Operator ('NYISO') Rules to Allocate Responsibility for the Cost of New Interconnection Facilities ('Cost Allocation Rules') relating to the costs of upgrades to the transmission system of Consolidated Edison Company of New York, Inc. ('Con Edison').

DISCUSSION

"Under the NYISO's Cost Allocation Rules, the costs of upgrades to the Con Edison transmission system resulting from new interconnections are to be shared by certain generators which have recently interconnected or which have indicated their intent to interconnect to such system. The current cost allocation (which considered the effect of several existing and prospective plants, including the Authority's plants) established the Authority's share as $10.645 million for the PowerNow! Project and $10.994 million for the 500 MW Project. The Authority accepted its cost allocations and must post security for its payment to Con Edison for its share of the system upgrades by the beginning of August. The costs allocated by the NYISO for the PowerNow! Project were not previously budgeted, and funding authorization for the NYISO cost allocations for both Projects is being requested.

FISCAL INFORMATION

"Payment of the NYISO costs attributable to the PowerNow! Project would result in an increase of $7.5 million over the Project budget of $605 million plus $15 million for the associated community outreach program. The 500 MW Project has a budget of $650 million, which includes the NYISO cost allocation.

RECOMMENDATION

"The Vice President - Project Management recommends that the Trustees authorize an increase in the budget for the PowerNow! Project of $7.5 million and authorize funding of $10.645 million and $10.994 million for the PowerNow! Project and the 500 MW Project, respectively.

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

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

Responding to questions from Chairman Ciminelli and Vice Chairman McCullough, Mr. Hiney explained the logistics of the Authority's interaction with KeySpan and Con Edison as well as the significance of the proposed authorization.

Responding to questions from Mr. Warmath, Messrs. Hiney and Haase explained that the issues surrounding the Authority's obligations under the NYISO Cost Allocation Rules are not new or unanticipated issues.

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

RESOLVED, That an additional $7.5 million in funds from the Capital Fund be authorized for the PowerNow! Project; and be it further

RESOLVED, That funding is authorized as follows: (1) $10.645 million for the PowerNow! Project, and (2) $10.994 million for the Poletti 500 MW Project, which funding shall be for the purpose of allowing for the payment of the Authority's obligations under the New York Independent System Operator "Rules to Allocate Responsibility for the Cost of New Interconnection Facilities" relating to the costs of related upgrades to the transmission system of Consolidated Edison Company of New York, Inc.; and be it further

RESOLVED, That the Chairman, President and Chief Executive Officer, Executive Vice President, Secretary and General Counsel, Senior Vice President and Chief Financial Officer, Deputy Secretary and Deputy General Counsel, Treasurer, Deputy Treasurer, and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements, letters of commitment, and other documents, which they, or any of them, may deem necessary or advisable in order to effectuate the foregoing Resolutions.

11. Energy Efficient Refrigerator Replacement Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an energy efficient refrigerator replacement program for public housing authorities in New York State created by state or local law as part of the New York Power Authority Energy Services Program ('ESP').

DISCUSSION

"The recommended revision to the Energy Services Program is designed to help achieve the policy objectives of the 2002 State Energy Plan and assist state and local government efforts to meet the goals of Executive Order 111.

"The New York State Energy Plan, approved by the New York State Energy Planning Board in June 2002, includes among its five major public policy objectives 'increased energy diversity in all sectors of the State's economy through greater use of energy efficiency technologies…' Specifically, the State Energy Plan recommends that the New York Power Authority increase its annual investments in energy efficiency by 25%.

"In June 2001, Governor Pataki issued Executive Order No. 111 ('the Order'), directing state agencies to be more energy efficient and environmentally aware. Among it provisions, the Order requires State agencies and other affected entities 'to seek to achieve a reduction in energy consumption by all buildings they own, lease or operate of 35 percent by 2010 relative to 1990 levels.' Although municipalities, school districts and other local government entities are not subject to the requirements of the Order, they are 'encouraged to review their energy efficiency practices and procedures, to institute appropriate operational and maintenance modifications, and to accelerate the implementation of energy efficiency projects.' Consistent with the Order, the Authority will assist local governments and school districts to achieve the goals of the Order.

"In February 1995, the Trustees authorized $40 million to implement a refrigerator replacement program for SENY customer public housing authorities, including the New York City Housing Authority ('NYCHA'). This program has grown into a highly successful energy services program, with over 160,000 high-efficiency refrigerators installed to date in NYCHA buildings. NYCHA has realized $5.5 million in annual energy savings, and almost 67,000 tons of greenhouse gases have been avoided through this program. The program, which installs units that consume about one-third the electricity of older models, is expected to replace 181,000 refrigerators by 2003, saving $7.2 million annually in electricity costs. As part of the program, the Authority has also engaged an appliance recycler in Syracuse to remove salvageable components from the older units and recycle millions of pounds of aluminum, copper, steel and cardboard. The program has served as a model for more than 100 public housing authorities and electric utilities from North Carolina to Alaska.

"The Trustees are now requested to authorize the inclusion of an energy efficient refrigerator replacement program for other public housing authorities in New York State that have been created by state or local law. This program shall be deemed to be part of the ESP, which currently has approved funding of $183 million.

"The New York State Division of Housing and Community Renewal, the Buffalo Municipal Housing Authority and the Syracuse Housing Authority have expressed interest in participating in a refrigerator replacement program. A refrigerator replacement program could result in significant energy savings from the installation of approximately 6,000 refrigerators at the Buffalo and Syracuse facilities.

"Any analysis required under the SEQRA will also be performed prior to project implementation.

FISCAL INFORMATION

"No increase in total authorization is being requested for the ESP at this time. In addition to Commercial Paper Note proceeds and/or Capital Fund monies, each refrigerator replacement project may also be funded with Petroleum Overcharge Restitution ('POCR') funds allocated to the Authority by the New York State legislation, in such amounts as the Senior Vice President - Energy Services and Technology deems advisable.

RECOMMENDATION

"The Senior Vice President – Energy Services and Technology recommends that the Trustees approve an energy efficient refrigerator replacement program for public housing authorities in New York State created by state or local law as part of New York Power Authority Energy Services Program.

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

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

RESOLVED, That an energy efficiency program, consisting of the replacement of refrigerators with energy efficient refrigerators, for public housing authorities in New York State created by state or local law, in such form and having such terms and conditions as deemed feasible and advisable by the Senior Vice President - Energy Services and Technology, is hereby authorized; and be it further

RESOLVED, That the energy efficiency refrigerator replacement program described above shall be deemed part of the ESP, and such program may be funded with the proceeds of Series 1, 2, or 3 Commercial Paper Notes, Capital Fund monies, and/or Petroleum Overcharge Restitution funds allocated to the Authority by New York State legislation, with such POCR funding being in such amounts as deemed advisable by the Senior Vice President – Energy Services and Technology; and be it further

RESOLVED, That all officers of the Authority are authorized to take all actions and to execute all agreements, certificates or other documentation subject to approval as to form thereof by the Executive Vice President, Secretary and General Counsel, as may be necessary or advisable to effectuate the intent of the foregoing resolution.

12. Motion to Conduct an Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session to discuss matters relating to settlement of certain administrative litigation and to the security of Authority facilities."

On motion duly made and seconded, an Executive Session was held at approximately 10:58 a.m. in connection with matters relating to certain administrative litigation and to the security of Authority facilities.

13. Authorization for President and Chief Executive Officer to Enter into and Execute a Supplemental Joint Stipulation Agreement <u>relating to the Article X Proceeding for the 500-MW Combined Cycle Plant</u>

The President and Chief Executive Officer submitted the following report:

<u>SUMMARY</u>

"The Trustees are requested to authorize the President and Chief Executive Officer to enter into and execute on behalf of the Authority a Supplemental Joint Stipulation Agreement (the 'Stipulation Agreement') substantially in the form set forth in Exhibit '13-A' attached hereto, in connection with the Authority's Application under Article X of the Public Service Law for a Certificate of Environmental Compatibility and Public Need (the 'Certificate') from the New York State Board on Electric Generation Siting and the Environment (the 'Siting Board') for the Authority's planned 500-MW Combined Cycle Project (the 'Project') at the Poletti Project site.

<u>BACKGROUND</u>

"The Authority filed an Application for a Certificate for the Project on August 18, 2000, and a Supplement to the Application on January 22, 2001. The Application was determined to be complete on April 30, 2001. Public hearings on the Application were held on June 5, 2001 and were followed by pre-hearing issues conferences. Adjudicatory hearings were held on September 10 and October 11, 2001, on emission rates, merchant plant status and the Market Assessment and Portfolio Strategies computer modeling (commonly known as 'MAPS'), with briefs on these issues filed shortly thereafter. Topic agreements addressing issues related to construction and operation of the Project were signed by the Authority, the New York State Department of Public Service ('DPS'), the New York State Department of Environmental Conservation ('DEC') and the New York State Department of Health ('DOH') on October 18, 2001.

"A Recommended Decision from the DPS and the DEC administrative law judges recommending that the Project be approved by the Siting Board was issued on December 17, 2001.

"On January 24, 2002, the Siting Board remanded the proceeding to the Examiners to hold additional adjudicatory hearings on a single issue: the relationship of particulate matter sized 2.5 microns ('PM2.5')and public health. Such adjudicatory hearings were held on April 3-5, 2002, and briefs on the PM2.5 issue were submitted to the Siting Board on April 12, 2002.

<u>DISCUSSION</u>

"The Authority Staff and certain environmental intervenors (the 'Intervenors') have been negotiating certain issues to reach a settlement which would result in the Intervenors supporting the issuance of the Certificate for the Project. Chief among these issues is the closure of the Authority's Poletti Project on February 1, 2008 if certain conditions have been met at that time, including the condition that such closure would not have an unacceptable impact on the reliability of electric service in the metropolitan New York City area.

"The Authority Staff and the Intervenors have reached agreement on the aforementioned issues, which agreement is reflected in the draft Stipulation Agreement, attached hereto as Exhibit '13-A.'

"Staff has also concluded that the closure of the Poletti Project under the conditions specified in the Stipulation Agreement will not violate Section 605 of the General Resolution authorizing Revenue Bonds, which allows discontinuation of a Project's operation if such operation is not essential for the rest of the Authority's Projects.

FISCAL INFORMATION

"The outstanding debt on the Poletti Project can be completely retired by 2007. This will require the use of up to $200 million in Operating Fund monies during the period 2002-2007. Any other potential financial consequences of the closure, if it occurs in February 2008, can be mitigated or eliminated by our own actions in managing the Authority's business.

RECOMMENDATION

"The Senior Vice President - Public and Governmental Affairs recommends that the Trustees authorize the President and Chief Executive Officer to enter into and execute a Stipulation Agreement, substantially in the form attached hereto as Exhibit '13-A', with such additions, deletions and revisions as he may deem necessary or advisable.

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

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

RESOLVED, That the President and Chief Executive Officer is hereby authorized to enter into and execute a Supplemental Joint Stipulation Agreement, substantially in the form set forth in Exhibit "13-A" attached hereto, (1) with all or some of the entities specified in Exhibit "13-A" or with additional entities, and (2) with such additions, deletions, and revisions to the terms and conditions set forth in Exhibit "13-A," all as deemed necessary or advisable by the President and Chief Executive Officer; and be it further

RESOLVED, That the closure of the Poletti Project under the terms of the Supplemental Joint Stipulation Agreement referenced in the foregoing Resolution, will not violate the requirements of Section 605 of the General Resolution authorizing Revenue Obligations.

RESOLVED, That the Treasurer and Deputy Treasurer are each hereby authorized to utilize in the period 2002-2007 up to $200 million in Operating Fund monies to retire Authority debt associated with the Poletti Project, provided that the Treasurer or Deputy Treasurer certifies that such monies at the time of their withdrawal are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the General Resolution authorizing Revenue Obligations.]

RESOLVED, That all officers of the Authority are hereby authorized to take all actions and to execute all agreements, certificates or other documentation as may be necessary or advisable to effectuate the intent of the foregoing Resolutions.

14. Motion to Resume Meeting in Open Session

"Mr. Chairman, I move to resume the meeting in open session."

On motion duly made and seconded, the meeting resumed in open session at approximately 11:31 a.m.

15. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, September 17, 2002** at the **White Plains Office at 11:00 a.m.,** unless otherwise designated by the Chairman with the concurrence of the Trustees.

16. **Closing**

Upon motion made and seconded, the meeting was closed at 12:30 P.M.

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

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