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

February 24, 2004

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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 11:35 a.m.

Present:	Louis P. Ciminelli, Chairman
	Frank S. McCullough, Jr., Vice Chairman
	Timothy S. Carey, Trustee
	Joseph J. Seymour, Trustee
	Michael J. Townsend, Trustee

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 – Corporate Services and Administration
Peter A. Barden	Senior Vice President – Public and Governmental Affairs
H. Kenneth Haase	Senior Vice President – Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Thomas P. Antenucci	Vice President – Project Management
Arnold M. Bellis	Vice President – Controller and Acting Chief Financial Officer
John M. Hoff	Vice President – Procurement and Real Estate
Gary Paslow	Vice President – Governmental Affairs and Policy Development
Donald A. Russak	Vice President – Finance
Anne Wagner-Findeisen	Vice President – Ethics and Regulatory Compliance
Thomas Warmath	Vice President and Chief Risk Officer
James H. Yates	Vice President – Major Accounts Marketing and Economic Development
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Michael E. Brady	Treasurer
Dennis T. Eccleston	Chief Information Officer
Angela D. Graves	Deputy Secretary
John B. Hamor	Executive Director – State Governmental Relations
Jordan Brandeis	Director – Supply Planning, Pricing and Power Contracts
Arthur M. Brennan	Director – Internal Audit
Thomas J. Concadoro	Director – Accounting
Angelo S. Esposito	Director – Energy Services
Daniel Wiese	Director – Corporate Security/Inspector General
James F. Pasquale	Manager – Business Power Allocations and Compliance
John Grzan	Senior Project Manager
Edward A. Welz	Project Manager
Roger W. Busha, Jr.	Investigator
Mary Jean Frank	Associate Secretary
Lorna M. Johnson	Assistant Secretary
Louise Nestler	Assistant Ethics and Compliance Officer
Bonnie Fahey	Executive Administrative Assistant
Noelle M. Zandri	Secretary to General Counsel
Dorothy Lechmanski	Budget Director, New York State Division of Budget
Andy Hess	Voith Siemens

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

1. Approval of the Minutes of the Meeting held on January 27, 2004

The minutes of the meeting of January 27, 2004 were unanimously adopted.

2. Financial Reports for the Year Ended December 31, 2003 (Final) and for the Month Ended January 31, 2004

Mr. Bellis provided the Financial Reports for the *year* ended *Decem*ber 3*1*, 2003 *(final) and the month ended January 31, 2004. In response to a question from Chairman Ciminelli, a discussion ensued about hedging fuel costs. Responding to questions from Trustee Seymour and Vice Chairman McCullough, Mr. Bellis said that the $45 million SENY loss in 2003 was due to high energy prices and Indian Point outages and that another SENY rate increase was anticipated in 2005. In response to a question from Trustee Seymour, Mr. Hiney said that the in-city capacity was at around 80%. Responding to a question from Trustee Carey, Mr. Bellis said that the Authority's cost per kilowatt-hour was three cents, or 8% over budget, primarily due to higher fuel costs than forecasted.*

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

President Zeltmann asked Mr. Hiney to present an overview of the plant upgrades at the hydro projects. Mr. Hiney reported that upgrades had resulted in the efficiency of the Niagara plant improving from 91.5% to 94.5% and increased the power output at which maximum efficiency is achieved, which added the equivalent of 2.6 new units. At St. Lawrence, the 2.6% gain in efficiency and increased power output at maximum efficiency provide flexibility for scheduling maintenance during high-demand periods. And at Blenheim-Gilboa, following the upcoming upgrades, cycle efficiency is expected to improve from 66% to 73%. Mr. Hiney explained that all of the upgrade projects will reduce the maintenance required for each of the plants and that cavitation damage would be reduced due to improved turbine design and the new materials used in the upgrades.

4. Proposed Neighboring States Hydro Power Contracts – Transmittal to the Governor

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve the attached hydropower contracts (Exhibits '4-A1' and '4-A2') with the six neighboring states ('the Neighboring States Contracts') and authorize their transmittal to the Governor for his approval.

BACKGROUND

"Article 28 of the original Federal Power Commission license for the St. Lawrence/FDR Power Project ('St. Lawrence') issued in 1953 required that the Authority 'make a reasonable portion of the power capacity and a reasonable portion of the power output available for use within the economic market area in neighboring states . . .' The Power Authority Act authorizes the Authority to sell a 'reasonable share' of Niagara Power Project ('Niagara') and St. Lawrence power to Neighboring States.

"Pursuant to the foregoing license condition, the Authority has been selling hydropower from St. Lawrence to Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont. Contracts with the seven Neighboring States covering Niagara* and St. Lawrence power sales were due to expire on June 30, 2001, but were extended to October 31, 2003 by letter agreements dated December 20, 2000 and March 22, 2002.

"On October 23, 2003, the Federal Energy Regulatory Commission ('FERC') issued a new St. Lawrence license to the Authority that approved a settlement with six of the states, (Connecticut, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont ('the Settling States')), under which the Authority is to make approximately 34.5 MW from St. Lawrence available to the six states with a corresponding amount of non-firm energy. The 0.5 MW portion would increase the allocation to Rhode Island and Vermont to a full megawatt each. These amounts were agreed upon with the Settling States and were incorporated into a settlement agreement filed with FERC concerning the sale of St. Lawrence power under the new license. Massachusetts declined to sign the settlement agreement.

"FERC also ordered that Massachusetts be allocated 4.8 MW (50% of its prior 9.6 MW allocation), in addition to the 34.5 MW allocated to the Settling States. This has increased the allocations of St. Lawrence power to all seven Neighboring States to 39.3 MW. Staff has filed a petition for rehearing with FERC challenging that part of its decision to allocate St. Lawrence power to Massachusetts. Massachusetts has also petitioned FERC for rehearing, claiming that it should receive a larger allocation of St. Lawrence power. In the meantime, the Authority is complying with the license by selling the 4.8 MW to Massachusetts on a month-to-month basis pending resolution of the rehearing petitions.

DISCUSSION

"At their meeting of December 16, 2003, the Trustees authorized the holding of a public hearing, pursuant to Section 1009 of the Power Authority Act, on the proposed Neighboring States Contracts. Copies of the proposed contracts were transmitted to the Governor and the Legislative leaders and notice of a public hearing on the proposed contracts was published in accordance with the requirements of Section 1009.

* The Niagara Redevelopment Act requires the Authority to make available at least 50% of Niagara's power to "preference customers," i.e., public bodies and non-profit cooperatives within economic transmission distance. It further requires the Authority to make available a "reasonable" portion of up to 20% of such preference power (or up to 10% of the total Niagara power) to preference customers in neighboring states. Sales of Niagara power to the seven neighboring states will continue through the end of the Niagara Project License on August 31, 2007, under letter agreement extensions of the current contract.

"The hearing was held on February 5, 2004 at the Authority's White Plains Office. At the public hearing, a representative of the Settling States presented a statement in support of the Neighboring States Contracts and urged the Authority to approve them. He said that the allocations of cost-based power and energy from the St. Lawrence and Niagara Projects have represented significant savings to electric utility customers in the Neighboring States. Despite the reductions in the St. Lawrence allocation to the Neighboring States, the representative stated that the cost-based rates guaranteed under the proposed contracts would result in millions of dollars in annual savings for their electric utility customers. He also acknowledged the efforts of the Authority's staff in firmly defending the interests of the people of the State of New York while recognizing both the economic importance of hydropower to the Settling States and the value of maintaining the longstanding relationship with them.

"The Long Island Power Authority submitted a written statement by its Chairman and Chief Executive Officer, Richard M. Kessel, which objected solely to the proposed contract with the bargaining agent for the State of Connecticut. Mr. Kessel said that the State of Connecticut has refused to cooperate with LIPA on matters that affect LIPA's ability to meet the electrical needs of Long Island. These matters include Connecticut's refusal to allow commercial operation of the Cross-Sound Cable ('CSC') and a moratorium on the siting of new electric cables or gas pipelines crossing Long Island Sound from the Connecticut side.

"The CSC is a 24-mile high-voltage direct current cable connecting LIPA with the New England electric system. LIPA has a contract for the full 330 MW capacity of the CSC that would have become effective upon commercial operation of the CSC. LIPA has also been in negotiations with a generator developer to build a large natural gas-fired combined cycle generating plant on Long Island. The natural gas for this generator would be supplied by a gas pipeline crossing under the Sound from Connecticut. As a result of the siting moratorium, LIPA had to discontinue negotiations with the generator developer.

"Mr. Kessel claims that these acts by the State of Connecticut have caused and continue to cause economic harm to New York and the proposed contract with the Connecticut bargaining agent should not be signed until the CSC is allowed to operate and Connecticut discontinues its moratorium on new cables and pipelines crossing Long Island Sound from Connecticut.

"By letter dated February 6, 2004, the Connecticut bargaining agent responded, claiming that LIPA's objections to the contract have no relation to the issue of Connecticut's share of the output of St. Lawrence that FERC has recognized, and that this Authority proceeding is not the proper forum in which to entertain the request.

"In its October 23rd 'Order Approving Settlement Agreements, Dismissing Complaint, and Issuing New License,' FERC explicitly ordered the approval of a settlement agreement between the Authority and the neighboring states that includes the commitment to provide power and energy for a term extending through April 20, 2017. The contract with Connecticut is part of a balanced compromise that the Authority and the neighboring states achieved in the settlement agreement, resolving a number of contentious issues and avoiding litigation. Most important, the settlement resulted in the recapture of 28.7 MW of renewable hydropower for use in New York State. Because the Authority is bound by the settlement agreement and the FERC order to offer Connecticut the subject long-term contract, we cannot entertain the action LIPA requests.

"In view of the support for the proposed contracts by the Settling States and the requirements of the new St. Lawrence license that bar the Authority from taking the actions requested by LIPA, staff believes that the Neighboring States Contracts are in the public interest and should be forwarded to the Governor with the recommendation that they be approved.

FISCAL INFORMATION

"The 34.5 MW of St. Lawrence power and energy that will continue to be sold to the Settling States under the proposed contracts will be sold at the same rates that currently apply to such sales. Thus, the Neighboring States Contracts will have no revenue impact on the Authority.

RECOMMENDATION

"The Director – Supply Planning, Pricing and Power Contracts recommends that the Trustees authorize the transmittal of the Neighboring States Contracts to the Governor for his approval.

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

Mr. Brandeis presented the highlights of staff's recommendations to the Trustees. In response to a question from Vice Chairman McCullough, Mr. Brandeis said that the Commonwealth of Massachusetts is receiving its power allocation on a month-to-month basis. Responding to questions from Trustee Seymour, President Zeltmann said that the Authority would be developing an economic development plan for the 28.7 MW of power that is currently available for use in New York State.

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

WHEREAS, the Authority has negotiated proposed Neighboring States Contracts under which power and energy from the St. Lawrence/FDR Power Project would be sold and delivered to six of the seven Neighboring States for resale to their customers; and

WHEREAS, copies of such proposed Neighboring States Contracts have been transmitted to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate and the Chairman of the Senate Finance Committee and have been made available for public inspection during a 30-day period at the offices of the Authority and at other locations throughout the State; and

WHEREAS, on February 5, 2004, the Authority held a public hearing on the terms of the proposed Neighboring States Contracts upon 30 days' notice given by publication once each week during such period in at least six newspapers within the State of New York;

NOW, THEREFORE, BE IT RESOLVED, That the Authority hereby approves the form of the proposed Neighboring States Contracts between the Authority and the Bargaining Agents for the states of Connecticut, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont that were submitted to this meeting, and that the Authority believes such Neighboring States Contracts to be in the public interest; and be it further

RESOLVED, That the Chairman and the Secretary be authorized and directed to execute such Neighboring States Contracts in the name of and on behalf of the Authority whenever the agreements shall be approved by the Governor; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or her designee, be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate such Neighboring States Contracts; and be it further

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

NEW YORK POWER AUTHORITY
HYDROELECTRIC PROJECTS
RATE STABILIZATION RESERVE (RSR) COMPUTATION
HYPOTHETICAL FOR 2003

LINE NO.	DESCRIPTION	YEAR ENDING 2001 1/	CURRENT YEAR 2003
	COST OF SERVICE (COS) ($000)		
1	TOTAL COS		160,000
2	CREDIT FOR EXCESS CAPACITY SALES		(500)
3	COS AFTER CAPACITY CREDIT (line 1 plus line 2)		159,500
4	DEMAND COSTS 2/		61,770
5	ENERGY COSTS (line 3 minus line 4)		97,730
6	ANNUAL NET GENERATION (gWh)		18,000
7	COST BASED ENERGY RATE ($/mWh) line 5 / line 6		5.43
8	BILLED ENERGY RATE ($/mWh)		4.92
9	ANNUAL R & D SALES (gWh) (Excludes substitute energy)		9,500
10	TOTAL FOR YEAR over/(under) recovery (line 8 minus line 7) times line 9		(4,840)
11	RSR BALANCE @ YEAR END (prior year balance plus line 10)	(725)	(5,565)

1/ Year-end 2001 used for 2003 RSR calculation due to NYPA rate plan in which refunds were made directly to customers for 2002 instead of using the RSR. 2004 year-end RSR will capture changes to the 2003 year-end balance.

2/ Project billed demands times $1.74/kW/month (includes preference billed demand rate of $1.45/kW/month plus ancillary services embedded costs included only for purposes of the RSR calculation).

5. Peak Load Management Incentive – Extension and Expansion to the Program

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize expansion of the Peak Load Management ('PLM') program to 125 MW, and to extend the PLM program term five years through April 30, 2010. The Trustees are also requested to delegate authority to the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee to modify the terms and conditions of the PLM contract in order to better meet anticipated changes in market conditions.

BACKGROUND

"At their meeting of May 28, 2002, the Trustees approved an expansion of the PLM program to 100 MW through April 30, 2005. Staff is now requesting the Trustees to increase the size of the program by 25 MW to 125 MW and to further extend the program by five additional years from April 30, 2005 to April 30, 2010. Expansion of the PLM program is necessary to continue to meet the New York Independent System Operator ('NYISO') 'in-City' installed capacity requirement.

"In addition, working with customers that provide load reductions through back-up generators often requires a planning horizon of five years or more to maximize participation. Accordingly, staff has determined that the term and size of the PLM program should be extended and expanded to successfully meet these challenges and future changes in market conditions that cannot be anticipated at this time.

"Since its inception, the PLM program has proven to be a successful load reduction program and had 66 MW under contract for the summer of 2003. A complete description of the PLM program is contained in Exhibit '5-A.' As we plan for summer 2004, an additional 20 MW of load reduction potential has been identified. With a five-year program extension, we expect to exceed the current capacity of 100 MW.

"During the summer of 2003, we continued to coordinate our efforts with the NYISO and have enrolled many customers in the Emergency Demand Response Program ('EDRP'). EDRP is designed to reduce load and improve the reliability of the New York State electric power system. On a statewide basis, we have enrolled numerous customers in the NYISO's EDRP for a total of 265 MW.

"Both the PLM and EDRP programs have given customers the opportunity to review and effectively revise their emergency plans. These benefits have become an essential part of staff's marketing efforts and further cement staff's important relationships with the Authority's governmental and business customers.

DISCUSSION

"Following the summer of 2001, the Authority's PLM program became part of a larger load reduction effort initiated by the Governor's office. This effort, called the Coordinated Energy Demand Reduction Initiative ('CEDRI'), organized various State agency attempts to reduce electric loads at critical times. Staff has been working with the Long Island Power Authority ('LIPA'), the Public Service Commission ('PSC'), the Department of Environmental Conservation ('DEC') and the New York State Energy Research and Development Authority ('NYSERDA') to meet the Governor's objective of improving electric system reliability.

"In addition to the Authority's PLM activities in CEDRI, staff has worked to enroll the Authority's Long Island customers in LIPA's peak load management program for a total of 8 MW.

"This past season, the Authority has also expanded its load reduction potential by participating in the NYISO's Installed Capacity Special Case Resources ('ICAP SCR') program. In this reserve capacity program, program participants curtail usage during times when the electric grid could be jeopardized. Participants reduce loads by using on-site generation and/or reducing electricity consumption. Presently, one Authority business customer is enrolled for 105 MW. Expansion of the Authority's participation in this program is likely, as other customers have approached Authority staff to enroll in this NYISO program.

"Given the dynamic nature of today's marketplace, it may become necessary to quickly modify the terms and conditions of the Authority's PLM contract (incentive payments, season description, minimum kW requirements and the number of load reduction events). Therefore, staff recommends that the Trustees authorize delegation of authority to modify the terms of the PLM contract to the Senior Vice President – Marketing, Economic Development and Supply Planning.

FISCAL INFORMATION

"Peak Load Management continues to be a cost-effective alternative to new generation for 'in-City' capacity needs. For the summer 2003 season, the fifth year of the program, incentive costs of $2.7 million were incurred. Accordingly, installed capacity cost savings that will result next year are estimated to be $5.1 million, a net savings of $2.4 million.

"The load reductions associated with the PLM program are an enormously cost-effective method to meet the Authority's 'in-City' capacity requirements. Expenditures for the PLM program are offset to the extent the Authority's 'in-City' installed capacity requirement is reduced by the program.

"For planning purposes, staff is assuming a 125 MW PLM program for the entire season, with incentive payments totaling $5 million. The PLM program could exceed these limits, at which time staff will report to the Trustees and request additional funding for this program.

RECOMMENDATION

"The Senior Vice President – Marketing, Economic Development and Supply Planning and the Vice President – Major Account Marketing and Economic Development recommend that they be authorized to effectuate modifications to or create load reduction or capacity supply contracts. It is also recommended that the Trustees authorize expansion of the Peak Load Management program to 125 MW through April 30, 2010.

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

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

RESOLVED, That the Peak Load Management program be expanded to 125 MW; and be it further

RESOLVED, That the Peak Load Management program term be extended to April 30, 2010; and be it further

RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her appointed designee be, and hereby is, authorized to take such further actions and to execute such documents as are deemed necessary to effectuate modifications to, or create load reduction or capacity supply contracts, provided that the form of any such documents shall be subject to the approval of the Executive Vice President, Secretary and General Counsel; and be it further

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

Peak Load Management

Description

Peak Load Management was designed to help the Authority manage the aggregate electrical demand of its customers in New York City at the time of summer peak demands for electricity. Under the program, the Authority contracts with participating customers located within the City of New York to reduce their load at the Authority's request. Load reductions are temporary in nature. They are implemented either by reducing discretionary loads such as fans, pumps, motors, chillers, lights and elevators, or activating on-site generation. The current contract term is through April 30, 2005 with a request for an extended term through April 30, 2010.

Key Elements

- Available to Governmental, Business and Power for Jobs customers in the City of New York "load pocket."
- Customers contract to temporarily reduce load or use on-site generation.
- On-site generation must conform to New York State Department of Environmental Conservation regulations.
- Financial incentive is $40 for each kW reduced for the PLM season.
- The PLM season is June 1 – September 30, weekdays only, with a maximum of 15 events.
- PLM events are limited to 2-6 hours in duration between 11:00 AM and 7:00 PM.
- Customers are given a one business day-ahead alert and a two-hour event-day confirmation notice.

Program Achievements

During the summer of 2003, the PLM program had a contracted total load reduction of approximately 66 MW at 80 customer locations. The continued success of any load curtailment program, including the PLM program, is highly dependent upon increased participation of existing customers, the evaluation of potential new locations, an effective notification and implementation system to reduce load, performance feedback to customers and, above all, firm customer commitments. Last year, the PLM program demonstrated success in those areas, resulting in a successful program.

Incentive Payments

PLM incentive payments to customers were $40,000 for the first year of the program (summer 1999 season; 1 location), $632,000 for the second year of the program (summer 2000 season; 20 locations), $1,430,000 for the third year of the program (summer 2001 season; 38 locations), $2,290,000 for the fourth year of the program (summer 2002 season; 55 locations) and $2,430,000 for the fifth year of the program (summer 2003 season; 80 locations).

Program Expansion

Customer commitment to the PLM program has increased as a result of Marketing's sales strategy. Staff has continued to work with the customers since the program's inception to increase participation and will meet with the customers at a February 26, 2004 PLM orientation meeting. The Authority's close relationships with customers have rallied them to the PLM program.

6. Allocation of 3,300 kW of Replacement Power

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve three allocations of available Replacement Power ('RP'), totaling 3,300 kW.

BACKGROUND

"Under the Replacement Power Settlement Agreement, Niagara Mohawk ('NiMo'), with the approval of the Authority, identifies and selects certain qualified industrial companies to receive delivery of RP. Qualified companies are current or future industrial customers of NiMo that have or propose to have manufacturing facilities, for the receipt of RP, within 30 miles of the Authority's Niagara Switchyard. RP is the 445,000 kW of firm hydro power generated by the Authority at its Niagara Power Project ('Project') that has been made available to NiMo pursuant to the Niagara Redevelopment Act.

DISCUSSION

"On October 22, 2003, the Authority, NiMo, Empire State Development Corporation and the Buffalo Niagara Enterprise signed a Memorandum of Understanding ('MOU') that outlines the process to coordinate the marketing and allocation of Authority hydro power. Its intent is to better use the value of this resource to improve the economy of Western New York and the State of New York. Nothing in the MOU changes the legal requirements applicable to the allocation of hydro power. The entities noted above have formed the Western New York Advisory Group ('Group').

"The Group recommends that the available power be allocated among three companies, as set forth in Exhibit '6-A.' The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation, additional employment and/or capital investment, payroll information and contract term. These projects will help maintain and diversify Western New York's industrial base and provide new employment opportunities. They are projected to result in the creation of 96 jobs.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 3,300 kW of Replacement Power to the companies listed in Exhibit '6-A.'

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

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Trustee Seymour, Mr. Pasquale said that the cost of Replacement Power depends on load factor and delivery voltage and for these customers ranges from 1.9 to 4.4 cents per kilowatt-hour. Responding to another question from Trustee Seymour, staff explained that they had recommended allocating 3,000 kW to Outokumpu American Brass, Inc., rather than the 3,600 kW requested by the company, in order to be judicious in the use of the Authority's power. Chairman Ciminelli recused himself from the vote on the Outokumpu allocation because of the fact that his company has done business with Outokumpu.

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

RESOLVED, That the allocation of 3,300 kW of Replacement Power, as detailed in Exhibit "6-A," be, and hereby is, approved on the terms set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

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

New York Power Authority
Replacement Power
Recommendations for Allocations

Exhibit "6-A"
February 24 2004

Exhibit Number	Company Name	City	County	Power Requested (kW)	New Jobs	Estimated Capital Investment	New Jobs Avg. Wage Benefits	Power Recommended (kW)	Contract Term (1)
A-1	Outokumpu American Brass Inc.	Buffalo	Erie	3,600	55	$11,600,000	$84,000	**3,000**	Until 8/31/07
A-2	Plesh Industries, Inc.	Buffalo	Erie	200	31	$2,026,000	$43,000	**200**	Until 8/31/07
A-3	Sotek Inc./Belrix Industries Inc.	Buffalo	Erie	100	10	$192,000	$30,000	**100**	Until 8/31/07
	Total RP Recommended			3,900	**96**			**3,300**	

(1) The Niagara Project license and the resale agreement with Niagara Mohawk (NS-1) expires on August 31, 2007.

Exhibit “6-A1”
February 24, 2004

APPLICATION SUMMARY

Replacement Power

Company:	Outokumpu American Brass, Inc.
Location:	Buffalo, New York
County:	Erie
IOU:	NIMO
Business Activity:	Operates a copper and brass rolling mill.
Project Description:	The project will modify their existing milling line by upgrading the line and adding two rolling stands in-line. The upgrade will include substantial enhancement of their ability to remove chips from the strip. The project will roll the metal to a significantly thinner gauge as it comes out of the upgraded/new milling machine. To accommodate the enhanced chip collection system a 9,575 sq. ft. building will be constructed.
Prior Application:	Yes
Existing Allocations:	Three RP allocations totaling 8,560 & 5,000 kW of PFJ
Power Request:	3,600 kW
Power Recommended:	3,000 kW
Job Commitment:	
Existing	602 jobs
New	55 jobs
New Jobs/Power Ratio:	18 Jobs/MW
New Jobs - Avg. Wage and Benefits	$84,000
Capital Investment:	$11,600,000
Capital Investment Per MW	$3,866,666 Dollars/MW
Summary:	Outokumpu American Brass operates a cooper and brass rolling mill which was founded at this site in Buffalo in 1907. A Replacement Power allocation will help them stay competitive and allow them to expand.

APPLICATION SUMMARY

Replacement Power

Company:	Plesh Industries, Inc.
Location:	Buffalo, New York
County:	Erie
IOU:	NIMO
Business Activity:	Produces machined parts
Project Description:	The project includes the purchase and installation of new equipment to expand their product line and its scope of service to customers. The new equipment will included induction machines, welders, roll grinders and overhead cranes.
Prior Application:	No
Existing Allocation:	None
Power Request:	200 kW
Power Recommended:	200 kW
Job Commitment:	
Existing	39 jobs
New	31 jobs
New Jobs/Power Ratio:	155 Jobs/mW
New Jobs - Avg. Wage and Benefits:	$43,000
Capital Investment:	$2,026,000
Capital Investment Per MW	$10,130,000 Dollars/MW
Summary:	Plesh Industries incorporated in 1969. Their primary product line is custom engineered component parts. Their primary customer markets are the steel and automotive industry along with metal foundries.

Exhibit "6-A3"
February 24, 2004

APPLICATION SUMMARY

Replacement Power

Company:	Sotek Inc./Belrix Industries Inc.
Location:	Buffalo, New York
County:	Erie
IOU:	NIMO
Business Activity:	Manufactures components used in motors and generators.
Project Description:	The project will include the purchase and installation of new equipment including a robotic welder, a pre-heat oven, a Shuler press and various building fixtures. Once this equipment is purchased and installed it will help the company increase their sales and expand their markets.
Prior Application:	No
Existing Allocation:	None
Power Request:	100 kW
Power Recommended:	100 kW
Job Commitment:	
Existing	43 jobs
New	10 jobs
New Jobs/Power Ratio:	100 Jobs/mW
New Jobs - Avg. Wage and Benefits:	$30,000
Capital Investment:	$192,000
Capital Investment Per MW	$1,920,000 Dollars/MW
Summary:	Sotek/Belrix was founded in 1984. Products that they produce are components used in the electric motor and generator industries, specifically stamping for rotor and motor cores.

7. Request to Approve Extensions to the Term of Service for Two Existing Expansion Power Customers

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve an extension to the term of service for two allocations of Expansion Power ('EP'), totaling 3,000 kW, to Fieldbrook Foods Corporation, ('Fieldbrook') and a 6,000 kW allocation to Goodyear Dunlop Tires North America, Ltd. ('Goodyear'), both of whom are existing customers.

BACKGROUND

"Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 megawatts of firm hydroelectric power as 'Expansion Power' ('EP') to businesses within the state and located within 30 miles of the Niagara Power Project ('Project'), provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 (19,732 kW) continues to be allocated in such county.

"Each application for an EP allocation must be evaluated under criteria that include, but need not be limited to, those set forth in PAL Section 1005 (13) (a), which sets forth the eligibility, and (b), which sets forth the criteria for revitalization.

"Among the factors to be considered when evaluating a request for revitalization purposes are whether or not the business is likely to partially close or relocate resulting in loss of jobs, whether or not the business is an important employer in the community and whether or not the business has pursued other available sources of assistance to reduce energy costs.

DISCUSSION

Fieldbrook Foods Corporation

"Fieldbrook operates one of the largest private-label ice cream and frozen novelty plants in the country. The company is in a highly competitive low-margin, price-driven industry. Its Dunkirk facility is the largest ice cream/novelty plant east of the Mississippi, supplying store brands to more than 7,000 supermarkets in the United States, the Caribbean and Europe. The company manufactures retail and food service items for both national and regional brands for distribution in more than 30,000 outlets.

"Fieldbrook's hydro power allocations are a critical component in the company's cost structure and one of the reasons that the current owner of the plant consolidated manufacturing operations in Dunkirk. These allocations represent more than 50% of the electrical power used by Fieldbrook for operations. The company's plant is currently undergoing a $2 million capital expansion. Its hydro allocations are a significant factor in making the company's operation competitive and are a key factor in keeping its operation viable.

"Fieldbrook has two allocations of EP, 2,000 kW and 1,000 kW, both being used at the Dunkirk facility. The contract for the 2,000 kW allocation terminates on August 31, 2004, and the 1,000 kW allocation terminates on February 28, 2007. The current combined employment commitment for these contracts is 600 jobs.

"Fieldbrook acquired the assets of Fieldbrook Farms in January 2002 after the company had filed for protection under Chapter 11. At their meeting of September 17, 2002, the Trustees approved the transfer of the power allocations. At that time, the company's long-term plans for employment needs were being developed. The company can now commit 420 jobs for its allocations.

"Staff recommends that the Trustees approve an extension of the term of service for both the 2,000 kW and 1,000 kW contracts until August 31, 2009, provided that service past the end of the current Project license on

August 31, 2007 is subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission ('FERC') on terms allowing such extension, and that the Trustees reduce the job commitment for both allocations to 420 positions.

Goodyear Dunlop Tires North America, Ltd.

"Goodyear manufactures tires for the automotive industry. Its Tonawanda facility produces passenger, motorcycle, truck and all-terrain vehicle tires for the original equipment and replacement tire markets. Over the past several years, this facility has undertaken extensive expansion and modernization activities to position itself for long-term survival in the competitive automotive tire industry. The company has an EP allocation for 6,000 kW that expires on August 31, 2004. It also has four Replacement Power ('RP') allocations totaling 5, 541 kW.

"Staff recommends that the Trustees approve an extension of the term of service for the 6,000 kW allocation for five years, until August 31, 2009, provided that service past the end of the current Project license on August 31, 2007 is subject to the Authority receiving a new license for the Project from FERC on terms allowing such extension. The company will commit to maintain its current employment commitment of 1,439 jobs.

"The extensions will help maintain costs and enable Fieldbrook Foods Corporation and Goodyear Dunlop Tires North America, Ltd. to compete more effectively. In addition, they will further secure employment levels in Western New York.

"The request was reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority's Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR Part 460 (1988)).

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve extensions to the term of service for 3,000 kW of Expansion Power to Fieldbrook Foods Corporation to August 31, 2009 and 6,000 kW of Expansion Power to Goodyear Dunlop Tires North America, Ltd. from September 1, 2004 to August 31, 2009, provided that service past the end of the current Niagara Power Project license on August 31, 2007 is subject to the Authority receiving a new license for the Project from the Federal Energy Regulatory Commission on terms allowing such extension. The Manager – Business Power Allocations and Compliance also recommends that the Trustees reduce the job commitment for both Fieldbrook Foods allocations from 600 to 420 positions.

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

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

RESOLVED, That the Trustees find that Staff's review supports an extension of 3,000 kW of Expansion Power to Fieldbrook Foods Corporation and the reduction of its employment commitment to 420 positions and that such extension and reduction be, and hereby is, approved on the terms set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Trustees find that Staff's review supports an extension of 6,000 kW of Expansion Power to Goodyear Dunlop Tires North America, Ltd. and that such extension be, and hereby is, approved on the terms set forth in the attached memorandum of the President and Chief Executive Officer; and be it further

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

8. Review of Employment Commitments

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to authorize a one-year extension of the current moratorium on enforcement action against Power for Jobs ('PFJ') customers whose employment levels fall short of their agreed-upon commitments.

BACKGROUND

"Each year, the Authority initiates a review of all PFJ customers' performance against agreed-upon job commitments. All of the PFJ contracts contain a commitment to retain or add a specific number of jobs. If the actual job levels fall below 90% of the customer's commitment, the Authority may reduce that customer's power allocation proportionately.

"At their meeting on March 26, 2002, the Trustees authorized a one-year moratorium against taking job commitment enforcement action against PFJ customers. Customers were having difficulty meeting their commitments as a result of the national economic downturn. The Trustees approved the moratorium retroactive to January 1, 2002 and directed staff to report back to the Trustees at the January 2003 meeting on whether the moratorium should be continued, modified or terminated. At that meeting, the Trustees authorized a one-year extension to December 31, 2003.

DISCUSSION

"Recent reviews of customer job commitments show that the PFJ customers are continuing to feel the effects of the national economic downturn and most failures to meet job commitments may be attributed to overall economic conditions.

"The Federal Reserve Bank of New York has reported continued Payroll Employment Growth for New York State improved over 2001-2002 (-1.8%), but 2002-2003 figures were still negative (-0.6%). While forecasts for the upcoming year suggest positive growth in New York State Payroll Employment (-0.8%), the job numbers reported by customers will continue to reflect employment levels from pre-2004 periods.

"Consistent with overall national and state employment trends, approximately one-half of PFJ customers reported fewer jobs in their current period (July 1, 2002 – June 30, 2003) than they had previously reported. Reducing their allocations would only continue to add to their financial distress.

"Moreover, the PFJ statute does not authorize reallocation of power recovered by employment commitment enforcement action. Consequently, any power made available by reducing current PFJ allocations could not be used to help retain or create jobs with new allocations.

"In consideration of all these factors, the moratorium should be continued and the customers who are not in compliance with their job commitments should be allowed to retain their allocations until their contracts expire or such time as the Trustees end the moratorium.

"The moratorium would be retroactive to January 1, 2004 and cover four PFJ quarterly commitment reviews. Each of these job commitment reviews will be conducted on the normal schedule and the Trustees will receive informational reports during 2004 following approval of the attached resolution.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance recommends that the Trustees approve a one-year extension of the current moratorium on enforcement action against Power for Jobs customers whose employment levels fall short of their agreed-upon commitments. The extension would be for one year, retroactive to January 1, 2004.

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

Mr. Pasquale presented the highlights of staff's recommendations to the Trustees. In response to a question from Chairman Ciminelli, Mr. Pasquale said that the PFJ power cannot be reallocated. A discussion ensued about the difference between the PFJ program and the hydropower programs, in which a company's technological innovations and capital investments may be taken into consideration along with job creation/retention.

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

RESOLVED, That the Authority hereby approves a one-year extension retroactive to January 1, 2004, of the current moratorium on enforcement action against Power for Jobs customers whose employment levels fall short of their agreed-upon commitments; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance will submit informational reports on Power for Jobs customers' performance against agreed-upon employment commitments to the Trustees on a regularly scheduled basis; and be it further

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

9. Motion to Conduct Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session to discuss 1) matters related to a contractual matter relating to a particular person and corporation, and 2) discussions regarding potential, pending or current litigation."

10. <u>Motion to Resume Meeting in Open Session</u>

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

11. St. Lawrence/FDR Power Project – Life Extension and Modernization Adjustment to Project Budget, Award of Turbine Contract, Release of Funding for the Prototype and Increase in Expenditure Authorization Limit

The Executive Vice President – Power Generation submitted the following report:

SUMMARY

"The Trustees are requested to approve an increase of $27,300,000 in the cost of the St. Lawrence Life Extension and Modernization Program ('LEM'), from $254,139,000 to $281,400,000, necessitated by as-found conditions and equipment cost increases as detailed below.

"The Trustees are also requested to increase the expenditure authorization limit by $76,100,000, from $82,700,000 to $158,800,000, to allow for the completion of the sixth, seventh and eighth LEM units and the release of the prototype and manufacture of the first Allis Chalmers ('A.C.') unit replacement.

"The Trustees are further requested to approve award of a contract to Alstom Power, Inc. ('Alstom') for $25,100,000 to provide the second set of eight turbines, replacing the existing set of A.C. machines and to authorize release of $6,000,000 for the prototype and manufacture of the first runner.

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.

"At their meeting of November 25, 1997, the Trustees approved the initiation of a program, estimated to cost $254,139,000, to renew the generation assets of St. Lawrence. The Trustees also authorized capital expenditures of $2,211,000 to support the engineering effort and continue the refurbishment tasks in progress. This authorization, together with an earlier authorization through the Expenditure Authorization Procedure ('EAP'), brought the total authorization to $2,670,000. The Trustees were informed that the LEM program would begin in 1998 and would require about 15 years to complete.

"At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of $16,200,000 for modernization of the first unit, one of eight Baldwin Lima Hamilton ('BLH') machines. At their meeting of March 27, 2001, an additional $18,600,000 for a second unit was authorized for a total authorization of $38,200,000.

"At their meeting of January 29, 2002, the Trustees authorized additional expenditures in the amount of $32,500,000 for the third, fourth and fifth turbines and associated work, bringing the total authorized amount to $70,700,000; at their meeting of June 25, 2002, the Trustees were requested to increase the contract value by $10,000,000 for the Generation Control System.

"At their meeting of October 28, 2003, the Trustees authorized an increase in the expenditure authorization limit of $12,000,000 for auxiliary facilities for a current total of $82,700,000.

"At the October 28, 2003 meeting, staff notified the Trustees that they were in the process of bidding the second set of eight turbines and would return in 2004 to notify them of the status of the project budget, as well as request additional authorization, and award the contract for the second set of eight turbines.

"Modernization of the fourth LEM unit is under way and progressing well. The overall LEM program is also on schedule, with three units to be completed every two years, as initially projected.

DISCUSSION

Adjustment to Project Budget

"At the June 2002 and October 2003 meetings, the Trustees were informed that subsequent to receipt of bids for the A.C. turbine replacements, staff would review the overall project status and adjust the budget to reflect expenses to date, as well as final costs for the A.C. replacements, the last major pieces of equipment remaining to be purchased. Accordingly, the main elements of the $27,300,000 increased costs are summarized below and include undetectable as-found component conditions, added scope and high bid prices.

Turbines

"A contract was awarded to Alstom for the supply of the first eight turbines; this contract value was $11,300,000. Due to excessive wear and the as-found condition of the components associated with the turbines, we estimate this contract will be increased by $7,000,000. Severe cracks on the three head covers on each unit, a crack in the shaft on Unit 25, the cost to perform lead abatement activities and unforeseen work on other components are the driving factors in this cost growth.

"The original project budget included an estimate of $26,000,000 for the 16 turbines. Staff's analysis, as stated previously, results in a total cost of $18,000,000 for the first set of eight turbines; this is $5,000,000 above the original project budget. The contract value for the second set of eight turbines is $25,100,000, which includes options that may be exercised by the Authority; this is an increase of $11,000,000 over the original project estimate. This results in an increase for turbine manufacture and component rehabilitation of $16,000,000.

Auxiliary Facility, Construction and Direct/Indirect

"A significant scope change, not included in the original project budget, for the replacement of terminations for the high pressure fluid filled ('HPFF') cable that connects the Generating Units to the Switchyard was presented to the Trustees at their meeting of June 25, 2002. The request for this work was authorized at $6,000,000; however, staff's estimate of the total cost for the task will be $4,000,000. At this same meeting, the Trustees authorized an increase of $10,000,000 for the Generation Control System ('GCS') to Voith Siemens ('Voith'); this cost was also not included in the original project budget.

"Several Auxiliary Facility tasks have been identified that will require additional funding. These tasks are Turbine Gallery HVAC, an increase in the Condition Monitoring System and the 275-Ton Long Sault Dam Gantry Crane. These costs total an additional $8,500,000.

"An Overhead assessment charge for St. Lawrence management/administration, not included in the original project budget, has been added to Construction, for an increase of $4,000,000. An increase for Quality Assurance to provide increased oversight due to performance issues with contractors results in an additional $2,500,000.

Offset to the Budget Increase

"To offset these increases, adjustments have been made to the budget and are reflected in the revised estimates summarized in the following resolution.

"A significant portion of the offset was provided by unused funds made available by successful completion of the transformer condition assessment program. This program, part of the original LEM feasibility study, called for two transformers to be replaced, allowing for detailed inspection of the removed units. An analysis of the operational and physical data of the removed units conducted by the Electric Power Research Institute and Engineering concluded that the existing transformers have more than 20 years of life remaining. The savings associated with not performing this work is $6,000,000.

"Other adjustments include: reduction of St. Lawrence craft labor by 9%, or $4,000,000, as a result of improved work planning processes implemented by both craft and management, and reduction of contingency by $8,000,000, leaving $12,000,000 in contingency.

Additional Authorization Expenditures for Engineering, Procurement,

Construction, Direct and Indirect Costs and Construction Management

"The Trustees are also requested to approve expenditures for additional engineering, procurement, construction and Authority direct and indirect costs to continue the orderly planning, design and implementation of the work as follows:

Engineering/Design & Construction Management	$ 5,000,000
Procurement	$28,200,000
Construction	$19,000,000
Auxiliary Facility	$18,500,000
Authority Direct/Indirect	$ 5,400,000
	$76,100,000

"The procurement will include turbines and refurbishment of components, the Generation Control System and miscellaneous equipment.

Allis Chalmers Turbine Replacement

"A Request for Proposals ('RFP') was issued on August 18, 2003 describing the scope of design, testing, manufacturing and field machining for the second set of eight turbines. The RFP limited the replacement turbine to six blades for environmental reasons, but allowed latitude in the modification of embedded components. The RFP required the bidder to specify efficiency guarantees for the prototype.

"On November 17, 2003, proposals were received from three bidders in response to public advertisement. The bid prices are summarized below:

	Alstom Base	Alstom Alternate 1	Alstom Alternate 2	Alstom Alternate 3	General Electric	Voith Siemens
Bid Price ($000s)	$22,556	$24,172	$24,615	$25,314	$31,096/24,486	$25,081
Incremental Performance Value ($000s)	$74,632	$74,632	$74,632	$74,632	$61,950	$59,997
Evaluated Performance Price	$52,076	$50,460	$50,017	$49,318	$30,854/37,464	$34,916

"The increased efficiency of the new turbines will result in more energy being produced using the same amount of water. The energy value is the estimated value of the additional energy in 2003 dollars, which would be produced by the bidder's design over the life of the new turbines. The results are listed above as 'Incremental Performance Value' for each bidder. For evaluation purposes, each bidder's schedule was also evaluated based on meeting or improving the required outage duration for a unit.

"An Evaluation Committee with representatives from St. Lawrence, Procurement, Engineering, Quality Assurance and Project Management analyzed the bids, met with the bidders to obtain additional information and reviewed all the pertinent factors to determine the lowest evaluated and technically qualified proposal. All bidders were evaluated and deemed to have acceptable proposals. The performance improvements guaranteed by Alstom were significantly higher than those of the other bidders. Engineering has determined that the guaranteed performance is achievable.

"It should be noted that Alstom is the manufacturer of the first eight turbines and met its guarantees as proposed. The evaluation committee pursued and resolved several technical and commercial issues with Alstom. The Alstom proposal was provided without the necessary Bid Bond requirements, but, following a commercial issues meeting, Alstom provided the necessary bonding.

"Technical and commercial meetings were also held with General Electric and Voith. General Electric presented a proposal that significantly reduced its initial bid. Voith did not adjust its base price. General Electric's modified base bid proposal price was the second lowest; however, its Incremental Performance Value resulted in its proposal remaining higher than the evaluated Alstom proposal price. Voiths' base bid price and Incremental Performance Value resulted in its proposal having the highest evaluated cost. A second meeting was held with Alstom to discuss commercial and technical issues, at which time all outstanding issues were resolved.

"Accordingly, based on Alstom's low price, superior performance guarantees and technically acceptable proposal, the Trustees are requested to approve award of the contract for replacement of the second eight turbines to Alstom. The Trustees are also requested to release funding for the prototype and the first runner. The award amount requested is $25,100,000, which includes provision for options that may be exercised by the Authority.

FISCAL INFORMATION

"Payments will be made from the St. Lawrence Capital Fund.

RECOMMENDATION

"The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer – Power Generation, the Regional Manager – Northern New York and the Project Manager recommend that the Trustees approve the revised project estimate of $281,400,000, approve an increase in the expenditure authorization limit to $158,800,000, approve the award of the contract for the second set of eight turbines to Alstom Power at a contract value of $25,100,000 and authorize $6,000,000 for release of the prototype and the first unit.

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

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

RESOLVED, That capital expenditures are hereby approved to be committed in accordance with the Authority's Expenditure Authorization Procedures for the Life Extension and Modernization of the St Lawrence/FDR Power Project in the amounts and for the purposes listed below:

Description	**Current Estimate**	**Previously Authorized**	**Current Request**	**Total Authorized Amount**
Engineering/Design & Construction Management	**$34,900,000**	**$13,900,000**	**$5,000,000**	**$18,900,000**
Procurement	**$98,600,000**	**$25,900,000**	**$28,200,000**	**$54,100,000**
Construction	**$74,700,000**	**$13,600,000**	**$19,000,000**	**$32,600,000**
Auxiliary Facility	**$44,600,000**	**$19,500,000**	**$18,500,000**	**$38,000,000**
Authority Direct/ Indirect	**$28,600,000**	**$9,800,000**	**$5,400,000**	**$15,200,000**
Totals	**$281,400,000**	**$82,700,000**	**$76,100,000**	**$158,800,000**

AND BE IT FURTHER RESOLVED, That approval is hereby granted to award a contract to Alstom Power, Inc. for $25,100,000, and to commit funds for the turbine runners and associated work and approve the expenditure authorization request for the Life Extension and Modernization of the St. Lawrence Power Project in the amount listed below:

Current Expenditures Authorization Request	**$6,000,000**
TOTAL AMOUNT AUTHORIZED	**$6,000,000**

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

12. <u>Resolution – Gerard D. DiMarco</u>

Chairman Ciminelli read the text of a resolution expressing the Trustees' appreciation for former Trustee DiMarco's years of service. Vice Chairman McCullough echoed the sentiments of the resolution, adding that Mr. DiMarco had been a great addition to the Board and a pleasure to work with.

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

WHEREAS, Gerard D. DiMarco served with dedication and distinction as a Trustee of the New York Power Authority from June 1998 through February 2004; and

WHEREAS, during this period of extraordinary change for the electric utility industry and the Power Authority, Mr. DiMarco consistently demonstrated an invaluable awareness of industry issues and an unswerving belief in the Authority's continuing value to the State; and

WHEREAS, throughout his tenure, Mr. DiMarco avidly sought and identified opportunities to strengthen public awareness of the Authority's role and contributions through speeches, articles and countless personal contacts, serving as a veritable NYPA ambassador to the Greater Rochester area; and

WHEREAS, he willingly took on these responsibilities despite his many professional obligations as a partner in the Rochester law firm of DiMarco & Riley and his numerous activities in the community; and

WHEREAS, in addition to his work at the Power Authority, Mr. DiMarco's exemplary career in the public sector has included service as Chairman of the Empire State Development Corporation's Finger Lakes Regional Advisory Board and a member of the New York State Commission on Cable Television; and

WHEREAS, Mr. DiMarco has also applied his substantial talents to his duties as Chief Executive Officer of the Security Mortgage Corporation and a Trustee and General Counsel of the Christopher Columbus Fellowship Foundation; and

WHEREAS, Mr. DiMarco has concluded his service as a Power Authority Trustee;

NOW THEREFORE BE IT RESOLVED, that the Trustees of the Power Authority of the State of New York express their deep appreciation to Gerard D. DiMarco for the commitment, the concern and the congeniality he brought to the meetings and the work of this Board and that they express their warmest wishes to him; his wife, Christine; and their children and grandchildren for health and happiness in the years ahead.

February 24, 2004.

13. Next Meeting

The next Regular Meeting of the Trustees will be held on **Tuesday, March 30, 2004, at 11:00 a.m., at the White Plains Office**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

14. Closing

Upon motion duly made and seconded, the meeting was adjourned by the Chairman at approximately 12:30 p.m.

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