

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

July 29, 1997

Table of Contents

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1)	Minutes of the Regular Meeting held on June 24, 1997	3	
2)	Resolution – Robert T. Waldbauer	4	
3)	Financial Report the Six Months Ended June 30, 1997	5	‘3-A’
4)	Report from the President and Chief Operating Officer – Second Quarter Performance Results	6	
5)	Village of Mayville - Increase in Retail Rates – Notice of Adoption Resolution	7	‘5-A’ ‘5-B’
6)	Transfer of F. N. Burt’s Replacement Power and Expansion Power Allocations Resolution	9	
7)	County of Westchester Public Utility Service Agency – Transfer of FitzPatrick Power to Ciba Specialty Chemicals Corporation Resolution	11	
8)	Procurement (Services) Contract – Financial Advisor – Public Financial Management, Inc. – Award Resolution	13	
9)	“POWER FOR JOBS PROGRAM”– Delegation of Authority to Chairman to Initiate the Program Resolution	15	
10)	Next Meeting	17	
	Closing	18	

July 29, 1997

Minutes of the Meeting of the Power Authority of the State of New York held at the James A. FitzPatrick Nuclear Power Plant at 10:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee
Robert J. Waldbauer, Trustee

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
John F. English	Senior Vice President – Corporate Planning
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Charles M. Pratt	General Counsel
Russell J. Krauss	Chief Information Officer
Joseph J. Carline	Assistant General Counsel
Gerard V. Loughran	Vice President - Human Resources
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Relations
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Director - Internal Audits
Frederick E. Chase	Director - Community Relations
Carmine J. Clemente	Counsel
John L. Murphy	Director - Public Information
Gary Paslow	Director – Policy Development
James H. Yates	Director - Business Marketing & Economic Development
James F. Pasquale	Manager – Business Power Allocation and Compliance
George W. Collins	Treasurer
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

Chairman Rappleyea presided over the meeting. Secretary Wagner-Findeisen kept the Minutes.

July 29, 1997

1. Approval of the Minutes

“The minutes of the Regular Meeting held on June 30, 1997 were approved”

July 29, 1997

2. **Resolution – Robert T. Waldbauer**

The following resolution was unanimously adopted.

WHEREAS, Robert T. Waldbauer has served with distinction as a Trustee of the New York Power Authority since April 1989; and

WHEREAS, his tenure as a Trustee was marked by dedication and hard work; and

WHEREAS, he took most seriously his responsibility to represent the residents of the State of New York and, especially, the residents of Long Island; and

WHEREAS, his charm, wit and good nature were constantly apparent; and

WHEREAS, his term on the Board of Trustees of the New York Power Authority having expired; be it

THEREFORE RESOLVED, that the Trustees of the New York Power Authority convey their thanks to Robert T. Waldbauer for his service to the board and to the people of the State of New York and wish him continued health and success in his future endeavors.

July 29, 1997

3. **Financial Report for the Six Months Ended June 30 1997**

July 29, 1997

4. **Report from the President and Chief Operating Officer –
Second Quarter Performance Results**

At the President's request, each of the Business Unit Heads reported on the Second Quarter performance results for the respective business units.

Trustee Miller recommended Authority management on its solid performance, and expressed satisfaction that the Authority's role in economic development efforts for New York State would be enhanced by the Power for Jobs Program, which would be discussed by the Trustees in greater detail later in the meeting.

5. **Village of Mayville - Increase in Retail Rates - Notice of Adoption**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve revisions in the base retail rates of each customer service classification for the Village of Mayville (‘Village’), New York. These revisions will result in additional total annual revenues of \$896,101 or 10.5%.

BACKGROUND

“The proposed rate increase is required to provide adequate revenues to meet the electric department's additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since February 27, 1992, when the Trustees approved an 8.0% system revenue decrease.

“The management of the Village has planned additions to plant-in-service amounting to \$150,000 through calendar year 1999. The program includes the purchase of line transformers, a computerized meter reading system and the installation of a distribution substation equipment, overhead conductors and a scada management system. The Village plans to debt finance most of the capital program by issuing a \$125,000 bond and fund the remainder through the revenue increase.

“The proposed rate revisions are based upon a cost-of-service study prepared by Authority staff, working closely with the Village’s staff throughout all stages of the project.

DISCUSSION

“Pursuant to the Authority's Administrative Procedures, the Senior Vice President - Marketing and Economic Development authorized the Secretary to file notice for publication in the State Register of the proposed revisions in retail rates. Such notice was published on June 11, 1997. A public hearing was held by the Village on April 30, 1997. Since no objections were raised by the rate payers, the Village’s officials approved the proposed rates.

“The present and proposed rates are below those now in effect by the utility serving the contiguous area.

“Comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘5-A’ and ‘5-B’, respectively.

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing and Regulation recommends that the attached schedule of rates for the Village of Mayville, New York, be approved to take effect beginning with the first full billing period following this date.

July 29,1997

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

“The General Counsel, the Senior Vice President - Marketing and Economic Development, and I concur in the recommendation.”

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

RESOLVED, That the proposed rates for electric service for the Village of Mayville, New York, be approved, to take effect with the first full billing period following this date, as recommended in the attached memorandum of the President; and be it further

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

6. Transfer of F.N. Burt's Replacement Power and Expansion Power Allocations

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of 250 kW of Replacement Power and 350 kW of Expansion Power to a new company being created to acquire the manufacturing assets of F. N. Burt Company, Inc. (‘F.N. Burt’).

BACKGROUND

“F.N. Burt manufactures decorative paperboard packaging for consumer products such as cosmetics and liquor. The company has an allocation of 250 kW of Replacement Power and 350 kW of Expansion Power for which it has committed to maintain 213 jobs. Just under half of its total load is served with Authority hydropower. For the past several years, the company has been experiencing difficult times because of a downturn in the packaging industry and the death of one of its partners. At their meeting of October 29,1996, the Trustees approved the reduction of F.N Burt's original allocations of 400 kW of Expansion Power and 300 kW of Replacement Power because F.N Burt's management expected job levels to continue to decline.

DISCUSSION

“An out-of-state commercial printing company has shown an interest in purchasing the manufacturing assets of the business and would create a new company which would acquire all the assets, except the real-estate, related to folding carton manufacturing. The new company would lease about 150,000 square feet of the 460,000 square foot facility the existing operation is located in. Before the business downturn, F.N. Burt had utilized the entire facility.

“F.N. Burt is renowned for its premier creative design capabilities and the quality of its products in the packaging business. The new company hopes to capitalize on F.N. Burt's reputation and believes it will be able to bring in additional business, which should make the business profitable. However, maintaining the allocations of low cost hydropower is essential to turning this operation into a profitable business again. The new owner will commit to maintain the existing job commitment of 213 for the 24 months following the acquisition of the assets. The existing employment at the facility is 215. Alternative buyers have stated that they would move the business to an out-of-state location.

“In accordance with the Replacement Power and Expansion Power Allocation and Service Agreements among F. N. Burt, the Authority, and Niagara Mohawk, and with the Authority's Rules and Regulations (21 NYCRR 460 (1988)), the owner of the F.N. Burt company is requesting the Trustees to approve the transfer of its existing Replacement Power and Expansion Power allocations to the new owner of the business. The new business will retain the F.N. Burt name. No voluntary transfer of Expansion Power, or Replacement Power in this instance, may be made without the written approval of the Authority. Transfer of Replacement Power must also be approved by Niagara Mohawk. Niagara Mohawk's approval has been received.

July 29,1997

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the transfer of 250 kW of Replacement Power and 350 kW of Expansion Power to the new entity that will acquire the assets of F.N. Burt Company, Inc.

“The General Counsel, the Senior Vice President - Marketing and Economic Development, and I concur in the recommendation.”

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

RESOLVED, That the transfer of 250 kW of Replacement Power and 350 kW of Expansion Power to the entity acquiring the assets of the existing F.N. Burt Company, Inc. and to be operated under the same name, is hereby approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above transfer.

7. **County of Westchester Public Utility Service Agency –
Transfer of Fitzpatrick Power to Ciba Specialty Chemicals Corporation**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the assignment of the power purchase agreement between the County of Westchester Public Utility Service Agency (‘COWPUSA’) and the former Ciba-Geigy Corporation (‘Ciba-Geigy’) to a newly-created corporation known as Ciba-Specialty Chemicals Corporation (‘Ciba-Specialty’) and to consent to the modification of the ‘Minimum Employment Level’ contained in the COWPUSA/Ciba-Geigy power purchase agreement.

BACKGROUND

“At their meeting of May 23, 1995, the Trustees approved the allocation of 4,000 kW of Fitzpatrick power to the COWPUSA for resale to Ciba-Geigy’s Tarrytown Corporate Center facilities. These facilities include, among other things, a state-of-the-art research laboratory for the Additives Division of Ciba-Geigy and the Additives Division headquarters offices.

“The Authority has received a request for approval from COWPUSA to assign the power purchase agreement between COWPUSA and the former Ciba-Geigy to Ciba Specialty.

DISCUSSION

“Effective January 1, 1997, as part of a broad global merger and reorganization, the Sandoz Corporation merged into Ciba-Geigy, with Ciba-Geigy, the surviving legal entity of the merger, simultaneously changing its name to Novartis Corporation.

“In connection with this transaction, the specialty chemicals business of Ciba-Geigy was transferred to a newly created corporation known as Ciba-Specialty. As of March 13, 1997, Ciba Specialty is completely independent of, and no longer affiliated with Ciba-Geigy Corporation (‘Novartis’).

“Ciba-Specialty has chosen the Tarrytown Corporate Center as its corporate world headquarters and North American regional headquarters. The potential for access to the Authority’s lower cost power was critically important and an integral component in the company’s decision.

“Ciba-Specialty, as successor in interest to the specialty chemicals business of Ciba-Geigy, has requested the Authority and COWPUSA to consent to the assignment of all benefits and obligations of Ciba-Geigy under the Power Purchase Arrangement, including the full 4,000 kW allocation of lower cost FitzPatrick industrial power. Ciba-Specialty is committed to maintain at least 450 positions of employment at its world headquarter’s complex located in Tarrytown. The majority of the remaining jobs have been relocated to a Novartis facility in Suffern, New York. The proposed allocation would produce a ratio of 112 jobs per megawatt.

“COWPUSA and the Westchester County Board of Acquisition and Contract have approved the transfer with the new job commitment of 450 jobs. In addition, the regional office of the Empire State Development Corporation fully supports this transfer.

July 29,1997

“The proposed allocation to COWPUSA has been reviewed in accordance with Part 460 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The existing contract between Ciba-Geigy and COWPUSA provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by the COWPUSA as provided by Part 460.4 of the Authority’s Rules and Regulations and pursuant to the contract between the Authority and COWPUSA.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the assignment of the purchase power agreement between the County of Westchester Public Utility Service Agency and the former Ciba-Geigy Corporation to a newly created corporation known as Ciba-Specialty Chemicals Corporation as described herein.

“The General Counsel, the Senior Vice President - Marketing and Economic Development, and I concur in the recommendation.”

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

RESOLVED, That the Authority hereby approves the transfer and assignment of the power purchase agreement between the County of Westchester Public Utility Service Agency (“COWPUSA”) and the former Ciba-Geigy Corporation to Ciba Specialty Chemicals Corporation as described in the foregoing report of the President and substantially in accordance with the terms described in such memorandum, including the modification of the “Minimum Employment Level”; and be it further

RESOLVED, That the transfer and assignment of the contract for the resale of FitzPatrick industrial power between the County of Westchester Public Utility Service and Ciba-Specialty Chemicals Corporation be approved; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the foregoing.

**8. Procurement (Services) Contract – Financial Advisor –
Public Financial Management, Inc. – Award**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a service contract to Public Financial Management, Inc. (‘PFM’) to perform financial advisory services for the Authority for a three-year period beginning August 1, 1997. The contract will provide for an initial limit of up to \$300,000 for the three-year period.

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.

DISCUSSION

“On, April 21, 1997, the Authority published in the Contract Reporter its intent to solicit bids for financial advisory services, in accordance with the Guidelines for Procurement Contract. As of the bid due date, June 17, 1997, responses were submitted by O’Brien Partners (‘O’Brien’); PFM; Public Resources Advisory Group (‘PRAG’) and Lamont Financial Services Corp.

“The proposals were evaluated based upon each firm’s experience with public power entities, the qualifications of the principals to be assigned under the contract, each firm’s familiarity with the Authority’s business and finances, and the estimated costs of services.

“Three firms were deemed to be qualified and technically capable to service the Authority due to their public power experiences: O’Brien, PFM and PRAG all are independent financial advisory firms, offering a broad scope of services and the principals to be assigned at each firm are familiar with public power issues and highly respected for their market experience within the financial community.

“The proposals were evaluated based upon the size and type of currently anticipated debt transactions and other special advisory assignments. Compensation for such work for each firm was estimated, per bond issue excluding out of pocket expenses, as follows:

<u>Firm</u>	<u>Amount</u>
O’Brien	\$80,000
PFM	\$70,000
PRAG	\$100,000

“Staff recommends awarding the contract to PFM based on the firm’s qualifications and the lower estimated cost of services.

FISCAL INFORMATION

“Payment for advisory services related to debt transactions will be made from debt proceeds.

“Funding for other advisory services has been included in the 1998 budget and will be included in the budget submittals for 1999-2000. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Treasurer and the Senior Vice President – Business Services recommend that the Trustees approve the award of a three-year contract to Public Financial Management, Inc. to perform financial advisory services for the Authority.

“The General Counsel and I concur in the recommendation.”

President Schoenberger added that the firm of O’Brien Partners, which had heretofore served as the Authority’s financial advisor, had provided excellent and high-caliber services. During the competitive selection process, however, PFM had submitted a lower-priced bid, and PFM was therefore being recommended by staff for selection by the Trustees.

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

RESOLVED, That the pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Public Financial Management, Inc., to perform financial advisory services for the Authority for a three year period beginning August 1, 1997, as recommended in the foregoing report of the President, and in the amount and for the purpose listed below.

	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Financial Advisory Services Public Financial Management, Inc.	08/01/97	<u>\$300,000</u>

9. “POWER FOR JOBS PROGRAM” – Delegation of Authority to Chairman to Initiate the program

The President submitted the following report:

SUMMARY

“The Trustees are requested to delegate to the Chairman the authority to initiate the necessary steps and measures to promptly implement the recently created Power for Jobs Program and related modifications to the Power Authority Act.

BACKGROUND

“In contemplation of the Governor signing into law legislation establishing the Power for Jobs Program, which will promote economic development within the State by making low cost power available from the Authority and other sources to businesses and not-for-profit corporations. This Program expands on – but is distinct from – the successful Economic Development Power Program.

“The legislation requires the Authority to undertake certain measures which include, but are not limited to: implementing a competitive procurement process to be established by the Economic Development Power Allocation Board (‘EDPAB’) in consultation with the Department of Public Service, for the acquisition of not less than two hundred megawatts of power; entering into contracts with electric corporations for the delivery of power to be sold under the Power for Jobs Program; and fulfilling reporting requirements as designated in the legislation.

DISCUSSION

“The legislative intent necessitates that the Power for Jobs Program be implemented as expeditiously as possible by making an additional two hundred megawatts of FitzPatrick power available to eligible applicants. Accordingly, a number of initiatives should be promptly commenced by the Authority, including, but not limited to: negotiations and contracts between the Authority and electric corporations with respect to delivery arrangements for the power allocations; implementation of a competitive procurement process as established by EDPAB, including entering into contracts for the acquisition of power; amendment of the Authority’s regulations governing power allocations to reflect the new statutory requirements; and such other measures as are necessary to implement the Program.

RECOMMENDATION

“The General Counsel and the Senior Vice President - Marketing and Economic Development recommend that the Trustees authorize the Chairman, or his designee, to promptly initiate the implementation of the Power for Jobs Program and to undertake such acts and execute such documents as may be necessary or desirable to effectuate the legislation.

“I concur in the recommendation.”

July 29,1997

Ms. Morman stressed that staff is proceeding expeditiously to commence implementation of the Program upon gubernatorial approval of the legislation. Chairman Rappleyea commended the various staff members whose efforts and diligence had proved essential in securing enactment of the Power for Jobs bill. Trustee Miller stressed that the bill reflects complex negotiations, and represents a significant development for the Authority in the context of increasing the number of jobs within New York State. Chairman Rappleyea expressed agreement, underscoring that the Authority has now been recognized as having an important job to do in economic development.

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

WHEREAS, in order for the people of the State of New York to promptly benefit from the soon to be created Power for Jobs Program;

NOW THEREFORE BE IT RESOLVED, That the Chairman, or his designee be, and hereby is, authorized to promptly initiate the implementation of the Power for Jobs Program by negotiating and entering into contracts with electric corporations governing the delivery arrangements for the power allocations; entering into contracts for the acquisition of power in accordance with the competitive procurement process to be established by the Economic Development Power Allocation Board (“EDPAB”); proposing the amendment of such Authority regulations governing power allocations as may be required by the legislation; and to undertake such other measures as may be necessary to implement the Power for Jobs Program.

July 29, 1997

10. Next Meeting

The Regular meeting of the Trustees will be held on **Tuesday, August 26, 1997, at the Niagara Power Project at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

July 29,1997

Closing

Upon motion made and seconded, the meeting was closed at 11:20 a.m.

Anne Wagner-Findeisen
Corporate Secretary

JULMINS.97