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

January 26, 2000

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Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 1:00 p.m.

Present:	Clarence D. Rappleyea, Chairman
	Frank S. McCullough, Jr., Trustee
	Gerard D. DiMarco, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John P. English	Senior Vice President – Corporate Planning
Louise M. Morman	Senior Vice President – Marketing and Economic Development
H. Kenneth Haase	Senior Vice President – Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President – Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Deputy Policy Development
John L. Murphy	Director – Public Information
James H. Yates	Director – Business Marketing & Economic Development
John Leonard	Vision 2000 Project Director
Anne Wagner-Findeisen	Deputy Secretary

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on December 14, 1999 were approved.

2. Financial Report for the Year Ended December 31, 1999

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the details of the successful December 31st rollover in which over 400 NYPA employees participated. Mr. Krauss submitted a graph of the relevant timelines, detailing how the transition unfolded progressively across distant time zones and how communications were monitored. Mr. Krauss also described the real-time, live reporting mechanisms which displayed all facilities' generating status, and explained the major information reported by the respective colored codes. Mr. Krauss then introduced John Leonard, who explained the functioning of the Early Warning System utilized during the rollover.

With 34 days remaining until the leap year date of February 29th, Mr. Krauss reported that the same processes which were in-place on December 31st would be re-activated to monitor the leap year rollover, albeit on a reduced scale. Mr. Krauss further reported that NYPA is now entering the final pre-leap year "freeze" period, and that of the total 727 systems NYPA-wide, 22 systems have undergone post-12/31 recertification, and that another 17 systems are currently pending recertification. Lastly, Mr. Krauss stated that NYPA's success in the smooth rollover is largely attributable to the Trustees' and senior management's firm leadership and prescient authorization of sufficient resources to confidently address all Y2K issues, as well as all the dedicated employees who contributed to this effort over an extended period of time.

Chairman Rappleyea, on behalf of the Trustees, commended Mr. Krauss and the numerous other employees, many of whom had literally spent New Year's Eve in a bunker, for their hard work. The Chairman noted the Trustees' and senior management's gratitude and pleasure with the smooth rollover and all the extensive work that had been performed in order to produce that result. Trustee McCullough joined in the Chairman's remarks and commended everyone involved on a job well done. President Zeltmann noted that the rollover had been another of those unique moments in NYPA institutional history, similar to the ice storm recovery two years ago (Ice storm in January 1998), when dedicated employees join forces and, through perseverance and teamwork, accomplish significant deeds benefiting the people of New York.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations totaling 20.05 MW of available power under the Power for Jobs program to the businesses listed in Exhibit '4-A', which have been recommended for such allocations by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The Power for Jobs program originally made available 400 MW of power; 200 provided from the Authority's James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 MW of power available and have accelerated the distribution of the power. 267 MW were made available in Year 1 and 133 MW in Year 2.

"Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer's local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

"The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At 11 meetings from December 1997 through June 1999, the Trustee's approved allocations totaling 400 MW to 600 businesses under the Power for Jobs program.

DISCUSSION

"In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 2,950 inquiries have been received and over 1,590 applications have been sent to prospective customers.

"Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Thirty applications were deemed highly qualified and submitted to the EDPAB for its review on January 19**,** 2000.

"As a result of its meeting, the EDPAB has recommended that the Authority's Trustees approve the allocations to the 30 businesses listed in Exhibit '4-A'. Collectively, these organizations have agreed to create or retain over 7,160 jobs in New York State in exchange for allocations totaling 20.05 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit '4-A'. The basis for EDPAB's recommendations is also set forth in Exhibit '4-A'. All remaining applications are still under review and will be considered at a later date.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance and the Director – Business Marketing and Economic Development recommend that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

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

Mr. Yates added that the proposed allocations would have a significant impact on more than 7,000 jobs, including the creation of 585 new jobs.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve aggregate allocations of 20.05 MW of Power for Jobs power to the companies listed in Exhibit "4-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "4-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That a total of 20.05 MW of power from the James A. FitzPatrick Plant, and power purchased by the Authority in a competitive bid process, be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to negotiate, 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.

5. Neighboring States Hydropower Contracts – Transmittal of Contracts to the Governor – Authorization of the Chairman

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the proposed Hydropower Contracts ('the Contracts') with five Neighboring State Bargaining Agents ('the Bargaining Agents') and to authorize the Chairman to transmit such Contracts to the Governor for his approval. The Contracts, which were the subject of a public hearing held on December 15, 1999, provide for the sale of power and energy from the Niagara and St. Lawrence/FDR Projects to the Bargaining Agents.

BACKGROUND

"Pursuant to statutory and license conditions, the Authority has been selling power and energy to neighboring states from the St. Lawrence/FDR Project since 1958 and from the Niagara Project since 1961. The current Niagara/St. Lawrence/FDR contracts with seven neighboring states (Connecticut, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont) expire on June 30, 2001. Under the current contracts, the seven neighboring states purchase aggregate amounts of 188 MW of firm Niagara power, 40 MW of peaking Niagara power, 68 MW of firm St. Lawrence/FDR power and 10 percent and 8.5 percent of interruptible energy available from Niagara and St. Lawrence/FDR, respectively.

DISCUSSION

"Authority staff has negotiated the Contracts with the Bargaining Agents for five states (New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont) that would be in effect for terms beginning with the issuance by the Federal Energy Regulatory Commission ('FERC') of a new license to the Authority for the St. Lawrence/FDR Project (currently anticipated for October 2003) and expiring on June 30, 2021. For the period June 30, 2001 through October 2003, the Authority will exercise a provision of the existing contracts with the five Bargaining Agents that allows for contract extensions.

"While the representatives of Connecticut and Massachusetts have not agreed to the new contracts, the Trustees, at their meeting of October 26, 1999, authorized the Chairman to approve the advertising of a public hearing on proposed contracts with Connecticut and/or Massachusetts in the event that either or both of those states ultimately agrees to the terms of the Contracts.

"At the public hearing held on December 15, 1999, representatives of New Jersey, Pennsylvania and Rhode Island made statements in support of the Contracts. The Bargaining Agent for Ohio transmitted a letter supporting the Contracts.

"Assemblyman Brian Higgins of Buffalo made a statement opposing the Contracts. According to the Assemblyman, the Contracts should be rejected and the power redirected to industries in Western New York. He asserted that while the Authority is exporting low cost hydropower to neighboring states, New York is purchasing higher cost power from some of these states. Senator Charles Schumer submitted testimony raising issues similar to those advanced by the Assemblyman. Mr. D. Patrick Curley, representative of a business development consulting firm, also made a statement in opposition to the Contracts. Mr. Curley questioned the rationale for selling low-cost hydropower to neighboring states and indicates that the power would produce an economic benefit if it were retained in New York.

"A representative for the State of Massachusetts testified that Massachusetts was interested in consummating a new contract but has some outstanding issues.

"While the issues raised by Assemblyman Higgins and Senator Schumer are noteworthy, the Authority pursued the Contracts with the Bargaining Agents in conformance with statutory and license requirements.

"After the public hearing, the terms of the Contracts were reconsidered to address in part the concerns raised by the Assemblyman and Senator. The Contracts have been modified to provide that they will become effective with respect to St. Lawrence/FDR only if so required by the FERC as part of a new license and will remain in effect after 2007 with respect to Niagara only if a license renewal granted to the Authority by the FERC for that Project requires sales to neighboring states. The neighboring states' representatives are currently in the process of reviewing such modifications. Upon completion of such review, the Chairman would transmit the proposed contracts to the Governor with the Trustees' recommendation for their approval.

FISCAL INFORMATION

"There will be no financial impact on the Authority in connection with the Contracts.

RECOMMENDATION

"The Director – Power Contracts and Billing recommends that the Contracts with the five Bargaining Agents be approved by the Trustees and that the Chairman be authorized to transmit such Contracts to the Governor with the recommendation that they be approved.

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

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

RESOLVED, That the Authority hereby approves the proposed Contracts between the Authority and the Bargaining Agents for New Jersey, Ohio, Pennsylvania, Rhode Island and Vermont, substantially in the form in which such Contracts were submitted to this meeting; and be it further

RESOLVED, That the Chairman be, and hereby is, authorized to transmit copies of the proposed Contracts to the Governor with the recommendation that they be approved; and be it further

RESOLVED, That the Chairman and the Executive Vice President, Secretary and General Counsel be, and hereby are, authorized and directed to execute such Contracts in the name of and on behalf of the Authority whenever the Contracts shall be approved by the Governor.

6. St. Lawrence/FDR Power Project
Life Extension and Modernization – Generator Static Excitation Systems – Award ABB Power Generation, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the award of a contract in the amount of $5,804,355 to ABB Power Generation, Inc. ('ABB') for the furnishing and delivery of 16 new Generator Static Excitation Systems, and to approve the release of $709,861 for design, fabrication, testing, and delivery of the first unit.

BACKGROUND

"At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost $254,000,000 to renew the generation assets of the St. Lawrence/FDR Power Project. The Trustees also authorized capital expenditures of $2,211,000 to begin the engineering effort and to continue refurbishment tasks in progress. The Trustees were advised that the Life Extension and Modernization program would begin in 1998 and would require about 15 years to complete.

"At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of $16.2 million for modernization of the first unit. Funding for the first static excitation unit was included in this last authorization.

"Engineering, planning, and procurement activities have been proceeding as scheduled. Among the major milestones achieved to date are: start of manufacturing for the prototype turbine; delivery, installation and energization of the first two transformers; award of a contract for new generation control systems and issuance of bids for other major pieces of equipment.

DISCUSSION

"The St. Lawrence Project has operated reliably for more than forty years with its original rotating excitation system. Many components of this system have reached the end of their useful life and need to be replaced in order to maintain plant reliability.

"A request for proposals was issued on September 10, 1999 describing the scope for replacing all existing excitation system equipment with proven computer-based digital static excitation equipment. Addenda 1 and 2 were issued on September 23,1999 and October 6,1999, respectively. A pre-bid site visit was attended by five prospective bidders on September 21,1999.

"On October 19, 1999, a single proposal, that of ABB, was received in response to the public advertisement as follows:

Bidder	Bid Type	Bid Price
ABB Power Generation Inc.	Non-Firm	$5,679,393

"This price was not firm and did not include field-testing.

"An Evaluation Committee, consisting of representatives from the St. Lawrence Project, Procurement, Engineering, and Project Management, reviewed the bid, analyzed its technical adequacy, negotiated terms and conditions, and met with the bidder to obtain additional information.

"As a result of this review, the Committee requested ABB to provide firm prices for furnishing and delivery of 16 units as well as field testing for the first two (2) units. ABB submitted the following new firm, lump sum prices:

Item	Description	Proposed Price
1.	Furnish & Deliver, Base Schedule (Delivery by 2012)	$6,844,379
2.	Furnish & Deliver, Accelerated Schedule (Delivery by 2006)	$5,804,355

"ABB also agreed to provide a five-year warranty after energization on hardware and software, and to meet the Authority's M/WBE requirements.

"ABB has supplied a large number of hydroplant static excitation systems, including the new systems at the Niagara Plant, and has recently completed a project comparable in scope to St. Lawrence.

"Accordingly, based upon ABB's firm lump sum price and technically acceptable proposal, the Trustees are requested to approve award of the contract for the replacement of 16 Generator Excitation Systems to ABB Power Generation, Inc. The Trustees are also requested to release funding for the first Generator Excitation System and associated work in the amount of $5,804,355 to ABB Power Generation, Inc. for the furnishing and delivery of 16 new Generator Static Excitation Systems, and to approve the release of $709,861 for design, fabrication, testing, and delivery of the first unit.

FISCAL INFORMATION

"Payment will be made from the Capital Fund.

RECOMMENDATION

"The Regional Manager – Northern New York, the Vice President and Chief Engineer- Power Generation, the Vice President – Procurement, and the Vice President – Project Management recommend that the Trustees approve the award of a contract in the amount of $5,804,355 and approve the release of $709,861 to ABB Power Generation for the first Generator Excitation System and associated work.

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

In response to questions from Trustee McCullough, Mr. Crouch confirmed that the ABB firm has a well-established track record of performing good work for the Authority, and had in fact worked on virtually identical equipment at the Niagara Project.

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

RESOLVED, That approval is hereby granted to award a contract to ABB Power Generation, Inc., and to commit funds for Generator Excitation Systems and associated work for the Life Extension and Modernization of the St. Lawrence/FDR Power Project in the amount and for the purpose listed below:

Capital	**Contract Approval**
ABB Power Generation, Inc. No. Q-02-2435	
Total Contract Award Amount	**$5,804,355**
Current Commitment Authorization Request	**$709,861**

Balance of Contract	**$5,094,494**

7. Procurement (Services) Contract –
<u>Energy Services Program (ESP) – Award – Frederic R. Harris, Inc.</u>

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an award of up to $30 million for a procurement (services) contract with the firm of Frederic R. Harris, Inc., ('Harris') for engineering, project management and program implementation services in support of the previously approved Energy Services Program ('ESP'). The contract term would be three years. Total funding for ESP has been previously approved at $80 million. No new funding is requested at this time.

BACKGROUND

"At their meeting of December 16, 1997, the Trustees approved the consolidation of non-SENY HELP programs into a single program known as the ESP program. ESP is an energy efficiency program that provides a turnkey approach to identifying, procuring, and implementing energy savings solutions for participants outside the SENY territory. Under this program, turnkey, direct installation services are provided to a broad number of facilities including State office buildings, SUNY campuses, county facilities, and school districts. This program has enabled public customers to reduce their operating costs and embark on energy savings projects with no up-front capital, with energy and related operational maintenance savings paying for the overall improvements. Currently the Trustees have approved funding of $80 million for this program.

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

"As the General Contractor for ESP, the Authority has contracted for the installation of ESP measures through the use of Implementation Contractors ('ICs'). The services provided by the ICs complement the Authority's headquarters staff resources in the implementation of ESP. The scope-of-work consists of the following:

- On-site screening of participant facilities to determine which facilities are likely candidates to realize significant energy and operational cost savings from installing energy efficiency measures.
- On-site surveys, energy audits and technical feasibility studies to identify potential applications for energy efficiency measures approved for ESP.
- Detailed engineering studies and analyses of specific energy efficiency measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids.
- Procurement of equipment and installation services.
- Construction management and oversight of installation of proposed systems and/or measures, and project close-out (including waste management).

"In addition, the IC is required to work directly with the participant from facility audit to the final acceptance of equipment installation. Procurement of materials and installation of the recommended energy efficiency measures will be competitively bid by the IC. The IC will be required to guarantee the quality of all work performed.

DISCUSSION

"The Trustees' approval is requested to add a third implementation contractor in order to address ESP projects in a timely manner. The contract term would be for three years commencing February 1, 2000 and will terminate on January 31, 2003.

"In November 1999, the Authority advertised in the Contract Reporter to solicit interested firms to implement the ESP. As a result of that advertisement, and invitations to bid, thirteen firms were sent bid packages. A bidders' conference was held on December 2, 1999, to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Five firms attended the conference. Attendance at the conference was not mandatory.

"On December 13, 1999, eight firms submitted bids. These bids were analyzed and as a result, staff recommends awarding a contract to Frederic R. Harris, Inc. The bids were evaluated by an interdepartmental team of seven staff members based on a number of technical criteria including: relevant experience of the firm; experience implementing energy efficiency projects; organization of the project team; qualifications of the support staff; familiarity with codes and permitting processes; financial capabilities; location(s) of support offices; proposal format; construction management experience and compensation schedule. The results of the evaluations were tabulated in a bid evaluation matrix in which Harris scored the highest amongst the bidders. The summary tabulation is attached as Exhibit '7-A'.

"In addition to the aforementioned criteria, the evaluation team also considered the fees bid by the various firms. Although Harris' fee was .9% higher than the lowest fee bid, Harris is committed to providing a full time project manager for each assigned project whereas the firm bidding the lowest fee intended to provide project management on an intermittent basis. Furthermore, Harris has considerable experience in implementing energy efficiency projects, while the lower bidder could not demonstrate having experience with a turn key project, which is an essential aspect of ESP. As a result the evaluation team felt that Harris would provide a stronger level of technical resources and construction management.

Frederic R. Harris, Inc.

"Harris is a full-service energy management company with strong in-house engineering and project management capabilities with New York State offices in New York City and Albany. Harris has provided design and implementation services for the Authority in the past on various programs and the Authority has been pleased with Harris' efforts in other programs. Harris understands Authority processes and has proven utility program experience in all facility types (schools, municipal water treatment, hospitals, universities, government buildings, etc.).

FISCAL INFORMATION

"As previously authorized by the Trustees at their meetings of December 16, 1997 and June 19, 1999, ESP expenditures are currently funded from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed $80 million. These costs, together with the cost of advancing funds and Authority program costs, will be recovered directly from participants within ten years after completing each individual energy efficiency project.

RECOMMENDATION

"The Director – Energy Services Division and the Senior Vice President – Energy Services and Technology recommend that the Trustees authorize the award of a contract to Frederic R. Harris, Inc. in the total amount of $30 million.

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

Mr. Esposito added that the Harris firm has a proven track record in performing such services and that the Authority will recover its full costs.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract for a period of three years, commencing February 1, 2000, to Frederic R. Harris, Inc to provide implementation services in connection with the Energy Services Program, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

Energy Services Program Implementation Services	Contract Approval	Projected Closing Date
Frederic R. Harris, Inc.	**$30 million***	**3/31/03**

*** Staff will make an initial award of $10 million and monitor vendor performance. Additional releases will be made to the vendor over the 3-year contract term to an amount not to exceed $30 million.**

8. Reliability Study - New York State's Transmission and Distribution Systems - Expenditure Authorization

The President submitted the following report:

SUMMARY

"On November 22, 1999, the Governor signed A.9039 into law (Chapter 636 of the laws of 1999) which allows the New York State Siting Board to issue permits for the construction of electric generation facilities. The law also authorizes a reliability study of the State's electric transmission and distribution systems. The New York State Energy Planning Board would oversee the study, which would be supported by voluntary and equal contributions from the Long Island Power Authority ('LIPA') and the New York Power Authority ('Authority'). This study will be completed on or before December 1, 2000.

"The Trustees are requested to authorize the Authority's contribution to the reliability study in an amount not to exceed $250,000.

BACKGROUND

"As included in provisions of A.9039, the New York State Legislature has requested the New York Power Authority and the Long Island Power Authority to each make a voluntary contribution to assist with the payment for a study of the New York State electric transmission and distribution systems. This reliability study is intended to determine if the State's electric industry is appropriately prepared to meet the challenges of increased demands for service, and to review recommendations for improvements based on the impacts of deregulation on the industry.

DISCUSSION

"With the implementation of electric utility deregulation and the start-up of the New York Independent System Operators ('ISO') in New York State, economic incentives exist to establish additional electric generating facilities. Currently, there are nineteen new projects known to be in various stages of planning and development, which in total represent approximately 12,000 MW of capacity.

The New York State Board on Electric Generation Siting and the Environment has been the only agency of state government authorized to issue the necessary environmental permits for the siting of electric generating facilities. The federal Environmental Protection Agency had not fully authorized the Siting Board to issue such permits, so it was necessary to revise the law in order to clarify the role of the Commissioner of the New York State Department of Environmental Conservation as a permitting authority.

"Further, because of high demand last summer and the outage which occurred in New York City, the legislation included a provision requiring a study of the reliability of the State's electric system, with emphasis on the transmission and distribution system. The Authority contribution would be applied to the portion of the study directed to the statewide transmission system, while the LIPA share would cover the costs associated with the study of the distribution system.

"The actual study is intended to provide an assessment of the reliability of the State's transmission and distribution systems by examining issues such as investment in infrastructure, workforce utilization, the effect of local control and peak shaving measures, energy efficiency, changes in protocols for electricity dispatched through the ISO, the accommodation of proposed new generating facilities as well as the re-powering or life extension of existing facilities, and the market driven nature of decisions to build, size and locate such facilities.

FISCAL INFORMATION

"A contribution of up to $250,000 would be made available from the Operating Fund.

RECOMMENDATION

"The Vice President - Policy and Government Affairs and the Senior Vice President - Transmission, recommend that the Trustees approve payment to the New York State Energy Planning Board for the reliability study as described above.

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

Trustee DiMarco asked whether the LIPA Board has already given its approval to fund LIPA's pro rata share of the proposed reliability study. Mr. Berical explained that the LIPA Board is meeting simultaneously and its authorization should be forthcoming shortly.

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

RESOLVED, That the Authority hereby agrees to contribute a share of the costs of a statewide Reliability Study to be conducted by the New York State Energy Planning Board, as authorized by the State Legislature in A.9039, and approved by the Governor on November 22, 1999, as Chapter 636 of the Laws of 1999; and be it further

RESOLVED, That the Authority authorizes up to $250,000 from the Operating Fund be made available as the Power Authority's contribution to the cost of the aforementioned study.

INFORMATIONAL ITEM

9. New York State Economic Development Promotion: Joint Effort of Empire State Development Corporation and New York Power Authority

The President submitted the following report:

SUMMARY

"The Authority will join with the Empire State Development Corporation ('ESDC') to implement a statewide promotional campaign to boost economic development in the State by showcasing the advantages of New York State's array of excellent business incentives, including the Power for Jobs program. The Authority's financial participation will be $2 million.

BACKGROUND

"In July 1997, Governor Pataki and the New York State Legislature approved the 'Power for Jobs' program to provide low-cost power to businesses that agree to retain or create jobs in New York State. In the fall of 1997, the Authority acted to integrate 'Power for Jobs' promotion with the efforts of the ESDC to attract and retain private sector jobs for New York State. Specifically, ESDC and Authority conducted a television advertising campaign in November and December, 1997 aimed at promoting 'Power for Jobs' and the array of new economic development incentives and policy changes that have improved New York State's business climate. The Authority's financial participation in the 1997 effort was $2 million.

DISCUSSION

Since 1995, the economic development initiatives of New York State have helped to create over 560,000 new private sector jobs. The seven million New Yorkers now working in the private sector is an all-time high. In 1995, New York was 47th in the nation in private sector job creation. Today, it ranks 21st.

"Over the last three years, New York has led the nation in tax reductions, accounting for 40 percent of all state tax reductions nationwide. Since 1995, every major State tax has been cut. On a cumulative basis, the overall tax burden has been reduced by $19 billion. New York has cut bureaucratic regulations and red tape, creating savings of over $1.7 billion. Fundamental reforms in workers' compensation have cut costs in New York by 36%.

"In addition to policy changes that have led to New York State's transition toward a competitive marketplace for electricity in New York, the 'Power for Jobs' program has helped to provide significant reductions in electricity costs for employers committing to create and retain jobs. In fact, Power for Jobs has exceeded all expectations. After two years of the program and the allocation of 400,000 kW to some 600 employers, Power for Jobs is protecting more than 250,000 jobs. In his State of the State Address for 2000, Governor George E. Pataki proposed expanding the Power for Jobs program with an additional 200,000 kW, bringing the total amount of electricity available for allocation this year to 250,000 kW.

"It is in continuing to build upon these successes that the State will promote programs such as Power for Jobs. The Authority has played a central role in delivering on the promise of the program and in keeping and growing jobs here in New York State. Currently, there are more applications for allocations of this low cost power than there is power available. Legislative proposals exist that would also expand the program, so the value of Power for Jobs has wide recognition and support.

"Telling the story of New York State's economic development success is essential to helping continue to attract and retain jobs and investment in the Empire State. Toward that end, the Authority and ESDC will again undertake an integrated promotional campaign communicating the array of economic development incentives, including Power for Jobs and other Authority programs. The program will involve print and television advertising. As with the 1997 promotional campaign, the Authority's financial participation in the effort will be $2 million.

FISCAL INFORMATION

"Projected 2000 net revenues are sufficient to absorb the cost of this program. Payment will be made from the Operating Fund.

CONCLUSION

"'Power for Jobs' and such other initiatives as state tax reductions, regulatory relief and reform of Workers Compensation offer an array of incentives that are bringing about an economic renaissance in the Empire State. Because of the Authority's strong role in promoting economic development through the Power for Jobs program and other sales of low-cost electricity, and the strong potential for additional PFJ power this year, I believe it is entirely reasonable for the Authority to support this promotional effort with the Empire State Development Corporation and have authorized the Vice President for Public Affairs to proceed and implement the program as proposed.

"The Trustees will be kept apprised of this matter on an ongoing basis."

In response to questions from Trustee DiMarco, Mr. Petralia explained that the Authority will have the opportunity to approve the text and substance of the advertisements and that the Authority's contribution to the promotion would take the form of paying for specific advertisements and related costs. Trustee McCullough expressed support for the initiative, stressing that he is hopeful that the legislature takes action to extend the Power for Jobs program. Trustee DiMarco also indicated his support for the effort.

10. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday**, **February 29**, **2000**, **at the Albany Office** at **12:30 p.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

NXMTGJAN

Closing

Upon motion made and seconded, the meeting was closed at 1:30 p.m.

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