

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

**September 17, 2002**

**Table of Contents**

	<b><u>Subject</u></b>	<b><u>Page No.</u></b>	<b><u>Exhibit</u></b>
1.	Minutes of the Regular Meeting held on July 30, 2002	4	
2.	Financial Reports for the Eight Months Ending August 31, 2002	5	'2-A'
3.	Report from the President and Chief Executive Officer	6	
4.	Authorization of (i) Issuance and Sale of the Series 2002 A Revenue Bonds; (ii) Preliminary Official Statement and Final Official Statement for the Series 2002 A Revenue Bonds and Series 2002 B Revenue Bonds; and (iii) Issuance, if required, of Tax-Exempt Commercial Paper Notes for Refunding of Series 1998 B Revenue Bonds Resolution	7	'4-1' '4-2' '4-3' '4-4'
5.	Municipal and Rural Cooperative Economic Development Program – Allocations to the Villages of Green Island and Frankfort Resolution	15	
6.	Power Allocations under the Power for Jobs Program Resolution	17	'6-A'
7.	Allocations of Economic Development and Industrial Power Resolution	19	
8.	Temporary Allocation of 4,000 kW of Expansion Power to Globe Metallurgical, Inc. Resolution	22	
9.	Transfers of Industrial Power Resolution	24	
10.	Procurement (Services) Contracts– Business Units and Facilities– Awards - - Resolution	28	'10-A'
11.	Procurement (Services) Contracts– Business Units and Facilities– Extensions, Approval of Additional Funding, and Increases in Compensation Ceiling - - Resolution	33	'11-A'
12.	Proposed 500 MW Combined Cycle Project at the Poletti Project Site – Authorization to Commence Site Preparation Work – Northstar Contracting Corp. Resolution	42	

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
13.	Sprain Brook Substation Reactors Replacement - Asea Brown Boveri (“ABB”) Resolution	44	
14.	Petroleum Overcharge Restitution Funds – Transfer of Funds to the State of New York and Authorization of POCR Program Resolution	47	‘14-A’
15.	Resolution Memorializing Trustee Charles Poletti	50	
16.	Next Meeting	51	
17.	Closing	52	

Minutes of the Regular Meeting of the Power Authority of the State of New York held at the New York Office at 12:30 p.m.

Present: Louis P. Ciminelli, Chairman  
Frank S. McCullough, Jr, Vice Chairman  
Timothy S. Carey, Trustee  
Gerard D. DiMarco, Trustee  
Joseph J. Seymour, 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 – Business Services and Administration
H. Kenneth Haase	Senior Vice President – Transmission
Louise M. Morman	Senior Vice President – Marketing, Economic Development and Supply Planning
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Carmine J. Clemente	Deputy Secretary and Deputy General Counsel
Arnold M. Bellis	Vice President – Controller
Woodrow W. Crouch	Vice President – Project Management
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President - Chief Engineer
Anne Wagner-Findeisen	Vice President - Ethics & Regulatory Compliance and Deputy Secretary
Thomas H. Warmath	Vice President and Chief Risk Officer, Energy Risk Assessment and Control
James H. Yates	Vice President – Major Account Marketing & Economic Development
Dennis T. Eccleston	Chief Information Officer
John J. Hahn	Acting Inspector General
William Ernsthaf	Assistant General Counsel – Finance
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
James D. Lyons	Principal Attorney I
Craig D. Banner	Director – Electric Systems Marketing and Customer Billing
John L. Murphy	Director – Public Relations
Helen L. Eisenfeld	Manager – Cost Control
John Grzan	Senior Project Manager
Benjamin C. Wong	Project Manager
Bonnie Fahey	Executive Assistant
Wayne Gowen	LAN Administrator
Teresa M. Barrett	Law Assistant
Betty C. Fennell	Assistant Secretary
Angela D Graves	Assistant Secretary – Legal Affairs
Andrew J. McLaughlin	Assistant Secretary – Legal Affairs
Noelle Zandri	Secretary to General Counsel
John V. Connorton, Jr.	Bond Counsel to the Authority – Hawkins Delafield & Wood
Ivan Loucas	Bond Counsel to the Authority – Hawkins Delafield & Wood

---

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

1. **Approval of the Minutes**

The minutes of the regular meeting of July 30, 2002 were unanimously adopted.

*Prior to the start of the meeting, a brief ceremony was held wishing Chairman Ciminelli a happy birthday on behalf of the Trustees and Authority staff.*

2. **Financial Reports for the Eight Months Ending August 31, 2002**

*Mr. Bellis provided the final Financial Reports for the eight months ending August 31, 2002.*

*Responding to questions from Chairman Ciminelli, Mr. Bellis explained that current water levels are some 4 to 5 % higher than last year; Mr. Hiney added, however, that relatively low water levels on the Great Lakes indicate continuing lower water levels for 2003.*

3. Report from the President and Chief Executive Officer

*At President Zeltmann's request, Mr. Hiney reported on power generation, peak demand and pricing issues. Mr. Hiney discussed the accuracy of the Authority's demand forecasting as well as the recent absence of any significant price spikes. Mr. Hiney also reported that throughout August the Authority's plants, including both the large facilities and the small power plants in New York City, operated very effectively and that the few outages which did occur were brief and minor.*

*Responding to questions from Chairman Ciminelli, Mr. Hiney explained the frequent usage and vital importance of the Power Now! units during the recent hot weather, as well as the ISO's role in requesting that the units run virtually non-stop during certain periods to ensure system reliability and achieve lower energy prices.*

*Responding to questions from Trustee Seymour, Mr. Hiney reported that the Authority was receiving favorable market prices for the sale of its electricity, and he explained the operational logistics and increased efficiency of the market in the absence of external constraints. Mr. Bellis reported on the specific financial outlook for the year to date and discussed projected revenues for the remainder of fiscal year 2002.*

*At this time, President Zeltmann voiced recognition of the efforts, achievements and many years of dedicated service of Ms. Betty Fennell of the Secretary's Office, who is retiring in October. Mr. Blabey stressed that Ms. Fennell had been a valuable asset to the Secretary's Office and complimented her on her hard work in providing vital support services to the Trustees. Mr. Hiney articulated the Power Generation Department's appreciation for the 25 preceding years served by Ms. Fennell in that area of the Authority's operations. The Trustees expressed their concurrence and conveyed best wishes to Ms. Fennell in her retirement.*

**4. Authorization of (i) Issuance and Sale of the Series 2002 A Revenue Bonds; (ii) Preliminary Official Statement and Final Official Statement for the Series 2002 A Revenue Bonds and Series 2002 B Revenue Bonds; and (iii) Issuance, if required, of Tax-Exempt Commercial Paper Notes for Refunding of Series 1998 B Revenue Bonds**

---

**REDESIGNATION OF PREVIOUSLY AUTHORIZED SERIES 2002 A REVENUE BONDS AS SERIES 2002 B REVENUE BONDS AND RELATED AUTHORIZATIONS**

The Chairman stated that a matter to be presented at the meeting was the consideration of the advisability of adopting resolutions which would amend the resolutions of the Trustees, adopted on September 25, 2001 (the "2001 Resolutions"), authorizing, and relating to, the issuance of the Series 2002 A Revenue Bonds, to (i) redesignate such previously authorized Series 2002 A Revenue Bonds as "Series 2002 B Revenue Bonds", (ii) authorize the application of proceeds of the redesignated Series 2002 B Revenue Bonds to the refunding of those Authority Commercial Paper Notes, Series 1, Series 2 and Series 3, issued in connection with the refunding of the outstanding Series 1998 B Revenue Bonds, and (iii) authorize the President and Chief Executive Officer to take all actions authorized to be taken by the Chairman pursuant to the 2001 Resolutions. Said amendments were considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLVED, that the Series 2002 A Revenue Bonds previously authorized are hereby redesignated as "Series 2002 B Revenue Bonds" (the "Series 2002 B Bonds"), and that any reference in the 2001 Resolutions, including the Fourth Supplemental Resolution Authorizing Series 2001 A Revenue Bonds and Series 2002 A Revenue Bonds (the "Fourth Supplemental Resolution"), to the "Series 2002 A Revenue Bonds" or "Series 2002 A Bonds" shall be deemed to be to the hereby redesignated Series 2002 B Bonds;**

**FURTHER RESOLVED, that the proceeds of the Series 2002 B Bonds may be applied, in addition to the authorized purposes specified in the 2001 Resolutions, to (i) the refunding of those Authority Commercial Paper Notes, Series 1, and those Authority Commercial Paper Notes, Series 2, which are issued pursuant to the authorization provided below, and (ii) the refunding of those Authority Commercial Paper Notes, Series 3, that are issued to refund the Series 1998 B Revenue Bonds which are subject to mandatory tender for purchase on November 15, 2002; and**

**FURTHER RESOLVED, that the President and Chief Executive Officer is hereby authorized to take all actions authorized to be taken with respect to the Series 2002 B Bonds by the Chairman pursuant to the 2001 Resolutions, including, without limitation, (i) the approval of any changes, insertions, deletions and amendments to the Fourth Supplemental Resolution, (ii) the execution and delivery of all agreements, documents and certificates the execution and delivery of which is authorized by the 2001 Resolutions, and the approval of any changes, insertions, deletions and amendments to the drafts or forms of such agreements, documents and certificates, (iii) the execution and delivery of the Series 2002 B Bonds, and (iv) the approval of additional purchasers to which the Series 2002 B Bonds may be sold.**

**AUTHORIZATION OF SERIES 2002 A REVENUE BONDS**

The Chairman stated that a matter to be presented at the meeting was consideration of the advisability of adopting the Fifth Supplemental Resolution Authorizing Series 2002 A Revenue Bonds (the "Fifth Supplemental Resolution"), which authorizes the issuance of the Series 2002 A Revenue Bonds (the "Series 2002 A Bonds"), in an aggregate principal amount not to exceed \$575,000,000, in order to (i) finance the costs of construction of the planned 500-MW electric generation plant of the Authority at its Poletti plant site in New York City (the "Project"), (ii) refund any Authority Commercial Paper Notes issued and to be issued to finance the costs of construction of the

Project, and (iii) pay certain costs and expenses incurred in connection with the issuance of the Series 2002 A Bonds, including reimbursement of costs and expenses expended by the Authority in connection therewith.

On motion duly made and seconded, the Fifth Supplemental Resolution (attached hereto as **Exhibit 4-1**), together with such changes, insertions, deletions and amendments thereto as the President and Chief Executive Officer of the Authority may approve, which shall be deemed to be part of such resolutions as adopted, was unanimously adopted.

**CONTRACT OF PURCHASE, PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT FOR SERIES 2002 A BONDS**

The Chairman presented a copy of a form of Contract of Purchase proposed to be entered into with Salomon Smith Barney Inc., Goldman, Sachs & Co., UBS PaineWebber Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Bear, Stearns & Co. Inc, providing for the sale of the Series 2002 A Bonds to said purchasers. The Chairman also presented a draft form of the Preliminary Official Statement relating to the Series 2002 A Bonds and Series 2002 B Bonds (attached hereto as **Exhibit 4-2**). Said proposed Contract of Purchase and draft form of the Preliminary Official Statement were considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLVED**, that all the Series 2002 A Bonds shall be sold to Salomon Smith Barney Inc., Goldman, Sachs & Co., UBS PaineWebber Inc., J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Bear, Stearns & Co. Inc, or such other purchasers that may be approved by the President and Chief Executive Officer (collectively, the “2002 A Underwriters”), at such prices, with accrued interest, if any, on such Series 2002 A Bonds from the date of said Series 2002 A Bonds to the date of delivery and payment for said Series 2002 A Bonds, as the President and Chief Executive Officer may accept and as will be in compliance with the requirements of the Fifth Supplemental Resolution, pursuant to a Contract of Purchase, in substantially the form of the Contract of Purchase relating to the Series 2002 A Bonds submitted at this meeting (attached hereto as **Exhibit 4-3**), as such Contract may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority, subject to the limitations described below, to execute a Contract of Purchase substantially in the form submitted at this meeting, providing for the sale of the Series 2002 A Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer or Deputy Treasurer may approve, subject to the requirements of the Fifth Supplemental Resolution, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contract of Purchase upon execution thereof; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized to make such changes, insertions, deletions, amendments and supplements, to or from the draft form of the Preliminary Official Statement relating to the Series 2002 A Bonds as may be approved by such officer, and upon the completion of any such modifications, such officer is authorized to execute such certificates as may be requested by the 2002 A Underwriters to certify on behalf of the Authority that such Preliminary Official Statement is “deemed final” for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by the Rule, and the distribution of the Preliminary Official Statement relating to the Series 2002 A Bonds of the Authority is hereby approved to all interested persons in connection with the sale of such Bonds; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer be, and hereby is, authorized to adopt and execute on behalf of the Authority a final Official Statement of the Authority relating

to Series 2002 A Bonds, in such form and substance as the President and Chief Executive Officer deems necessary or desirable, and the delivery of said Official Statement to the purchasers of said Series 2002 A Bonds is hereby authorized, and the Authority hereby authorizes said Official Statement and the information contained therein to be used in connection with the sale and delivery of the Series 2002 A Bonds; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Executive Vice President, Secretary and General Counsel, Deputy and Assistant Secretaries, Treasurer, Deputy Treasurer, and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those actions, certificates, agreements and other documents described in the Fifth Supplemental Resolution, the Contract of Purchase and the other documents approved today, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful sale, issuance and delivery of the Series 2002 A Bonds, (ii) implement any action permitted to be taken by the Authority under the Fifth Supplemental Resolution, the Contract of Purchase relating to the Series 2002 A Bonds and the other agreements and documents approved today following the issuance of the Series 2002 A Bonds, and (iii) effectuate the purposes of the transactions and documents approved today.

**CONTRACT OF PURCHASE, PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT FOR SERIES 2002 B BONDS**

The Chairman presented a copy of a form of Contract of Purchase proposed to be entered into with Salomon Smith Barney Inc., J.P. Morgan Securities Inc., and Goldman, Sachs & Co., providing for the sale of the Series 2002 B Bonds to said purchasers. Said proposed Contract of Purchase was considered by the Trustees, and thereupon, on motion duly made and seconded, the following resolutions were unanimously adopted:

**RESOLVED**, that all the Series 2002 B Bonds shall, subject to the limitations described below, be sold to Salomon Smith Barney Inc., J.P. Morgan Securities Inc., and Goldman, Sachs & Co., or such other purchasers that may be approved by the President and Chief Executive Officer (collectively, the "2002 B Underwriters"), at such prices, with accrued interest, if any, on such Series 2002 B Bonds from the date of said Series 2002 B Bonds to the date of delivery and payment for said Bonds, as the President and Chief Executive Officer may accept and as will be in compliance with the requirements of the Fourth Supplemental Resolution, as amended, pursuant to a Contract of Purchase, in substantially the form of the Contract of Purchase relating to the Series 2002 B Bonds submitted at this meeting (attached hereto as Exhibit 4-4), as such Contract may be modified as hereinafter provided, and upon the basis of the representations therein set forth; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized on behalf of the Authority, to execute a Contract of Purchase substantially in the form submitted at this meeting, providing for the sale of the Series 2002 B Bonds to said purchasers, with such changes, insertions, deletions, amendments and supplements as the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer or Deputy Treasurer may approve, subject to the requirements of the Fourth Supplemental Resolution, as amended, and to deliver it to said purchasers; and that said officers and all other officers of the Authority are hereby authorized and directed to carry out or cause to be carried out all obligations of the Authority set forth in said Contract of Purchase upon execution thereof; provided, however, that such Contract of Purchase shall not be executed and delivered by any authorized officer of the Authority unless the Series 2002 A Bond Contract of Purchase Requirement (as defined in the 2001 Resolutions) shall have been satisfied; and

**FURTHER RESOLVED**, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized, subject to the limitation described below, to make such changes, insertions, deletions, amendments and supplements, to or from the draft form of the Preliminary Official Statement relating to the Series 2002 B Bonds which was presented at this meeting, as may be approved by such officer, and upon the completion of any such modifications, such officer is authorized to execute such certificates as may be requested by the 2002 B

Underwriters to certify on behalf of the Authority that such Preliminary Official Statement is “deemed final” for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, subject to the omission of such information as is permitted by the Rule, and the distribution of the Preliminary Official Statement relating to the Series 2002 B Bonds of the Authority is hereby approved to all interested persons in connection with the sale of such Bonds; and

FURTHER RESOLVED, that President and Chief Executive Officer be, and hereby is, authorized, subject to the limitation described above, to adopt and execute on behalf of the Authority a final Official Statement of the Authority relating to Series 2002 B Bonds, in such form and substance as the President and Chief Executive Officer deems necessary or desirable, and the delivery of said Official Statement to the purchasers of said Series 2002 B Bonds is hereby authorized, and the Authority hereby authorizes said Official Statement and the information contained therein to be used in connection with the sale and delivery of the Series 2002 B Bonds; and

FURTHER RESOLVED, that the President and Chief Operating Officer, Senior Vice President and Chief Financial Officer, Executive Vice President, Secretary and General Counsel, Deputy and Assistant Secretaries, Treasurer, Deputy Treasurer and all other officers of the Authority be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those actions, certificates, agreements and other documents described in the Contracts of Purchase and the other documents approved today, which they, or any of them, may deem necessary or advisable in order to (i) consummate the lawful sale, issuance and delivery of the Series 2002 B Bonds, (ii) implement any action permitted to be taken by the Authority under the Fourth Supplemental Resolution, as amended, the Contract of Purchase relating to the Series 2002 B Bonds and the other agreements and documents approved by the 2001 Resolutions and approved today and following the issuance of the Series 2002 B Bonds, and (iii) effectuate the purposes of the transactions and documents approved today.

**APPOINTMENT OF REGISTRAR AND  
PAYING AGENT FOR SERIES 2002 A BONDS**

RESOLVED, that JPMorgan Chase Bank is hereby appointed as Registrar and Paying Agent for the Series 2002 A Bonds.

**AUTHORIZATION OF CONTINUING DISCLOSURE  
AGREEMENT FOR SERIES 2002 A BONDS**

RESOLVED, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized to execute a Continuing Disclosure Agreement relating to the Series 2002 A Bonds, between the Authority and JPMorgan Chase Bank, as Trustee under the General Resolution Authorizing Revenue Obligations, adopted by the Authority on February 24, 1998 (the “General Resolution”), in substantially the form set forth in Appendix C to Part 1 of the draft Preliminary Official Statement to be issued in connection with the sale of the Series 2002 A Bonds and Series 2002 B Bonds submitted at this meeting, with such changes, insertions, deletions, and supplements, as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval.

**1998 SWAP AGREEMENTS**

RESOLVED, that the President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, Executive Vice President, Secretary and General Counsel, Treasurer, and Deputy Treasurer be, and each of them hereby is, authorized to terminate each of the outstanding 1998 Swap Agreements (as defined in the 2001 Resolutions), subject to Clause (B) of the Series 2002 A Bond Contract of Purchase Requirement (as defined in the 2001 Resolutions) and the requirement that the Authority either (A) receives a termination fee or (B) if required to pay a termination fee or fees, such payment or payments either

(a) do not exceed in the aggregate \$50 million, or (b) are approved in writing by the Treasurer or the Deputy Treasurer and one of the other above-referenced authorized officers;

FURTHER RESOLVED, monies in the Operating Fund in an aggregate amount not in excess of \$13 million are authorized to be used for the payment of certain fees relating to the termination of the outstanding 1998 Swap Agreements subject to the limitations in the above resolution; and

FURTHER RESOLVED, that the issuance of the Authority's Commercial Paper Notes, Series 3 and the application of proceeds of sale thereof is hereby authorized for the purpose of payment of certain fees relating to the termination of the outstanding 1998 Swap Agreements.

**AUTHORIZATION OF COMMERCIAL PAPER NOTES,  
SERIES 1, SERIES 2 and SERIES 3**

---

RESOLVED, that the issuance of the Authority's Commercial Paper Notes, Series 1 and the Authority's Commercial Paper Notes, Series 2 and the application of proceeds of sale thereof is hereby authorized for the purpose of (i) refunding the Authority's Series 1998 B Revenue Bonds that are subject to mandatory tender for purchase on November 15, 2002 and that are not refunded with proceeds of the Series 2002 B Bonds, and (ii) refunding the Authority's Commercial Paper Notes, Series 3 issued and to be issued to refund a portion of the Authority's Series 1998 B Revenue Bonds; and

FURTHER RESOLVED, that the issuance of the Authority's Commercial Paper Notes, Series 3 and the application of proceeds of the sale thereof is hereby authorized for the purpose of refunding that portion of the Series 1998 B Revenue Bonds that are subject to mandatory tender for purchase on November 15, 2002 and that will not be refunded with proceeds of the Authority's Commercial Paper Notes, Series 1 or the Authority's Commercial Paper Notes, Series 2, should such Notes be used for such refunding.

**AUTHORIZATION OF USE OF OPERATING FUND MONIES  
FOR RETIREMENT OF CERTAIN OBLIGATIONS  
AND COMMERCIAL PAPER NOTES**

---

RESOLVED, that the Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each of them hereby is, authorized, in addition to those Operating Fund monies previously authorized by the Trustees to be used to retire certain Authority debt, in accordance with Section 503(1)(e) of the General Resolution, and after taking into account reserves established pursuant to Section 503(2) of the General Resolution, to use up to an aggregate amount of \$240 million of monies in the Operating Fund for the purpose of paying, redeeming, purchasing in the open market or establishing an escrow for the purpose of legally defeasing Authority debt that was issued to finance or refinance costs relating to the existing electric generation plant at the Authority's Poletti plant site in New York City, provided, however, that as a condition to such withdrawal, the Vice President and Chief Financial Officer, Treasurer or Deputy Treasurer shall have determined and shall certify that the monies to be withdrawn are not then needed for any of the purposes specified in Section 503(1)(a), (b), or (c) of the General Resolution.

**AGREEMENTS FOR BOND AND  
SPECIAL COUNSEL SERVICES**

---

RESOLVED, that the Executive Vice President, Secretary and General Counsel be, and hereby is, authorized on behalf of the Authority to execute letter agreements between the Authority and the law firm of Hawkins, Delafield & Wood, for the provision by such firm of bond counsel services to the Authority, and with the law firm of Nixon Peabody LLP for the provision by such firm of special counsel services to the Authority, all in connection with the Series 2002 A Bonds and the Series 2002 B Bonds and the related transactions authorized hereby, with such agreements having such terms and conditions as the General Counsel may approve.

**ADDITIONAL AUTHORIZATION**

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

*William Ernsthaft, Assistant General Counsel – Finance, provided the following summary of the key resolutions before the Board:*

**In regard to the 2002 A Bonds:**

**Adoption of the Fifth Supplemental Resolution, which authorizes the issuance of the 2002 A Bonds, in an aggregate principal amount not to exceed \$575 million, (i) to finance a portion of the costs of construction of the 500-MW Project, (ii) to refund certain Commercial Paper Notes used to finance the 500-MW Project, and (iii) to pay the costs of issuance of the 2002 A Bonds.**

**(a) A resolution authorizing the sale of the 2002 A Bonds to Salomon Smith Barney Inc., and the other specified underwriters, or such other underwriters as may be approved by the President, at such prices as the President may accept and as will be in compliance with the requirements of the Fifth Supplemental Resolution.**

**(b) A resolution authorizing the President and other specified officers to execute a Contract of Purchase substantially in the form submitted at the meeting, providing for the sale of the 2002 A Bonds to the 2002 A Bond underwriters.**

**(c) A resolution authorizing the President and other officers to approve the issuance of the Preliminary Official Statement and final Official Statement relating to the 2002 A Bonds.**

**(d) A resolution appointing JPMorgan Chase Bank as Registrar and Paying Agent for the 2002 A Bonds.**

**(e) A resolution authorizing the execution of a Continuing Disclosure Agreement relating to the 2002 A Bonds.**

**In regard to the 2002 B Bonds:**

**(a) A resolution authorizing the sale of the 2002 B Bonds to Salomon Smith Barney Inc., and other specified underwriters, or such other underwriters as may be approved by the President, at such prices as the President may accept and as will be in compliance with the requirements of the Fourth Supplemental Resolution.**

**(b) A resolution authorizing the President and other specified officers, subject to the Sale Requirement previously discussed, to execute a Contract of Purchase substantially in the form submitted at this meeting, providing for the sale of the 2002 B Bonds to the 2002 B Bond underwriters.**

**(c) A resolution authorizing the amendment of the Fourth Supplemental Resolution to allow for the issuance of the 2002 B Bonds for the purpose of retiring the tax-exempt portion and, to the extent permissible, the taxable portion of any Commercial Paper Notes which may be used to refund the 1998 B Bonds.**

**(d) A resolution authorizing the issuance of the Preliminary Official Statement and, subject to the Sale Requirement previously discussed, the final Official Statement relating to the 2002 B Bonds.**

(e) A resolution authorizing the President to take all actions authorized to be taken by the Chairman in connection with the issuance and sale of the 2002 B Bonds by the Resolutions of the Trustees adopted September 25, 2001.

**In regard to the Issuance of Commercial Paper Notes for Refunding:**

(a) A resolution authorizing the issuance of Series 1 and Series 2 Commercial Paper Notes, to refund, if necessary, the 1998 B Bonds and to refund certain Series 3 Commercial Paper Notes issued in connection with the November 2001 1998 B Bond refunding. Although my memorandum indicated that there would be a cap, to provide flexibility, the resolution doesn't have a cap, but instead provides authority to issue sufficient commercial paper to do the refunding. However, as Mike mentioned, our current expectation is that \$220 million in tax-exempt commercial paper and \$62 million in taxable commercial paper will be issued, if necessary.

(b) A resolution authorizing the issuance of Series 3 Commercial Paper Notes as part of the refunding of the 1998 B Bonds with Authority tax-exempt Commercial Paper Notes, if necessary.

**In regard to the 1998 Swap Agreements:**

(a) A resolution authorizing the President and other specified officers to terminate each of the 1998 Swap Agreements, subject to the Sale Requirement limitation previously discussed and subject to the additional requirement that the Authority either (A) receives a termination fee or (B) if required to pay a termination fee, such payment either (a) does not exceed, in the aggregate, \$50 million, or (b) is approved in writing by two of the specified authorizing officers.

(b) A resolution authorizing the use of up to \$13 million in Operating Fund monies to pay 1998 Swap Agreements termination fees.

(c) A resolution authorizing the use of the proceeds of Series 3 Commercial Paper Notes to pay for certain 1998 Swap Agreements termination fees.

**In regard to Retirement of Poletti Project Debt**

A resolution authorizing the use of up to \$240 million in Operating Fund monies to retire debt associated with the existing Poletti Project.

**And finally:**

A resolution authorizing letter agreements between the Authority and the law firm of Hawkins, Delafield & Wood, for the provision by such firm of bond counsel services to the Authority, and with the law firm of Nixon Peabody LLP, for the provision by such firm of special counsel services to the Authority, all in connection with the 2002 A Bonds.

*Mr. Brady presented the highlights of staff's recommendations to the Trustees. Mr. Collins explained that the requested action authorizes the use of Authority Operating Fund monies to pay off the debt associated with the Poletti Project over six years.*

*Responding to additional questions from Trustee Seymour, Mr. Collins described the proposed timetable for the transaction and indicated that among the purposes of the bond issuance is to fund the proposed new 500*

*MW Combined Cycle plant at the Poletti site. Responding to questions from Vice Chairman McCullough, Mr. Collins outlined the significance and logistics of the proposed transaction.*

*At this time, Mr. Ernsthaft presented a summary of the various resolutions before the Trustees for adoption.*

*Responding to questions from Vice Chairman McCullough regarding the termination of the 1998 Swap Agreements, Mr. Collins explained that the \$50 million for anticipated termination fees does serve as a cap on the costs of potential swap termination fees subject to the provision allowing for greater amounts upon the approval of certain specified officers; Mr. Ernsthaft added that the bulk of these costs would come out of the bond proceeds and they will be factored into the savings; Mr. Brady added that staff does not anticipate that the \$50 million cap would be exceeded, noting that the current costs of unwinding the swap are estimated to be approximately \$36 million.*

*Responding to questions from Chairman Ciminelli and Trustee Seymour, Messrs. Collins, Brady and Ernsthaft described the desirability of the proposed action. Mr. Collins noted however that, in regard to the refunding transaction, the operative numbers can change in a fluctuating market. Mr. Brady emphasized that if, for any reason, the proposed refunding transaction loses its cost effectiveness, staff will not go forward with the refunding transaction and would instead utilize commercial paper to refund the Series 1998 B Bonds. Mr. Ernsthaft indicated that these resolutions may all be adopted collectively.*

#### EXHIBITS

- Exhibit 4-1: Fifth Supplemental Resolution Authorizing Series 2002 A Revenue Bonds
- Exhibit 4-2: Draft of Preliminary Official Statement relating to the Series 2002 A Bonds and the Series 2002 B Bonds
- Exhibit 4-3: Draft of Contract of Purchase relating to the Series 2002 A Bonds
- Exhibit 4-4: Draft of Contract of Purchase relating to the Series 2002 B Bonds

**5. Municipal and Rural Cooperative Economic Development Program – Allocations to the Villages of Green Island and Frankfort**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve allocations of power under the Municipal and Rural Cooperative Economic Development Program (‘Program’) to the Villages of Green Island and Frankfort.

**BACKGROUND**

“The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of February 26, 2002, 30,650 kW have been allocated.

“Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the Program, an allocation to a system should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio are considered on a case-by-case basis. For projects involving existing businesses, the number of jobs per megawatt is the number of new jobs as compared to the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per megawatt; for companies employing between 101 and 250, the ratio is 50; for companies employing between 251 and 500, the ratio is 75; and for companies employing over 500, the ratio is 100 jobs per megawatt.

“The Villages of Green Island and Frankfort have submitted applications for power under the Program for consideration by the Trustees.

**DISCUSSION**

“An application has been submitted by the Village of Green Island on behalf of Reliable Brothers, Inc (‘Reliable’). Reliable was formed as a corporation on September 13, 2000. The owners were both employees and minority owners of Reliable Brands, Inc. of Albany, NY (‘Reliable Brands’). The new company, Reliable, is engaged in the manufacturing and processing of meat products. By using a different business model than Reliable Brands, Reliable will be able to capture additional market segments, particularly a niche for high-end meat products. Reliable’s customer base is concentrated in the New York Capital District region, and its target market includes restaurants, institutions, pizza shops, and delis that want to offer value-added meat products, specialty meat cuts, and higher quality offerings. Reliable also plans to enter the specialty pre-packaged gift meat market.

“Reliable proposes to construct a new 13,000 square foot facility within the Village of Green Island Industrial Park. The total investment for the building and machinery is approximately \$1.4 million. The new facility will provide for approximately 32 jobs over the next three years, adding revenue to the local economy. The estimated electrical load for the facility is 300 kW. It is recommended that the Trustees approve an allocation of 300 kW for Reliable.

“The Village of Frankfort has submitted an application on behalf of F.E. Hale Mfg. Co. (‘Hale’). Hale has been in business since 1907 specializing in producing and marketing wooden bookcases. Hale’s products are sold through retailers, office product dealers, and catalog houses for residential and office applications. Products for the residential market are comprised of solid walnut, oak, cherry, and birch wood. Commercial products include a cross-section of bookcase models to fit the application. Locally produced products range from standard open bookcases to specialized custom sizes and finishes furnishing large library installations, executive suites, and boardrooms.

“Hale currently operates out of three locations within Herkimer County (Herkimer, Mohawk, and Little Falls). The Herkimer and Mohawk locations are in residential areas with no room for expansion. The new project will consolidate all three locations into one, enabling Hale to remain a viable business by modernizing its operations.

Hale's proposed expansion calls for the construction of an 18,000 square foot plant located in the North Frankfort Industrial Park. Total expenditure for the project is approximately \$3.7 million, less a \$100 thousand State grant through the Herkimer Industrial Development Agency. The new facility will include approximately \$780 thousand for modern wood working/finishing equipment which will allow for updated wood waste management, reducing hazardous air pollutants, and improving energy efficiency. All aspects of the business, including office staff, production, and warehouse employees will be housed in the new facility. Hale currently employs 62 people; the move and expansion will provide for 27 new jobs over the next three years, adding revenue to the local economy. The existing total electrical load among the three current locations is approximately 150 kW and is expected to increase to 550 kW after consolidation and expansion. An allocation of 400 kW under the program represents new load to New York State that would otherwise not materialize. It is recommended that the Trustees approve an allocation of 400 kW to Hale related to the expanded load at the new facility.

"The Municipal Electric Utilities Association ('MEUA') Executive Committee supports the recommended allocations to the Villages of Green Island and Frankfort.

"The recommended allocations under the Program comprise half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational. The hydropower earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawable basis. As partial-requirements customers, the Villages of Green Island and Frankfort may purchase the incremental power from the Authority or an alternate supplier.

#### RECOMMENDATION

"The Senior Vice President – Marketing, Economic Development & Supply Planning recommends that the Trustees approve the allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Villages of Green Island and Frankfort, in accordance with the above memorandum of the President and Chief Executive Officer.

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

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

**RESOLVED, That the allocations of power to the Villages of Green Island and Frankfort under the Municipal and Rural Cooperative Economic Development Program are hereby approved as set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Senior Vice President – Marketing, Economic Development & Supply Planning or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable, to effectuate the aforesaid allocations subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.**

**6. Power Allocations Under the Power for Jobs Program**

The President and Chief Executive Officer submitted the following report:

SUMMARY

"The Trustees are requested to approve 16 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit '6-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 and not-for-profit corporations that agree to retain or create jobs in New York State. In return for commitments to create or retain jobs, successful applicants receive three-year contracts for Power for Jobs electricity.

"The Power for Jobs program originally made available 400 megawatts ('MW') of power; 200 MW provided from the Authority and 200 MW 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 amended the Power for Jobs statute to accelerate the distribution of the power, making a total of 267 MW available in Year One. The 1998 amendments also increased the size of the program to 450 MW, with 50 MW to become available in Year Three.

"In May 2000, legislation was enacted which authorized another 300 megawatts of power to be allocated under the Power for Jobs program. The additional megawatts were described in the statute as 'phase four' of the program. Customers who received allocations in Year One were authorized to apply for reallocations. Over 95% reapplied. The balance of the power was awarded to new applicants.

"In July 2002, legislation was signed into law by Governor Pataki which authorized another 183 megawatts of power to be allocated under the program. The additional megawatts are described in the statute as 'phase five' of the program. Customers who received allocations in Year Two or Year Three will be given priority to reapply for the program. Any remaining power will be made available to new applicants.

"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 enterprises that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Successful applicants are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 16, 1997 through June 25, 2002, the Trustee's approved allocations to 1,031 employers under the Power for Jobs program. Currently, the program is linked to some 300,000 jobs at manufacturing facilities, small businesses, hospitals, colleges and cultural institutions across the state.

DISCUSSION

"Completed applications were reviewed by the 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. Sixteen applications were deemed highly qualified and presented to the EDPAB for its review on September 16, 2002.

"As a result of its meeting, the EDPAB recommended that the Authority's Trustees approve the allocations to the 16 businesses listed in Exhibit '6-A'. Exhibit '6-A' lists those businesses that were recommended for extending their existing allocations under phase five of the program. Collectively, these organizations have agreed to retain nearly 3,000 jobs in New York State in exchange for allocations totaling 8.920 MW. The allocation contracts will be for a period of up to three years. The power will be wheeled by the investor-owned utilities as indicated in the exhibits. The bases for EDPAB's recommendations are also included in such exhibits.

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the allocations of power under the Power for Jobs program 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, and I concur in the recommendation."

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

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 8.920 MW of allocations of Power for Jobs power to the companies listed in Exhibit "6-A" attached hereto;**

**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 "6-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 8.920 MW of power from the Authority 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 the separate allocation contracts between the Authority and such Customers; and be it further**

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

**7. Allocations of Economic Development and Industrial Power**

The President and Chief Executive Officer submitted the following report:

“The Trustees are requested to approve the allocations of 750 kW of Economic Development Power (‘EDP’) to Granny’s Kitchens, 500 kW of EDP to Middleport Cold Storage, 300 kW of Industrial power to the Suffolk County Electrical Agency (‘Suffolk County’) for resale to The Ullman Company, Inc. (‘Ullman’), and 250 kW of Industrial power to the New York City Public Utility Service (‘NYCPUS’) for resale to Ultra-Flex Packaging, Inc. (‘Ultra-Flex’).

**BACKGROUND**

“At its meeting of September 16, 2002, the Economic Development Power Allocation Board (‘EDPAB’) approved applications for EDP submitted on behalf of Granny’s Kitchens and Middleport Cold Storage and recommended both allocations to the Authority with certain terms and conditions. In addition to the quantity of EDP, number of jobs to be committed, and term of contract, EDPAB recommends that the Authority’s EDP service agreements with both companies include a provision regarding reductions of power (if jobs or power usage is below committed levels). Both companies are in the service area of the Niagara Mohawk Power Corporation (‘Niagara Mohawk’). Under an existing contract between the Authority and this utility corporation, EDP is sold to the relevant utility for resale to the designated industrial customer at a special tariff rate. At their meetings of June 29, 1993, December 16, 1993, and July 27, 1999, the Trustees approved a total of 2,750 kW of EDP to Granny’s Kitchens for business expansion purposes.

“In addition, the Authority has reserved approximately 5,000 kW of Industrial power for sale to Suffolk County, which resells this power to industrial consumers designated by Suffolk County and approved by the Authority. Ullman’s currently proposed allocation of 300 kW for job retention purposes would be available from this block of power.

“The Authority has also reserved 61,300 kW of Industrial power for sale to NYCPUS which resells this power to industrial consumers designated by NYCPUS and approved by the Authority. The proposed additional allocation of 250 kW to Ultra-Flex’s Brooklyn facility for job creation purposes would be available from this block of power.

“At their meeting of October 30, 2001, the Trustees approved an initial allocation of 850 kW of Industrial power to Ultra-Flex for job retention purposes.

**DISCUSSION**

“Granny’s Kitchens, located in Franfort, is a wholesale bakery manufacturer specializing in frozen donut products for the institutional and fast food retail markets. Over the years the company has continued to expand its operations and EDPAB has now recommended an additional allocation of 750 kW to Granny’s Kitchens for a new expansion project which involves further increases in production capacity and employment with a capital cost of \$4.0 million. The higher power requirements for the completed project are the result of the installation of two additional production lines which include a new yeast mixer, a 300 horsepower compressor and an additional freezer. The additional allocation of 750 kW would retain 255 jobs and create 60 new jobs over the next three years producing a total ratio of 420 jobs per megawatt. Annual savings over the proposed 15 year term are estimated to be about \$45,000 annually for the additional allocation, compared to Niagara Mohawk’s standard rates. The Herkimer County Industrial Development Agency supports the proposed allocation.

“Middleport Cold Storage, Niagara Foods, Inc., and Agvest, Inc. (‘Middleport Cold Storage’, hereafter ‘the company’) are affiliated companies that started doing business in Middleport in 1973. Middleport Cold Storage is one of the area’s largest cold storage facilities, while the other two companies are processors of apples, cherries, blueberries, and cranberries. The majority of the company’s raw fruit is purchased from local farmers and, after processing, sold to various bakeries throughout the United States. As a group, the company is the largest employer in Middleport. The perishable nature of the company’s product lines demands a consistently high consumption of energy. The products are kept in a refrigerated, temperature controlled environment, from right before, to

immediately after processing, and until they reach the end user. Consolidation and depressed market pricing in the fruit baking industry have recently forced Middleport Cold Storage into a state of negative profit margins and compelled the ownership to seriously consider the closure of all company facilities. The Niagara County Industrial Development Agency supports the proposed allocation.

“To be competitive, remain in business, revitalize, and grow for the future, the company is in need of new freezing and processing equipment. However, given the company’s present financial situation, it has been determined that it is not cost effective to purchase new equipment and increase production without a reduction in energy costs. Lower energy costs would help Middleport Cold Storage to compete more effectively, expand its processing capabilities, and return it to profitability. In consideration for an allocation of 500 kW, the company is willing to spend approximately \$500,000 on new freezer equipment and commit to retaining its 67 employees and creating an additional 18 jobs over the next three years. The proposed five-year revitalization allocation would produce a total ratio of 170 jobs per megawatt and save the company an estimated \$45,000 annually over NIMO’s standard rates.

“Ullman is a manufacturer of specialty decorative plastic tableware products based in Hauppauge. The company has experienced serious pricing pressure from out-of-state and overseas competition. An allocation from Suffolk County would provide the company with the ability to remain competitive and reduce operating costs. Suffolk County has proposed a three year allocation of 300 kW to Ullman, which would save the company an estimated \$40,000 annually over LIPA’s standard rates. The company would commit to retain 120 jobs, yielding a total jobs ratio of 400 jobs per MW.

“Ultra-Flex, a manufacturer of plastic packaging for consumer products, initially received an allocation of 850 kW in support of its expansion plans, and NYCPUS has now requested that an additional allocation of 250 kW be made available for its facility in East New York. The company has recently installed a new printing press and has plans to install two additional high speed presses over the next three years. An additional reduction in energy costs would further assist Ultra-Flex in its efforts to expand in Brooklyn. The additional allocation which would expire June 30, 2010, would save the company approximately \$35,000 over the Con Edison’s standard rates. In consideration for the total allocation of 1,100 kW, Ultra-Flex has committed to retain 294 jobs and create an additional 100 jobs.

“The proposed allocations have 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 Part 460 (1995))). The Authority’s standard EDP allocation agreements with each of the companies provide for reductions in an 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 as provided by Section 460.4 of the Authority’s Rules and Regulations. Additionally, each contract will include specific energy audit and implementation requirements.

#### RECOMMENDATION

“The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the allocations of 750 kW of Economic Development Power to Granny’s Kitchens, 500 kW of Economic Development Power to Middleport Cold Storage, 300 kW of Industrial power to Suffolk County for resale to The Ullman Company, and 250 kW of Industrial power to NYCPUS for resale to Ultra-Flex Packaging, Inc., in the amounts described herein.

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

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

*Responding to questions from Vice Chairman McCullough, Mr. Yates confirmed staff’s assessment that Middleport Cold Storage company is committed to capital investment.*

September 17, 2002

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

**WHEREAS, the Economic Development Power Allocation Board has recommended allocations of Economic Development Power to Granny's Kitchens and Middleport Cold Storage as described in the foregoing report of the President and be it further**

**RESOLVED, That the contracts for resale of Industrial Power between Suffolk County and The Ullman Company and New York City Public Utility Service and Ultraflex-Packaging, Inc., are subject to approval by the Senior Vice President – Marketing, Economic Development, and Supply Planning with approval as to form by the Executive Vice President, Secretary and General Counsel, or his designee**

**NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the allocation of 1,800 kW of Economic Development and Industrial Power to the companies described in the foregoing report of the President, substantially in accordance with the terms described in such report; and be it further**

**RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, or his designee.**

**8. Temporary Allocation of 4,000 kW of Expansion Power to Globe Metallurgical, Inc.**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve a temporary allocation of 4,000 kilowatts (‘kW’) of available Expansion Power to Globe Metallurgical, Inc. (‘Globe’) for the period commencing August 1, 2002 and ending on midnight, December 31, 2002.

**BACKGROUND**

“At their meeting of October 25, 1988, the Trustees approved a 23,000 kW allocation of Expansion Power to Globe’s predecessor for use at its Niagara Falls, New York facility. On April 20, 1989, an Expansion Power Allocation Service Agreement was entered into between the Authority, Niagara Mohawk Power Corporation (‘Niagara Mohawk’) and Globe’s predecessor in interest. The agreement has been duly assigned to and assumed by Globe.

“In addition to their Expansion Power allocation, Globe also has a 20,000 kW allocation of Replacement Power.

**DISCUSSION**

“Globe’s Niagara Falls facility was idled in December 2001. Ninety employees were laid off at that time. In July of 2002, Globe had an opportunity to restart its production facilities while it continued to work with its corporate headquarters to restore the plant to normal operations. Due to the time constraints involved and in light of the financial difficulties which seriously jeopardized the continued viability of the facility, the Chairman authorized the temporary allocation of 4,000 kW of Expansion Power, effective August 1, 2002. The temporary allocation allowed Globe to restart and stabilize the manufacturing operations at the facility.

“The Authority, Niagara Mohawk and Globe have agreed to amend Globe’s Expansion Power Allocation Service Agreement to increase the amount of Expansion Power on a temporary basis. Globe has agreed not to request that the temporary allocation be extended beyond December 31, 2002, in recognition of the fact that the Expansion Power will have to be made available by the Authority for reallocation to Western New York businesses after a competitive solicitation. Niagara Mohawk has agreed to deliver the power.

**RECOMMENDATION**

“The Vice President - Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve a temporary allocation of 4,000 kW of Expansion power to Globe Metallurgical, Inc. for the period commencing August 1, 2002 and ending on midnight, December 31, 2002

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

September 17, 2002

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

**RESOLVED, That the temporary allocation of 4,000 kW of Expansion Power to Globe Metallurgical, Inc. be, and hereby is, approved on the terms set forth in the foregoing report of the President and Chief Executive Officer; and be it further**

**RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning, or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.**

9. **Transfers of Industrial Power**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the transfer of Industrial Power for 20 existing customers that have been acquired. As part of the transfers, all 20 of the transferees have agreed to honor the associated job commitments.

**BACKGROUND**

“Twenty companies have requested that the Authority grant approval to their requests for the continued delivery of Industrial Power to facilities that have all gained prior approval for an allocation of Industrial power with pre-existing company names and ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the Industrial Power allocations that were granted to the previous company names and ownership associated with these facilities.

“The Trustees have approved transfers of this nature in past meetings.

**DISCUSSION**

“The proposed transferees are as follows:

“**Olsten Corporation** (‘Olsten’) was approved for a 1,500 kW Economic Development power (‘EDP’) allocation effective March 28, 1995. The company's businesses center around staffing, home health care, and information technology based in Melville. Olsten has merged its staffing and information technology services businesses with Adecco, S.A., whose services encompass staffing, career services, executive search and recruitment, and has over 6,000 offices across 60 countries. At the same time, Adecco split off its health services business to Olsten shareholders as an independent health services company. Adecco will maintain the original job commitment of 160 jobs at the Melville facility.

“**Buffalo China** - The Trustees approved allocations of 250 kW of Replacement Power at their meeting of January 31, 1989, and 600 kW at their meeting of April 26, 1994. The company was acquired by Oneida, Ltd. Oneida Ltd. is the world's largest manufacturer of stainless steel and silver plated flatware for both the Consumer and Foodservice industries, and the largest supplier of dinnerware to the foodservice industry. Oneida is also a leading supplier of a variety of crystal, glassware and metal serveware for the tabletop industries. Buffalo China will retain its name and job commitment of 532 jobs.

“**Drescher Corporation** was approved for a 300 kW allocation of EDP for 142 jobs at the Trustee meeting of July 26, 1994 and 350 kW of Power for Jobs (‘PFJ’) for 60 jobs at the Trustee meeting of March 28, 2000. Dot Foods purchased Drescher Corporation in a full asset. The new name of the company is Dot Foods.

“**Borg Warner Automotive Fuel Systems** (‘BWFS’) Borg Warner Automotive (‘BWA’) is a global supplier of engineered systems and components, primarily for automotive powertrain applications. The company’s products are manufactured and sold to original equipment manufacturers of passenger cars, sport utility vehicles, trucks, commercial transportation products and industrial equipment. TMB Industries has acquired the Fuel Systems business of BWA which is a supplier of air and fluid control systems and components for engine and transmission performance. At their meeting of April 28, 1998, the Trustee’s BWFS was approved for 400 kW of Power for Jobs power. The name of the new business entity is Fuel Systems, LLC. Fuel Systems, LLC will maintain the original commitment of 146 jobs.

“**Carborundum Corporation** was approved by the Trustees for allocations of Replacement Power at four of its Western New York facilities for a total of 15,950 kW of Replacement Power and 500 kW of Expansion Power with an associated total job commitment of 903 jobs. The French company, Saint-Gobain has acquired the

Carborundum Company. All four of the formerly named 'Carborundum' facilities were changed to a 'Saint-Gobain' derivative. Saint-Gobain will continue to honor the existing job commitments.

**"Life Technologies** is a manufacturer of cell culture media for biotechnology researchers. The Trustees approved an allocation of 400 kW of Replacement Power to Life Technologies at their meeting of April 26, 1994. Life Technologies committed to create 43 jobs over a base of 355 jobs in New York State in return for the allocation. Life Technologies, Inc was merged into Invitrogen Corporation. As part of the transfer, Invitrogen will honor the associated job commitment.

**"Sivaco New York, Inc.** produces alloy and certain steels, including hot rolled bars, steel billets, wire rod and precision steel components. At their meeting of January 31, 1989, the Trustees approved the allocation of 590 kW of Replacement Power for 50 jobs. The company later relinquished 330 kW of Replacement Power effective January 1, 1999. The job commitment was then reduced to 37 jobs. The company officially changed its name to Ivaco Steel Processing (New York), Inc.

**"Avon Injected Rubber & Plastics, Inc.** is a manufacturer of injection-molded plastic and rubber components primarily for use in the auto industry. Avon currently has a 750 kW allocation of Expansion Power with a commitment to maintain 163 jobs. Viking Industries of Solon, Ohio, has acquired the Lockport plant and changed the name of the company to Par Industries, LLC – Lockport Plant.

**"Deferiet Paper Company** ('Deferiet') manufactures paper of various widths, weights, finishes and colors. At their meeting of February 29, 2000, the Trustees approved a 5,000 kW Power for Jobs allocation for the retention of 525 jobs at the company's paper mill located in Deferiet. The assets of the company were subsequently acquired by Belcorp Industries, Inc. of Vancouver, B.C. The Deferiet Paper Company was renamed to Newstech, NY, Inc. The allocation was later voluntarily reduced to 1,000 kW effective June 1, 2001, and the job commitment lowered to 105 jobs.

**"Niagara Cold Drawn Corporation** ('Niagara') – On July 31, 1986, the Trustees approved a 700 kW allocation of Replacement Power to the Niagara Cold Drawn Corporation. Niagara purchased a company called the LaSalle Steel Company ('Lasalle'). Lasalle was approximately the same size as Niagara and has been in existence for some 40 years. Therefore, to maintain the continuity of both names in the marketplace, Niagara changed its name to Niagara LaSalle Corporation. There was no change in ownership.

**"Fieldbrook Farms** - Fieldbrook Foods Corporation acquired the assets of Fieldbrook Farms, Inc. on January 7, 2002. At their meeting of August 27, 1996, the Trustees approved an allocation of 3,000 kW of Expansion Power to Fieldbrook Farms for a total of 600 jobs. Fieldbrook Foods has requested the transfer of the 3,000 kW and has hired all 372 existing employees at the Dunkirk facility as of February 27, 2002. The new company's long term plans for hiring additional full-time employees is currently being developed.

**"Republic Technologies** was approved for two allocations of Replacement Power and one allocation of Expansion Power, totaling 10,400 kW for 395 jobs. On July 11, 2002, the sale of Republic's operating assets was concluded and, as of August 15, 2002, the name of the new company is Republic Engineered Products, LLC.

**"Tops Markets, Inc.** was approved for 550kW of Expansion Power and 682 jobs at the company's Lancaster facility, and 300 kW of Expansion Power and 50 jobs at its Cheektowaga facility. C&S Wholesale Grocers has acquired all of the warehouse assets of Tops Markets.

**"Purolator Products Company** - At their meeting of March 30, 1999, the Trustees approved a 1,000 kW Power for Jobs allocation for 285 jobs. The company has been sold and the name of the company has changed from Purolator Products Company to Motor Components, LLC.

**"Pyron Corporation** was approved for 4,000 kW of Expansion Power at the Trustees' meeting of October 25, 1988, and a total of 2,700 kW of Replacement Power at the Trustees' meetings of January 31, 1989 and April 26, 1994. The total job commitment is 120 jobs. The company operates a metal powder manufacturing facility in Niagara Falls. The company produces atomized and sponge iron powder for component manufacture and specialty applications. The facility was sold to the Swedish company Hoganas A.B., the world's largest producer of iron

powder. The new name of the company that now owns and operates the Niagara Falls facility is North American Hoganas.

“**Lipec Rollway** was approved for 1,000 kW of Economic Development Power at the Trustee’s meeting of August 31, 1993 for 280 jobs. The company manufactures ball and roller bearings. The company is owned by Emerson Power Transmission Corporation and the name has been changed to the Rollway Bearing Corporation

“**Quebecor Printing Buffalo** is a manufacturer of paperback books, magazines, and tab size inserts. The company was approved for two allocations of Expansion Power totaling 5,000 kW and one PFJ allocation of 650 kW for a total of 1,300 jobs. The company was recently sold and changed its name to Quebecor World Buffalo, Inc.

“**Sierra Technologies** was approved for a PFJ allocation of 600 kW for 332 jobs at the Trustees’ meeting of February 24, 1999. The company is a producer of military electronic systems and components. Sierra was sold as part of an asset purchase of Sierra Technologies, Inc. It is now known as Sierra Research, an Integrated Defense Technologies company (‘IDT’).

“**BF Goodrich - Unisom Industries** acquired the Engine Electrical Systems Division (‘EESD’) of BF Goodrich Aerospace. EESD was part of Simmons Precision, Inc. which had been acquired previously by BF Goodrich Aerospace. Prior to the Unisom acquisition, BF Goodrich relocated part of the company’s business out-of-state. The business that remains at the Norwich facility is now referred to as Unisom Industries – Norwich and it is part of Unisom Industries, Inc. with headquarters in Jacksonville, Florida. BF Goodrich was approved for an allocation of 1,500 kW of Economic Development Power for 265 jobs, (which was later voluntarily reduced to 1,250 kW), at the Trustees’ meeting of October 14, 1996.

“**World Class Film Corp.** has been acquired by Tyco Plastics & Adhesives. The company is now known as Tyco Plastics–World Class Film Group. The company is an extruder of polyethylene film located in Yonkers. World Class Films was originally approved for an allocation of 2,200 kW of Industrial power sold through Westchester County at the Trustee’s meeting of April 26, 1994. The total job commitment was 130 jobs. The allocation was later reduced to 1,900 kW. The new name of the company is Tyco Plastics – World Class Film Group.

“In accordance with Section 186 of Article 6 of the Economic Development Law, and with Section 460.7 of the Authority’s Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1995)), no voluntary transfer of Economic Development Power may be made without the written approval of the Authority.

“Each of the new corporate entities has agreed to assume all of the obligations of the present allottee, and honor all of the commitments made to the Authority with respect to jobs and reporting requirements.

#### RECOMMENDATION

“The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the transfers of Industrial Power allocations to the 20 companies as described herein.

“The Executive Vice President, Secretary and General Counsel, the Senior Vice President–Marketing, Economic Development and Supply Planning, and I concur with the recommendation.”

September 17, 2002

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

**RESOLVED, That the Authority hereby authorizes the transfers of Industrial Power allocations as described in the foregoing report of the President and Chief Executive Officer, and substantially in accordance with the terms described in such report; and be it further**

**RESOLVED, That the Senior Vice President – Marketing, Economic Development and Supply Planning or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocation subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.**

**10. Procurement (Services) Contracts– Business Units and Facilities– Awards**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '10-A' for the Authority's Business Units/Departments, as well as for the facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

**BACKGROUND**

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

“In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts in excess of \$3,000,000, as well as personal services contracts in excess of \$1,000,000 if low bidder, or \$500,000 if sole source or non-low bidder, require Trustees' approval.

**DISCUSSION**

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

“The terms of these contracts will be more than one year; therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$57,682 to \$1,500,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

**Contracts in Support of Business Units/Departments and the Facilities:**

“The Authority's Wide Area (Nodal) Network ('WAN') serves as the communications backbone that provides for voice, data and operations transmission for the Authority's nine sites. It is considered to be a mission-critical system by the Authority and, as such, requires extremely high reliability. The existing network consists of numerous hardware switches, routers, circuits and dedicated leased lines designed to provide primary and secondary routes by which the Authority conducts its business. Last year, bids were solicited for the purchase of new WAN system equipment to replace the current network with newer technology, in order to ensure operational reliability, achieve lower operating and maintenance costs, and facilitate the procurement of spare parts and qualified, knowledgeable technicians for repairs, when needed. Annese & Associates, Inc., the low bidder of five firms with State Contracts (i.e. contracts issued by the Office of General Services) for such equipment, was awarded a contract for the purchase of the new network equipment. Earlier this year, bids were solicited from these five firms with State Contracts for the installation and maintenance of the aforementioned new network equipment. For administrative purposes, the award of separate contracts for the installation and maintenance of the network equipment was recommended by staff. The contract with **Annese & Associates, Inc.** (a Woman-owned Business Enterprise pending certification by New York State; 4500058847) would become effective on or about November 1, 2002, subject to the Trustees' approval. The purpose of this contract is to provide for full maintenance support for

the new Nortel Networks Passport Nodal Network and ADTRAN nodal networking equipment. Services include, but are not limited to: Help Desk support and troubleshooting on a '24/7' basis; coordination with Nortel Networks for any parts or remote network monitoring; complete ADTRAN onsite parts replacement; and project management of the maintenance programs. Annese will also provide major failure service 365 days a year and will respond to such major failure within four hours. Annese was the low bidder, of two bids received, based on overall costs, i.e., installation and maintenance when considered together. Five bids were solicited from firms under State Contract for such services. It should also be noted that staff negotiated a reduction in annual maintenance costs that will remain firm for three years. The intended term of this contract is three years (commencing 30 days after the Authority's acceptance of the complete implementation of the new network, currently projected to be September 30, 2002), subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$432,000.

"The contract with **IceSolv (Q-02-2986; PO # TBA)** would become effective on January 2, 2003, subject to the Trustees' approval. The purpose of this contract is to provide for all labor, supervision, materials, and equipment necessary to perform dry ice (carbon dioxide) cleaning of four stators for the upgrade of the four remaining turbine generator units at the Robert Moses Niagara Power Plant. IceSolv was the low bidder of two bids received (of eight bids solicited, including notice in the Contract Reporter). Based on the firm's qualifications and ability to perform such work, as evidenced by previous experience as a subcontractor at the Authority's Lewiston Pump Generating Plant, and its compliance with the technical requirements, in addition to its attractive pricing, staff recommends the award of the subject contract to IceSolv. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$57,682.

"The contract with **ICF Energy Solutions, Inc. ('ICF'; Q-02-2904; PO # TBA)** would commence on October 1, 2002. The purpose of this contract is to provide for the purchase, implementation, enhancements and maintenance of a suite of proprietary software modules (Energy Vision Enterprise), as well as related consulting services to support the Authority's short-term load forecasting project. Earlier this year, the Authority solicited bids for an integrated web-based or client/server-based software application, which would enable the Authority to automate and streamline its capability to produce governmental, business, and municipal/cooperative customer load research and weather normalization statistics, and to develop qualitatively more accurate short-term load forecasts that will minimize New York Independent System Operator ('NYISO') scheduling imbalances for all subzone buses for which the Authority is the scheduler/Load Serving Entity ('LSE'). Such application would be capable of performing tasks that include, but are not limited to, the following: transferring, importing and incorporating load profile and billing data from the Authority's internal metering and billing systems into a common database, as well as related data from the NYISO, Consolidated Edison Company of New York ('Con Edison'), Long Island Power Authority ('LIPA'), and other organizations; interfacing to an outside weather vendor for forecasted and historical weather data for several weather locations; validating and editing load profiles; generating reports, statistics, and data files required for short-term and longer-term forecasting requirements, as well as the load scheduling necessary for transfer and daily entry into the NYISO; and providing a mechanism for tracking and forecasting differences between the loads scheduled into the NYISO and later actual data received during the NYISO billing reconciliation process.

"Eleven bids were received in response to the Request for Proposals, which were mailed to 31 firms, including those responding to a notice in the Contract Reporter. The responding vendors were subjected to a rigorous evaluation of their products and services. The review team then evaluated the three 'short list' bidders through four comprehensive and typical business scenario test cases, utilizing actual Authority meter, load and settlement data. Each vendor was requested to prepare a demonstration of their product(s), using such data to produce meaningful results, and to present their solutions to the team for evaluation. The evaluation focused on the quality and comprehensiveness of each firm's proposed solution, as well as their experience, ability to meet the desired implementation schedules, overall cost of its proposed solution, customer support and their financial stability. ICF completed all test cases satisfactorily and its solution was found to be superior in a number of areas. The ICF software permits the use of multiple forecasting methods and supports sophisticated reporting and analysis via its Report Vision process. The firm demonstrated the ability to validate and edit meter data through its Vision Check product, has the required level of dedicated resources available to the project, and has the best overall implementation plan and solution for the Authority's short-term load forecasting effort. As a final prerequisite for award of the subject contract, ICF was retained to perform consulting services for a short-term load forecasting gap

analysis. The purpose of such analysis was to identify the implementation scope and boundaries of the ICF product in relation to the Authority's load forecasting needs and to determine accurate implementation costs and schedule for the project. ICF demonstrated excellent methodology, great depth of business expertise, strong analytical skills and the ability to partner well with the Authority in this effort. Staff therefore recommends the award of the subject contract to ICF Energy Solutions, the most qualified bidder. The implementation of a short-term load forecasting solution for the Authority will encompass multiple phases over the next three years. Initial efforts will focus on the acquisition and installation of the ICF core Energy Vision Enterprise module (Load Vision) and the meter data validation module (Vision Check), as well as the related implementation efforts. Future phases will implement additional modules in the Energy Vision Enterprise suite, as well as refine the interfaces and reporting associated with the core product. During each such phase, technical and business consulting services will be required to optimize the forecasting models and to enhance the application. Staff also recommends the award of a secondary contract to **RLW Analytics** for additional related consulting services to support and complement this effort. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested (with an option to extend for an additional year, in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures). Approval is also requested for the combined total amount expected to be expended for the initial three-year term of the contracts, \$1,500,000.

"In 1998-99, the Authority participated in collaborative projects with the Electric Power Research Institute ('EPRI') to develop the theoretical framework and tools to produce an 'electric price forward curve' and associated volatility term structure. As a result of the unique work they had done in this field and their role as the key contractors for the Authority in the aforementioned collaborative projects with EPRI, the Authority awarded contracts to The NorthBridge Group and Portal Solutions on a sole source basis in June 2000. Such contracts, which were subsequently extended by the Trustees at their meeting of March 27, 2001 and are still active, provide for consulting services to develop a statistical and analytical platform for projecting regional electric prices and asset valuations, and to support associated risk management activities. With the guidance of these consultants, Authority staff developed the initial capability to produce an electric forward curve for the New York region and have successfully produced financial projections that reflect the impact of uncertainty related to both the fuel and deregulated electric markets. In addition, the specialized probabilistic tools, proprietary to NorthBridge, provide a basis to derive market valuation of generating assets by capturing a spread of possible price projections. Some initial risk assessments were also produced in support of the seasonal hedges that the Authority considered for protection against the risk of major outages at our generating units. These concepts and related tools were then applied to SENY supply and rate options across a range of projected electric and gas prices; and initial forward curves, volatility term structure and correlations to support other risk assessment projects. In response to the request of the Authority's senior management, additional refinements were subsequently made to assess the financial impact of alternative supply options, hedge strategies and customer pricing strategies.

"Earlier this year, the Authority established a new internal group, Energy Risk Assessment and Control ('ERAC'), to manage the Authority's overall risk profile. A new risk management system is being developed by another consultant (as further described below under PACE Global Energy Services, LLC) to provide a mechanism to assess this risk. The majority of the data needed to drive this new system is provided by the NorthBridge electric forward curve model, which generates various alternate potential outcomes (using complex probabilistic variables) needed to assess the Authority's financial exposure. In order to remain competitive in today's volatile energy markets, it is imperative that the Authority continually upgrade and modify the proprietary software that has been customized for the Authority, to provide not only the critically needed statistical data, but also the ability to drive other important management strategy assessments and decisions. Critical applications of the NorthBridge system are linked to the activities of other Authority groups involved in various aspects of the risk management process, such as Energy Resource Management, Supply Planning, Financial Planning, etc. They include, but are not limited to: forward curve forecasting to meet future SENY governmental and business customer demands and to hedge the Authority's associated cost structure for the 500 MW plant at the Poletti site, for example; updating the **market** value of various hedge positions for long-term forward contracts (as well as providing an independent expert assessment, as required by certain accounting reporting standards and guidelines); devising strategies that will control the Authority's risk inherent in bidding the Authority's generation assets into the New York Independent System Operator's ('NYISO's') day-ahead ('DAM') and real-time ('RT') markets.

"

“Given the Authority’s current and future need for the expertise and the proprietary software provided by NorthBridge and Portal Solutions to support key short- and long-term decisions to be made by the Authority’s senior management, staff recommends the award of two new sole source contracts to **The NorthBridge Group (primary) and Portal Solutions (secondary); PO#s TBA**, to provide for the continuation of such services, including software modifications as well as consulting services for specific applications. The new contracts would become effective on October 1, 2002 for an intended term of three years and three months, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the combined total amount expected to be expended for the term of the contracts, \$480,000.

“As mentioned above, **PACE Global Energy Services, LLC (‘PACE’)** is currently completing the development and implementation of a custom-designed computer database program (‘RiskSpectives’), which provides the framework for the Authority’s new energy risk management system. This program quantifies the impact of price volatility in the forward electric and fuel markets, forecasts future energy and capacity requirements for Authority load obligations, and facilitates various scenario testing, including unplanned outages of Authority generating facilities. It provides a direct measure of risk as it impacts forecasted Authority earnings and quantifies the Authority’s exposure to market price risk within the deregulated electricity, natural gas and oil markets in New York State. The ERAC Group staff anticipates the need for ongoing support and future enhancements to the RiskSpectives program, as well as continued energy risk management consulting services. PACE is uniquely qualified to provide such necessary support and services, since this firm developed the customized software program for the Authority and has also provided energy risk management consulting services to the Authority during the past two years. Consequently, PACE is thoroughly familiar with the Authority’s mission, policies, facilities, risk profile and personnel. Staff therefore recommends the award of a new sole source contract to PACE, which would become effective on October 1, 2002, subject to the Trustees’ approval. Program support would include: software maintenance (although responsibility for the program source code will transition to the Authority’s Information Technology (‘IT’) staff, they will for example require ongoing support to address financial algorithms coded within the RiskSpectives program); software enhancements (e.g., implementation of an interface to the new Authority load forecasting software and other future enhancements); and continuing training (especially for additional ERAC, Energy Resource Management and IT personnel who were not part of the original implementation team training). The intended term of this contract is three years and three months, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$650,000.

“The contract with **Vertical Seal Company (Q-02-2924; PO # TBA)** would become effective on January 2, 2003, subject to the Trustees’ approval. The purpose of this contract is to provide for all necessary labor, material, equipment, testing and transportation required to refurbish four sets of Kingsbury-type thrust bearings for the upgrade of the remaining four turbine generator units at the Robert Moses Niagara Power Plant. Vertical Seal was the low qualified bidder of five bids received (of five bids solicited, including notice in the Contract Reporter). Staff recommends the award of the subject contract to Vertical Seal based on their evaluation of the contractor’s qualifications and experience, as well as an approved Quality Assurance shop inspection and report conducted/prepared by Authority staff. The intended term of this contract is four years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$60,000.

#### FISCAL INFORMATION

“Funds required to support contract services for various Business Units/Departments and the facilities have been included in the 2002 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects and will be disbursed from the Capital Fund in accordance with the Project’s Capital Expenditure Authorization Request.

RECOMMENDATION

“The Vice President – Procurement & Real Estate, the Vice President – Major Account Marketing and Economic Development, the Chief Information Officer, the Vice President and Chief Risk Officer, the Deputy Secretary and Deputy General Counsel, and the Regional Manager – Western New York, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '10-A' and as discussed above.

“The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Business Services and Administration, the Senior Vice President – Marketing Economic Development and Supply Planning, the Senior Vice President and Chief Financial Officer, and I concur in the recommendation.”

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit "10-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President and Chief Executive Officer.**

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

The President and Chief Executive Officer submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘11-A’ in support of projects and programs for the Authority’s Business Units/Departments, as well as for the facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the contracts with Carter, Ledyard & Milburn and the URC Corporation, as well as the continued allocation of additional funding, as may be required, from a previously-approved revolving fund of \$2,000,000 in the aggregate, to three contracts with law firms providing services in support of the Long Island Power Authority (‘LIPA’) Turbine Project. A detailed explanation of the nature of such services, the reasons for extension, the additional funding required, and the projected expiration dates are set forth below.

BACKGROUND

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

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

DISCUSSION

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

“Although the firms identified in Exhibit ‘11-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed, and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority’s convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures.

“Extension of each of the contracts identified in Exhibit ‘11-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonably negotiated rates, which the Authority needs to continue until a permanent system is put in place.

**Contracts in Support of Business Units/Departments and Facilities:**

“The two contracts with **AERC.com, Inc. (460000667)** and **Full Circle, Inc. (460000666)** provide for waste recycling/disposal activities for lamps and light ballasts, respectively, associated with the Authority’s High Efficiency Lighting Program (‘HELP’). Services include, but are not limited to, furnishing all labor, supervision, material, equipment, laboratory facilities, transportation, insurance (including environmental liability insurance),

spill prevention control and countermeasure equipment and materials, as well as federal, state, and local permits, licenses and other approvals necessary to manage the waste from the point(s) of generation within New York State to the point(s) of ultimate disposition of all lamp and light ballast components. The contractors are also responsible for all pertinent documentation, which includes, but is not limited to, manifests, trip logs, laboratory analyses/reports, storage logs, personnel training records, and certificates of disposal or recycling. The original awards, which were competitively bid, became effective on October 1, 2001 for an initial term of one year, with an option to extend for up to three additional years. A three-year extension is now requested in order to exercise the option and provide services, on an 'as needed' basis. The current contract amounts are \$75,000 for AERC and \$160,000 for Full Circle; it is anticipated that additional funding in the amount of \$225,000 for AERC and \$480,000 for Full Circle may be required for the extended term. It should be noted that as a result of negotiations, AERC agreed to hold its rates firm for the duration of the contract and Full Circle agreed to extend the current rates for one year. The Trustees' approval is requested to extend the subject contracts through September 30, 2005 and to approve the additional funding requested.

"The contract with **Brian R. Meara Public Relations, Inc. (4500036264)** provides for public relations consulting services in connection with the Authority's Power Now! Generation Project and, more recently, in relation to the 500 MW expansion of the Authority's Charles A. Poletti Power Project. The original agreement, which was awarded on a sole source basis, became effective on November 1, 2000, for an initial term of up to one year. At their meeting of September 25, 2001, the Trustees approved a one-year extension through October 31, 2002 as well as additional funding. Mr. Meara's knowledge of the substantive issues associated with the Power Now! and 500 MW projects, and of the parties involved with the projects, is directly relevant and applicable, and should continue to be retained. His seasoned community liaison skills are critical to addressing imminent community concerns, as Mr. Meara possesses the ability to work personally and professionally with the New York City Council, borough presidents, and community board leaders. An additional one-year extension, with the option to extend for one additional year, is now requested in order to continue services as may be required. The current contract amount is \$186,640; it is anticipated that an additional \$80,000 may be required for the extended term. It should be noted that the monthly rate will remain firm for the duration of the contract extension. The Trustees' approval is requested to extend the subject contract through October 31, 2003 (with the option to extend for one additional year in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures) and to approve the additional funding requested.

"The Authority has developed and refined its strategic planning approach over the last several years. The current methodology has been in use since 1996, when senior executives developed a concise mission statement, decision drivers and measures to track success. Since then, changes have been made to incorporate a balanced scorecard approach to such measures and to increase the precision of goal statements for each of six strategic result areas. Planning at the corporate level is performed during the first quarter of each year, with the cascading of the plan to each business unit during the second quarter, in turn forming the basis for resource allocation and operational planning during the third quarter. The contract with **The Center for Governmental Research, Inc. ('CGR'; 4500033845)** provides for consulting services to facilitate the Authority's strategic planning process in order to anticipate, plan for, and mitigate the risks of alternative future events that may impact the Authority. Services include, but are not limited to: identifying issues and initiatives to be addressed by executive management; facilitating the Annual Strategic Planning Conference (including pre-conference meetings with teams of selected Authority employees to discuss issues of greatest concern in greater detail, interviews with executives, advice on conference speakers and structure, etc.); and presenting findings to senior management and facilitating strategy development around the chosen course of action at the annual corporate planning meetings. The original award, which was competitively bid, became effective on October 30, 2000 for an initial term of one year, with an option to extend for one additional year. At their meeting of September 25, 2001, the Trustees approved a one-year extension to exercise the contract option, as well as additional funding. The need to continue the services of CGR is based on the firm's experience, gained through extensive interviewing of the Authority's executive management and, more importantly, of the Authority's stakeholders throughout the state during the last two years. CGR staff have worked closely with Authority employee teams in preparing those agenda items that focused the discussions at the last two conferences. They are familiar with the Authority, its management team, key employees, and those forces that impact its success. The ability to continue the services of a consultant who already has a working knowledge of those issues critical to the Authority's future success, as well as established relationships with those outside stakeholders, makes retention compelling, when combined with performance that has exceeded staff's expectations during the past two years. A two-year extension is therefore requested to continue services through October 29,

2004, as needed; such services would include assisting Authority staff in planning for and facilitating the next Strategic Planning conference scheduled for the first week in February 2003 and providing assistance during the year with summation and follow-up of those action items that result from the discussions that take place at the executive retreat. The current contract amount is \$138,000; it is anticipated that an additional \$150,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 29, 2004 and to approve the additional funding requested.

“The contract with **Langlois Gaudreau (4500001470)** provides for legal services concerning Canadian legal issues and energy matters, including but not limited to contractual issues between the Authority and Hydro-Quebec ('HQ'). The original contract, which was awarded as the result of a competitive search, became effective on October 15, 1998. The firm was retained to assist the Authority with the resolution of a contractual dispute with HQ. At their meeting of December 15, 1998, the Trustees approved the award of a two-year contract, in the initial amount of \$150,000 with an option to extend for two additional years. At their meeting of September 26, 2000, the Trustees approved a two-year extension to exercise the contract option in order to provide for continued services, as needed, as well as an additional \$65,000. Since there is an ongoing need for continuing legal support and assistance on Canadian energy matters in general, particularly in light of the dramatic structural changes underway in the Northeast Independent System Operator/Regional Transmission Organization ('ISO/RTO') and within the provinces of Ontario and Quebec, an additional two-year extension is now requested. The current contract amount is \$215,000; it is anticipated that an additional \$65,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 14, 2004 and to approve the additional funding requested.

“The contract with **Valco Energy Systems, Inc. (4600000637)** provides for a boiler service agreement, consisting of the maintenance and repair of two Cleaver Brooks boilers (150HP) that heat the Authority's Clarence D. Rappleyea Building in White Plains, New York. Services include: comprehensive emergency service (e.g., for burners, controls, boiler feedwater pumps, and fuel oil transfer pumps) by a qualified field engineer on a '24/7' basis, with a three-hour response time; annual complete boiler cleaning and inspection service; and semi-annual preventive maintenance and fine-tuning services. The original contract, which was awarded on a sole source basis, became effective on August 21, 2001 for a term of one year. An additional sixteen-month extension is now requested, in order to continue to provide such services through 2003. Although the boilers are more than 20 years old, the Authority's Energy Efficiency staff has determined that the boilers operate at more than 80% efficiency and are in excellent condition. This is attributable, in large part, to the excellent service provided by both the Authority's building engineers and Valco Energy Systems, who have been maintaining and repairing the boilers for over 15 years. On this basis, staff therefore recommends the additional contract extension. The current contract amount is \$25,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to approve an additional extension through December 31, 2003, with no additional funding requested.

“The contract with **Xenergy Inc. (4500032984)** provides for consulting services in connection with the Authority's long-term strategic electricity supply planning to meet the needs of its customers. Such services include strategic supply plan development, negotiation of capacity and energy purchases, and translation of supply planning decisions on customer pricing. The original contract, which was competitively bid, became effective on November 6, 2000 for an initial term of one year, with an option to extend for an additional year. At their meeting of September 25, 2001, the Trustees approved a one-year extension and a total contract amount of \$300,000. Xenergy has assisted the Authority in crafting the strategy for going forward with the Request for Proposals ('RFP') for a long-term supply portfolio and has provided vital guidance, analytical support and assistance in the bid solicitation, evaluation and negotiation process that led to the award of an energy supply contract to Constellation Power Source, Inc. in December of 2001. Staff expects to issue another RFP in early 2003 to continue adding to the Authority's long-term supply portfolio. An additional fourteen-month extension is now requested in order to support this effort and to continue services, as may be required. This approach would result in the highest quality product at the lowest overall consulting cost, as it would allow for the use of existing models, database, and methodology developed by Xenergy. In addition, Authority staff has been very satisfied with the firm's performance to date. The current contract amount is \$375,000 (which includes an additional \$75,000 authorized in accordance with the Authority's Expenditure Authorization Procedures); it is anticipated that an additional \$100,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2003 and to approve the additional funding requested.

“At their meeting of November 27, 2001, the Trustees authorized expenditures to establish a revolving fund, not to exceed the amount of \$2,000,000 in the aggregate, for certain financial, legal, environmental, procurement, real estate, engineering and other consulting services and technical assistance to be rendered by the Authority in connection with the Long Island Power Authority’s (‘LIPA’s) Turbine Project. The Trustees also authorized the President and Chief Executive Officer (then Chief Operating Officer) and/or the Executive Vice President, Secretary and General Counsel to allocate the requested funding in his discretion, as services are performed or technical assistance rendered, and to authorize increases in the compensation ceilings of any contracts necessary to cover such work. Pursuant to the aforementioned authorizations, funding will be allocated to the contracts with the three legal firms listed below (as well as to contracts with any other firm(s) that may be engaged by the Authority for such services), as needed. Accordingly, the compensation ceilings of such contracts may also be increased, as may be required. It should be noted that LIPA will be billed directly for such services and assistance, with the Authority receiving reimbursement of such billings on a monthly basis, so that there will be no net impact on the Authority’s costs. Upon reimbursement, the revolving fund will be available for additional expenditures and the contract authorizations will be increased as necessary to be consistent with such additional expenditures.

“The contract with **Bond, Schoeneck & King, LLP (4500035296)** provided for legal consultation and representation services to the Authority in connection with several potential eminent domain claims in relation to the Power Now! Project and, more recently, provides for the subject firm to serve as the escrow agent that holds the deeds for the LIPA Turbine Project. The original award became effective on November 1, 2000, for an initial term of one year with an option to extend for one additional year. Due to the assistance being rendered by the Authority in connection with the LIPA Turbine Projects, the Trustees approved a one-year extension at their meeting of December 18, 2001, in order to exercise the contract option and continue to provide consultation and such possible legal representation services, as required. An additional one-year extension is now requested. The current contract amount is \$90,000; it is anticipated that an additional \$25,000 (to be allocated from the aforementioned aggregate \$2,000,000 revolving fund for LIPA-related services) may be required for the extended term to support the LIPA Turbine Project and to cover the firm’s cost as escrow agent through the date of closing. The Trustees’ approval is requested to extend the subject contract through December 31, 2003 and to approve the additional funding requested, as well as the allocation of any additional funding from the above-referenced previously-approved revolving aggregate \$2,000,000, as needed.

“The contract with **Holland & Knight, LLP (4500014922)** has provided for services in relation to the negotiation, financing, and implementation of a prepaid contract for the purchase of electricity from the nuclear plants, as part of an extension of the Purchase Power Agreement; advice and counsel in connection with the review and evaluation of possible contractor claims, which may be submitted to the Authority arising out of certain power plants that are being constructed by the Authority; and, more recently, additional services in relation to certain financial, legal, environmental, engineering and other services and assistance in connection with the LIPA Turbine Projects. The original contract became effective on November 10, 1999 to provide legal advice, counsel, and representation before judicial or regulatory bodies, in connection with the sale of the Authority’s two nuclear plants and on such other activities, as requested by the Authority. At their meeting of December 14, 1999, the Trustees ratified and approved a three-year award for such services, and a contract amount of \$300,000. Additional funding was subsequently authorized pursuant to the Special Resolution of March 28, 2000, which approved an aggregate \$2,000,000 for services in connection with the sale of the nuclear plants, as well as an additional aggregate \$850,000 approved by the Trustees at their meeting of November 28, 2000. At their meeting of December 18, 2001, the Trustees approved an extension through December 31, 2002 and a revised compensation ceiling of \$2,800,000, in addition to amounts that may be allocated from the aggregate \$2,000,000 revolving fund for LIPA-related services. An additional one-year extension, with an option to extend for one additional year, is now requested in order to continue support for the LIPA Turbine Project, and to provide other services, including counsel regarding compliance with the maintenance of the Authority’s deferred compensation plans, construction contract negotiation and litigation advice, as well as advice regarding the resolution of the status of the Authority’s long-term firm gas supply agreement with Enron North America Corp. (formerly Enron Gas Marketing), in light of that firm’s financial distress. In addition, Holland & Knight will serve as outside counsel in ensuing matters. The current contract amount is \$3,325,000; it is anticipated that an additional \$200,000 may be required for the extended term, in addition to amounts that may be added from the aggregate \$2,000,000 revolving fund previously authorized for LIPA-related services. The Trustees’ approval is requested to extend the subject contract through December 31, 2003 (with the option to extend for one additional year in accordance with the Authority’s Guidelines for

Procurement Contracts and Expenditure Authorization Procedures) and to approve the additional funding requested, as well as the allocation of any additional funding from the above-referenced previously-approved revolving aggregate \$2,000,000, as needed.

**Increases in Compensation Ceiling:**

“The contract with **Carter, Ledyard & Milburn (4500034530)** initially provided for legal services in connection with permitting, environmental review and litigation matters concerning the Authority’s Generation Projects and such other matters as the Authority may from time to time request. The agreement became effective on August 25, 2000 for an initial term of up to one year, with an option to extend for one additional year. At their meeting of December 19, 2000, the Trustees ratified and approved the award of such contract and an increase in the compensation ceiling to \$1,175,000. At their meeting of June 26, 2001, the Trustees approved a contract extension through August 24, 2002, as well as an expanded scope of work, and also increased the compensation ceiling to \$4,175,000. Such expanded work scope included aquatic studies of the East River to support the Authority’s application to the Department of Environmental Conservation (‘DEC’) for renewal of the State Pollutant Discharge Elimination System (‘SPDES’) permit, which expires in 2003, as well as support for the administrative hearing process in the 500 MW Combined Cycle Project. In addition to the aforementioned work, this firm is also providing services to the Authority in connection with the requirements of the State Environmental Quality Review Act (‘SEQRA’) and other relevant statutes, and will serve as outside counsel in any ensuing matters. More recently, the services of this firm have been retained to support the LIPA Turbine Project. At their meeting of December 18, 2001, the Trustees extended the contract through December 31, 2002 and approved the allocation of additional funding from the aggregate \$2,000,000 revolving fund for LIPA-related services, as needed. Carter Ledyard is a litigation expert in environmental litigation, particularly siting issues in New York City. Continuation of this firm’s services is necessary to support litigation for the LIPA Turbine Projects, as well as the ongoing services in connection with the aforementioned and ensuing matters. An additional one-year extension, with an option to extend for one additional year, is now requested in order to continue such services. The current contract amount is \$4,925,000; it is anticipated that an additional \$500,000 may be required for the extended term, in addition to amounts that may be added from the aggregate \$2,000,000 revolving fund previously authorized for LIPA-related services. The Trustees’ approval is requested to extend the subject contract through December 31, 2003 (with the option to extend for one additional year in accordance with the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures) and to approve the additional funding requested, as well as the allocation of any additional funding from the above-referenced previously-approved revolving aggregate \$2,000,000, as needed.

“Since 1989, the Authority has been utilizing Geographic Information System (‘GIS’) technology on a limited basis, to support individual projects primarily for the Real Estate, Environmental and Licensing Divisions. GIS is a relational database tool that can track, integrate and analyze data geographically, as well as in tabular form. This technology allows for the easy, inexpensive transfer of digital data between users and provides a crucial tool for managers seeking to maintain land and infrastructure, comply with regulations, and anticipate future needs efficiently. Examples of data accessible through such powerful GIS technology would include real estate parcels and ownership records, right-of-way boundaries and records, vegetation, access roads, transmission line centerlines and structures, tax maps, as well as the related terrain, hydrology, land cover, etc. In 1998, staff received authorization to expand the GIS program for implementation statewide, to support all Authority operating plants and related facilities. The initial phase of such expanded implementation involves data conversion and acquisition from hard copy (paper) and various digital formats to support basic transmission applications, as mentioned above.

“At their meeting of December 14, 1999, the Trustees ratified and approved a three-year contract with **URS Corp. (formerly URS Greiner Woodward Clyde; 4600000241)** to provide for the services of an experienced GIS consultant to assist Authority staff in implementing a broad range of GIS applications, including data acquisition and creation, database design and administration, system analysis and integration, map production, and geo-processing analysis. Due to time constraints, the original contract, which was competitively bid, was awarded on October 1, 1999 in order to commence an initial short-term task. The Trustees also approved a three-year secondary award to the James W. Sewall Company (which was not utilized), as well as the total combined amount of \$1,000,000 for both contracts. The original schedule included the completion of all data conversion, programming, and software and hardware acquisition needed to support transmission maintenance activities system-wide within the three-year term. URS has developed both the core software for the Authority (GIS Right-of-Way ‘ROW’ application), as well

as the field inventory techniques used to perform such ROW field inventories. The quality of their work has been excellent and their customer support has been exemplary. However, the reorganization of the Authority's Transmission Maintenance ('TM') unit has had a significant impact on the original schedule. Much of the original custom programming needed to be revised to reflect the different work responsibilities of the TM staff, and the phase-out of MAXIMO as the repository of transmission ROW vegetation inventories. As a result, the ROW field inventory phase of data acquisition is not expected to be completed until 2004. An additional two-year extension is therefore requested in order to complete the original scope of services, as well as to perform any modifications and/or enhancements that may be required. Such enhancements would include the integration of Real Estate records with the GIS in order to eliminate the current maintenance of two separate databases, and the possible integration with Transmission Inspection Maintenance and Management System ('TIMMS') and other software, as may be needed. Due to their integral role in this process, it would be more cost-effective to have URS perform these services. The current contract amount is \$935,638; it is anticipated that an additional \$500,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through September 30, 2004 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$1,500,000.

#### FISCAL INFORMATION

"Funds required to support contract services for various Headquarters Office Business Units/Departments and the facilities have been included in the 2002 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment for contracts in support of the HELP program will be made from the Energy Conservation Effectuation and Construction Fund.

#### RECOMMENDATION

"The Vice President – Procurement & Real Estate, the Deputy Secretary and Deputy General Counsel, the Director – Environmental Programs, the Director – Energy Services, the Director – Corporate Services, and the Manager – Performance Planning recommend the Trustees' approval of the extensions and additional funding of the procurement contracts listed in Exhibit '11-A', as well as increases in the compensation ceiling of the procurement contracts with Carter, Ledyard & Milburn and URS Corporation and the continued allocation of additional funding, as may be required, from a previously-approved revolving fund of \$2,000,000 in the aggregate, to three contracts with law firms providing services in support of the LIPA Turbine Project.

"The Executive Vice President – Power Generation, the Executive Vice President, Secretary and General Counsel<sup>1</sup>, the Executive Vice President – Business Services and Administration, the Senior Vice President – Energy Services and Technology, the Senior Vice President – Marketing, Economic Development and Supply Planning, and I concur in the recommendation."

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

*Responding to questions from Vice Chairman McCullough, Messrs. Blabey and Hoff confirmed that the Authority is being reimbursed by the Long Island Power Authority for those legal services contracts which provide support to that organization.*

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "11-A" is hereby approved and extended for the period of time**

indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Carter, Ledyard & Milburn and URS Corporation, as well as the continued allocation of additional funding, as may be required, from a previously-approved revolving fund of \$2,000,000 in the aggregate, to three contracts with law firms providing services in support of the Long Island Power Authority ("LIPA") Turbine Project, be, and hereby are, approved as recommended in the foregoing report of the President in the amounts and for the purposes listed below:

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide for the implementation of Geographic Information System ("GIS") applications and related consulting services:		
URS Corporation (formerly URS Greiner Woodward Clyde) 4600000241		
Additional Funding Requested	\$500,000	09/30/04
Previously Approved Contract Amount	\$1,000,000	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$1,500,000</u></b>	
<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide legal consultation and representation services in connection with eminent domain claims for the Power Now! Project and serve as the escrow agent for the LIPA Turbine Project:		
Bond, Schoeneck & King, LLP 4500035296		
Additional Funding Requested	\$25,000 (from \$2M fund)	12/31/03
Previously Approved Contract Amount	\$50,000 + allocation from aggregate \$2M revolving fund for LIPA-related services, as needed	
Current Contract Amount	\$90,000	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$115,000 (+ allocation from aggregate \$2M, as needed)</u></b>	

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<p>Provide legal consulting/litigation services in support of the LIPA Turbine Project, support for the administrative hearing process for the 500 MW Poletti expansion project, aquatic studies for renewal of SPDES permit &amp; other matters, as needed:</p> <p>Carter, Ledyard &amp; Milburn 4500034530</p>		
Additional Funding Requested	\$500,000	12/31/03 (+ option to extend  for one additional yr)
Previously Approved Contract Amount	\$4,175,000 +	allocation from aggregate \$2M revolving fund for LIPA-related services, as needed
Current Contract Amount	\$4,925,000	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$5,425,000 (+ allocation from aggregate \$2M, as needed)</u></b>	

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<p>Provide legal consulting services in support of the LIPA Turbine Project, and advice regarding compliance with the maintenance of the Authority's deferred compensation plans, construction contract negotiation and litigation advice, Enron long-term firm gas supply agreement and ensuing matters, as needed:</p> <p>Holland &amp; Knight LLP 4500014922</p>		
Additional Funding Requested	\$200,000	12/31/03 (+ option to extend for one additional yr)

September 17, 2002

<b>Previously Approved Contract Amount</b>	<b>\$2,800,000 +</b>	<b>allocation from aggregate \$2M revolving fund for LIPA-related services, as needed</b>
<b>Current Contract Amount</b>	<b>\$3,325,000</b>	
<b>REVISED COMPENSATION CEILING</b>	<b><u>\$3,525,000</u></b>	<b>(+ allocation from aggregate \$2M, as needed)</b>

**12. Proposed 500 MW Combined Cycle Project at the Poletti Project Site – Authorization to Commence Site Preparation Work - Northstar Contracting Corp.**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees’ concurrence to commence the site preparation work for the 500 MW Combined Cycle Project upon receipt of the Article X Certificate (‘Certificate’) is requested.

**BACKGROUND**

“At their meeting of October 26, 1999, the Trustees authorized awarding a contract to the General Electric Company (‘GE’) for the engineering, procurement, and delivery of the Power Island components of the 500 MW Combined Cycle Plant at the Charles Poletti Site.

“In August 2000, the Authority commenced the application process with the New York State Board on Electric Generation Siting and the Environment (‘Siting Board’) under Article X of the Public Service Law. A draft permit was received on April 30, 2001 and a recommended decision from the presiding judges was issued on December 17, 2001. However, on January 24, 2002, the Siting Board directed that there be additional hearings on the issue of the Project PM 2.5 impacts. The hearings were held on April 3, 4, and 5, 2002. To accommodate ongoing settlement discussions among several intervening parties to the Article X proceeding and the Authority, the Siting Board, with Authority concurrence, postponed action on the application until August 31, 2002. Now that a settlement has been reached between the Authority and the parties to the proceeding, the final issuance of the Certificate is expected in late September or early October 2002.

“At their meeting of December 18, 2001, the Trustees authorized award of the site preparation contract to Northstar Contracting Corp. (‘Northstar’), contract #4500049968, in the amount of \$6,063,000. The site preparation contract was awarded to Northstar in December 2001. Bids have been received for the General Work Contract and for fuel supply and bulk storage contract, and are being evaluated. Requests for proposals for transmission line work for interconnecting the 500 MW Combined Cycle project generators to the Consolidated Edison Company of New York, Inc. (‘Con Edison’) grid at its Astoria West Substation were issued to bidders.

“Engineering and design for the Project is complete. Equipment has been released for fabrication. In September 2002, the first equipment, including heat recovery steam generator modules and air cooled condenser parts, will be delivered to the site. The Authority has leased seven acres at Astoria complex from Con Edison for storage of these materials.

“At their meeting of July 30, 2002, the Trustees authorized an additional \$105 million for the Project expenditures through the end of 2002. The total funding authorization to date is \$231,700,000.

**DISCUSSION**

“The site preparation scope of work includes the demolition, clearing, grubbing, disposal of waste to clear the site of existing asphalt paving, shrubbery and miscellaneous items, sheet piling and earthwork required to raise the grade in the powerblock area by as much as five feet, preparation of construction laydown areas outside the powerblock area, including grading and gravel, supply and installation of steel piles, excavation and dewatering, installation of construction roads and site roads, and relocation/replacement of a section of a buried firewater protection pipeline, including all the necessary tie-ins. The site work contract also includes the furnishing and installation of construction field offices and securing the construction area by installing fence, gates, and access roadways.

“At their meeting of December 18, 2001, the Trustees authorized the award of site preparation contract to Northstar in the amount of \$6,063,000. Due to long lead time, Northstar was authorized to proceed with procurement and fabrication of steel piles for the plant foundations. However, the Trustees directed the staff to obtain their concurrence prior to authorizing the contractor to proceed with the construction work.

“At present, the Article X Certificate is expected to be issued in late September or early October 2002. The construction activities should start immediately after the receipt of the Certificate and approval by the Siting Board of the Authority’s compliance filing, to avoid the site preparation work during cold weather and to support the commercial operation of the plant by the end of 2004. The site preparation work is expected to be completed in three months, at which time the General Work Contractor can commence with the plant installation.

FISCAL INFORMATION

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President - Project Management, the Vice President – Procurement and Real Estate and the Senior Project Manager recommend that the Trustees authorize Northstar Contracting Corp. to start construction activities at the 500 MW Combined Cycle Project, upon receipt of the Article X Certificate.

“The Executive Vice President - Power Generation, the Executive Vice President, Secretary and General Counsel, the Senior Vice President - Public and Governmental Affairs, and I concur in the recommendation.”

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

*Responding to questions from Trustee Seymour, Mr. Blabey reported that a decision by the Siting Board on the Authority’s application for an Article X Certificate is expected by the end of the month.*

*Responding to questions from Chairman Ciminelli, Mr. Hoff acknowledged that some price increase may occur as a result of the consequent delay in construction. Mr. Crouch added that the current cost forecast of \$613 million is still within the \$650 million overall budget.*

*Responding to questions from Trustee Seymour, Mr. Grzan provided the current budget estimates for the Combined Cycle Project.*

*Responding to further questions from Chairman Ciminelli, Messrs. Grzan and Crouch described the Authority’s relationship with its electrical contractors.*

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

**RESOLVED, That the President and Chief Executive Officer or his designee be, and hereby is, authorized upon receipt of the Article X Certificate and approval of the Authority’s compliance filing, to direct Northstar Contracting Corp. to start construction activities at the 500 MW Combined Cycle Project site under the Site Work Contract (4500049968).**

**13. Sprain Brook Substation Reactors Replacement –  
Asea Brown Boveri ('ABB')**

The President and Chief Executive Officer submitted the following report:

“The Trustees are requested to authorize capital expenditures of \$8.6 million for the replacement program of two 345kV Shunt Reactor Transformers and other damaged equipment at the Sprain Brook Substation and to authorize the purchase of the second Reactor Transformer under the existing Contract No. 4500059239 with Asea Brown Boveri, Ltd. ('ABB').

**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.

“On July 5, 2002, 345kV Shunt Reactor No. 2 at the Sprain Brook Substation had an internal ground fault which resulted in significant damage to the reactor and adjacent equipment. Consolidated Edison Company of New York, Inc. ('Con Edison') took immediate action to isolate the faulted equipment and removed all oil-contaminated surface stone and material in accordance with the Con Edison procedures. The Sprain Brook Substation is a Con Edison 345kV substation in Westchester County.

“The first Reactor (2N2) at Sprain Brook failed catastrophically. The second Reactor (2N1) was taken out of service before it failed catastrophically. The combustible gas component, acetylene was doubling every day. This was leading to a second catastrophic failure. This failure would have been more destructive than the first because it would have involved the potheads and the last twenty feet of the cable terminations. Accordingly, it was deemed prudent to replace the second Reactor.

“These 345kV Shunt Reactors are critical to the Authority's commitment to provide reliable and maximum transfer capability of 600 MW to Long Island over the existing submarine cable crossing. The plan will be to remove and replace the two Reactors and other damaged equipment in the spring of 2003 prior to the heavy summer loading of 2003.

“On July 26, 2002, Chairman Ciminelli and President Zeltmann approved and concurred on the emergency expenditure for award of a contract for one Reactor in the amount not to exceed \$2 million. A contract was awarded on July 31, 2002 to ABB for furnishing and delivery of one 345kV Reactor in the amount of \$1.588 million.

**DISCUSSION**

“Because the 345kV Reactors will normally require up to one year for design and manufacturing, staff immediately proceeded to solicit quotations from major suppliers for design and manufacture of the two 345kV Reactors. Two suppliers, Smit Transformer ('SMIT') and General Electric ('GE') did not bid. Siemens Power Transmission & Distribution ('SPT&D' [the original supplier]) and Hyosung Corporation ('HICO') quoted delivery of minimum ten months after receipt of order. ABB, which furnished similar equipment for Con Edison, confirmed that it could have the Reactors fabricated within seven months with the delivery date of March 31, 2003, if the award is made by July 31, 2002.

“Due to the urgent need to replace these Reactors immediately, and the advantageous delivery schedule quoted by ABB, a recommendation was made to award a contract to ABB for the purchase of one Reactor in accordance with the expenditure authorization procedures.

“In order to continue the emergency replacement program of the two 345kV Shunt Reactors, including removal, installation and other ancillary work, the Trustees are requested to authorize the capital expenditures of \$8.6 million, and authorize the purchase of the second Reactor to ABB under the existing Contract No. 4500059239. The ABB contract will increase to two Reactors for the amount of \$3.176 million.

FISCAL INFORMATION

“Clause 3, Paragraph 7.2 of the Sound Cable Project Facilities and Marketing Agreement dated August 26, 1987, provides for: the New York Power Authority to charge Long Island Power Authority for the cost of replacing both failed Reactors at Sprain Brook Substation. The Authority recognizes the need to mitigate the effects of such an unanticipated maintenance charge. In furtherance of this objective, the Authority will amortize the cost recovery for replacing the shunt reactors over a twenty-year period beginning with the return to service of both Reactors. The cost recovery will include interest at a rate of 4½ percent on the un-amortized balance.

RECOMMENDATION

“The Vice President – Project Management, the Vice President – Procurement and Real Estate, the Vice President and Chief Engineer, and the Project Manager recommend that pursuant to the Guidelines for Procurement Contracts and the Expenditure Authorization Procedures adopted by the Authority, the Trustees authorize for the capital expenditures of \$8.6 million for the 345kV Reactors replacement program at the Sprain Brook Substation and the award of the second Reactor work to Asea Brown Boveri, Ltd. for \$1.588 million.

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

*Mr. Crouch introduced Mr. Ben Wong who presented the highlights of staff's recommendations to the Trustees. On behalf of all of the Trustees, Chairman Ciminelli welcomed Mr. Wong to the meeting.*

*Responding to questions from Chairman Ciminelli concerning whether additional spares should be stocked, Mr. Hiney reported that the original design of the reactors had included redundancy, that such design was sufficiently prudent; and that the root cause of the failure here had been unique and unforeseeable.*

*Responding to further questions from Chairman Ciminelli, Mr. Hiney confirmed that the 10-month replacement time is acceptable so long as the process is commenced and completed in time for next summer.*

The following resolution, as recommended 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 Sprain Brook 345kV Reactor Project, in the amounts and for the purposes listed below:**

<u>Capital</u>	<u>Expenditure Request</u>
<b>345kV Reactor and Ancillary Equipment Removal and Installation, Engineering and Construction Management, Authority Direct/Indirect</b>	<b>\$8,600,000</b>
<b>Additional award of a Change Order to Asea Brown Boveri, Ltd. for a second Reactor</b>	
<b>TOTAL REVISED CONTRACT PRICE</b>	<b><u>\$3,176,000</u></b>

**14. Petroleum Overcharge Restitution Funds –  
Transfer of Funds to the State of New York  
and Authorization of POCR Program**

The President and Chief Executive Officer submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize the transfer of up to \$2.5 million to the State of New York (‘State’) in exchange for Petroleum Overcharge Restitution (‘POCR’) funds from the State in an equal amount, upon execution of an agreement between the State and the Authority, memorializing the understandings between the State and the Authority concerning such transfer.

“The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing POCR funds authorized by the 2002 legislation discussed below.

**BACKGROUND**

“On May 29, 2002, the Governor approved the 2002 Budget Bill as Chapter 84 of the Laws of 2002 (‘Chapter 84’). Section 1 of Part P of this legislation authorizes the transfer of \$2.5 million in POCR funds to the Authority for various energy-related programs. Section 2 of Part P of this legislation indicates that the Authority shall transfer \$2.5 million to the State on or before March 31, 2003. Those legislative provisions reflect an understanding between the Authority and the State that the Authority will transfer \$2.5 million to the State and that the State will transfer to the Authority a like amount received from POCR monies. Sections 1-9 of Part P of Chapter 84 are set forth in Exhibit ‘14-A’ hereto.

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

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

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

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

“At their meeting of December 20, 2000, the Trustees approved the continuation of various energy-related programs, established by Sections 1-8 of Chapter 61 of the Laws of 2000.

**DISCUSSION**

“The payment by the Authority of the \$2.5 million in funds matching the POCR funds identified in Chapter 84 would be reasonable and consistent with the Authority's mission and statute. The POCR funds that the Authority receives as a part of the understanding with the State will be used for energy efficiency projects throughout the State.

“Section 4 of this legislation authorizes the Authority to use \$0.833 million in PO CR funds for existing HELP programs of the Authority, which are eligible under Federal guidelines for the use of PO CR funds.

“Section 5 of this legislation authorizes the Authority to use \$0.833 million in PO CR funds to implement energy service projects.

“Section 6 of this legislation authorizes the Authority to use \$0.833 million in PO CR funds to implement energy projects, which are eligible under PO CR guidelines and which include, but are not limited to, energy conservation, energy efficiency, weatherization, alternative fuels, other non-electric energy projects, flexible technical assistance, technology transfer and/or renewable or innovative energy projects.

“Section 7 of this legislation authorizes the Authority to utilize for energy services projects, funds uncommitted as of March 31, 2002, relating to all prior PO CR authorizations, and funds recovered from the repayment of loans made under previous PO CR authorizations.

“This legislation also permits the Authority to utilize any available funds, including proceeds from debt issuances, to finance projects authorized by this legislation.

“Before the State can disburse the PO CR funds, the Authority is required to develop the various energy-related programs which would utilize the PO CR funds and, with the assistance of the New York State Energy Research and Development Authority, apply to the Department of Energy (‘DOE’) for approval of the programs. PO CR funds cannot be used for purposes or programs that the DOE does not approve, notwithstanding what Chapter 84 might envision.

“Judicial decisions and Federal regulations that apply to the PO CR funds (principal and interest) require that the funds ultimately be used for consumer restitution through energy-related programs. Because of the nature of the PO CR funds, the Authority is presently prohibited from utilizing these funds for general Authority purposes. As such, the use of any interest earned from these PO CR funds can only be used for approved PO CR programs and for the administration of these programs. If any individual activities are processed under these programs that require State environmental review, that review process will be completed prior to disbursement of any funds by the Authority for that activity.

“The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing PO CR funds authorized by the 2002 legislation.

#### FISCAL INFORMATION

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

#### RECOMMENDATION

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

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

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

**RESOLVED**, That the payment to the State of New York of up to \$2.5 million for the purpose described in the foregoing report of the President and Chief Executive Officer, is hereby authorized, contingent upon the execution of an agreement between the Authority and the State relating to such payment, and that the Chairman, the President and Chief Executive Officer, the Treasurer or such other officer designated by the President and Chief Executive Officer, are, and each hereby is, authorized to execute such agreement with the State having such terms and conditions as such officer deems necessary or desirable, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further

**RESOLVED**, That it is hereby authorized that up to \$2.5 million of the Operating Fund monies be withdrawn from such Fund and utilized for making the payment specified in the foregoing report of the President, and Chief Executive Officer provided, however, that such withdrawal be conditioned upon a certification by the Treasurer or Deputy Treasurer that such amounts to be withdrawn from the Operating Fund are not then required for any of the purposes specified in Paragraphs (a)-(c) of Section 503 (1) of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as supplemented; and be it further

**RESOLVED**, That the Senior Vice President - Energy Services and Technology is hereby authorized to develop and implement the various programs utilizing POCR funds authorized by the 2002 legislation discussed in the foregoing report of the President and Chief Executive Officer, including the use of such funds to finance projects under the Authority's Energy Services Program and SENY HELP Program, provided that such programs shall be implemented only upon approval of such programs by the United States Department of Energy and by any other agency or court having jurisdiction over such programs; and be it further

**RESOLVED**, That the Chairman, the President and Chief Executive Officer, the Senior Vice President - Energy Services and Technology, the Treasurer and all other officers of the Authority are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further assurances or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolution.

**POCR PROVISIONS OF CHAPTER 84**  
**OF THE LAWS OF 2002**

Section 1. Funds appropriated from the statewide energy improvement account, special revenue fund - other, for services and expenses of the power authority of the state of New York, shall be available for energy efficiency projects. The use of these funds is not intended to limit the right or obligation of the power authority of the state of New York to comply with the provisions of any contract, including any existing contract with or for the benefit of the holders of any obligations of the power authority.

§ 2. The power authority of the state of New York shall transfer \$2,500,000 to New York state on or before March 31, 2003.

§ 3. Notwithstanding section 1010-a of the public authorities law, the comptroller is hereby authorized and directed to transfer to the power authority of the state of New York \$2,500,000, constituting monies appropriated to the statewide energy improvement account for the power authority of the state of New York pursuant to a chapter of the laws of 2002 enacting the transportation and economic development budget bill, and the power authority of the state of New York is authorized to hold such monies for the purposes specified in a chapter of the laws of 2002.

§ 4. The power authority of the state of New York is authorized to use \$833,333.33 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 2002 for programs of the power authority of the state of New York which are eligible under federal guidelines governing petroleum overcharge restitution funds; and which also may include a sub-allocation to the energy research and development authority or other public authority or public benefit corporation for energy conservation purposes. The power authority of the state of New York may utilize any available authority funds, including the proceeds of notes issued pursuant to section 1009-a of the public authorities law or the proceeds of bonds issued pursuant to section 1010 of the public authorities law, for the purpose of financing those projects which receive funding from petroleum overcharge restitution funds made available to the authority in the fiscal year beginning April 1, 2002.

§ 5. The power authority of the state of new York is authorized to use \$833,333.33 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 2002 to implement energy service projects. The power authority of the state of New York may utilize any available authority funds, including the proceeds of notes issued pursuant to section 1009-a of the public authorities law or the proceeds of bonds issued pursuant to section 1010 of the public authorities law, for the purpose of financing those projects which receive funding from petroleum overcharge restitution funds made available to the authority in the fiscal year beginning April 1, 2002.

§ 6. The power authority of the state of New York is authorized to use \$833,333.34 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 2002 to implement energy projects, which are eligible under federal guidelines governing petroleum overcharge restitution funds and which include, but are not limited to, energy conservation, energy efficiency, weatherization, alternative fuels, other non-electric energy projects, flexible technical assistance, technology transfer and/or renewable or innovative energy projects. The power authority of the state of New York may utilize any available authority funds, including the proceeds of notes

issued pursuant to section 1009-a of the public authorities law or the proceeds of bonds issued pursuant to section 1010 of the public authorities law, for the purpose of financing those project which receive funding from petroleum overcharge restitution funds made available to the authority in the fiscal year beginning April 1, 2002.

§ 7. Notwithstanding any provision of law to the contrary, the power authority of the state of New York is authorized to utilize for energy service projects, funds uncommitted as of March 31, 2002, relating to petroleum overcharge restitution funds authorized for use by the authority by chapter 83 of the laws of 1995, chapter 309 of the laws of 1996, chapter 432 of the laws of 1997, chapter 57 of the laws of 1998, chapter 413 of the laws of 1999, and chapter 61 of the laws of 2000, and funds recovered from the repayment of loans made pursuant to those statutory provisions referenced in section 3 of part A of chapter 413 of the laws of 1999, and the power authority of the state of New York may expend any available authority funds, including the proceeds of notes issued pursuant to section 1009-a of the public authorities law or the proceeds of bonds issued pursuant to section 1010 of the public authorities law for the purpose of financing such energy service projects.

§ 8. In accordance with section 4 of the state finance law, the comptroller is hereby authorized and directed to transfer, upon request of the director of the budget, up to \$2,500,000 from the federal operating grants fund (290) to the miscellaneous special revenue fund (339), statewide energy improvement account, on or before March 31, 2003.

§ 9. This act shall take effect April 1, 2002; provided, however, if this act shall become a law after such date it shall take effect immediately and shall be deemed to have been in full force and effect on and after April 1, 2002.

15. **Resolution Memorializing Trustee Charles Poletti**

**WHEREAS, Charles Poletti occupies a singular place in the history of New York State as the only person to serve both as Governor and as a Trustee of the New York Power Authority; and**

**WHEREAS, these were but two of the many positions filled with distinction by Mr. Poletti in a remarkable career that spanned public service and the private sector, as well as decades and continents, and stands today as a classic embodiment of the American Dream; and**

**WHEREAS, Mr. Poletti, the son of Italian immigrants, earned a scholarship to Harvard College, graduated as a member of Phi Beta Kappa and went on to graduate with honors from Harvard Law School; and**

**WHEREAS, his record of accomplishment included service as Governor and Lieutenant Governor, as a practicing attorney and a justice of the State Supreme Court, as a labor arbitrator and as the official responsible for foreign exhibits at the New York World's Fair of 1964-65; and**

**WHEREAS, after leaving the Statehouse, Mr. Poletti served as a U.S. Army civil affairs officer in Italy during World War II, playing a pivotal role in the revitalization of that country after the fall of the Fascist regime and attaining the rank of Colonel; and**

**WHEREAS, Mr. Poletti's ties to the New York Power Authority predated even its birth, through his service as a lawyer for a state commission that recommended the Authority's creation and his work in drafting the 1931 legislation which met that objective; and**

**WHEREAS, Mr. Poletti was active in the long effort to win federal approval for construction of the Authority's first project, on the St. Lawrence River, and later served as a Trustee from 1955 to 1960, the crucial period in which the St. Lawrence Project was built and the Authority's Niagara Project largely completed; and**

**WHEREAS, in recognition of his extraordinary achievements, the Power Authority's Trustees in 1982 renamed the Astoria 6 power plant for Mr. Poletti; and**

**WHEREAS, Mr. Poletti retained an abiding interest in the Power Authority, attending various special events and delighting all with his wit and instant recall of Authority people and happenings; and**

**WHEREAS, he could, and did, proclaim without fear of contradiction that "I have more years devoted to the New York State Power Authority than anybody else in the world"; and**

**WHEREAS, Charles Poletti died on August 8, 2002, at the age of 99 at his home in Marco Island, Florida;**

**NOW THEREFORE BE IT RESOLVED, That the Trustees of the Power Authority of the State of New York extend their sincere condolences to Mr. Poletti's wife, Elizabeth; his children and his grandchildren and express their appreciation and admiration for his many contributions to the Power Authority, his state and his country.**

16. **Next Meeting**

The next Regular Meeting of the Trustees will be held on **Tuesday, October 29, 2002**, at the **Blenheim-Gilboa Power Project** at **11:45 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

17. Closing

Upon motion made and seconded, the meeting was closed at 1:40 P.M.

A handwritten signature in black ink that reads "David E. Blabey". The signature is written in a cursive style with a large, sweeping initial 'D'.

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

SEPMIN02