

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

June 28, 1994

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Minutes of a Regular Meeting of the Power Authority of the State of New York held at the New York Office at 10:00 a.m.

Present: Thomas R. Frey, Acting Chairman
Linda P. Duch, Trustee
Hyman M. Miller, Trustee
Robert T. Waldbauer, Trustee

S. David Freeman	President and Chief Executive Officer
Robert G. Schoenberger	First Executive President and Chief Operating Officer
John F. English	Executive Vice President - System Operations
Robert A. Hiney	Executive Vice President - Marketing and Development
William A. Josiger	Acting Executive Vice President - Nuclear Generation
Robert L. Tscherne	Executive Vice President - Finance and Administration
Charles M. Pratt	Senior Vice President and General Counsel
Woodrow W. Crouch	Vice President - Project Management - System Operations
Robert J. Deasy	Vice President - Marketing and Development - Power Contracts
Deborah L. Estrin	Vice President - Human Resources
Sally L. Irving	Vice President - Corporate Finance
John L. Lenney	Vice President - Public Affairs
Charles I. Lipsky	Vice President and Chief Engineer - System Operations
Michael F. Woods	Vice President - Industrial Economic Development
John F. Duffy	First Assistant General Counsel
William Ernsthaf	Principal Attorney
Ronald W. Ciamaga	Resident Manager - St. Lawrence/FDR Power Project
James Ford	Resident Manager - Niagara Power Project
Harry P. Salmon, Jr.	Resident Manager - James A. FitzPatrick Nuclear Power Plant
Thomas R. Mahoney	Director - Real Estate
Stephen P. Shoenholz	Director - Public Relations
John J. Suloway	Director - Environmental and Licensing - New Generation
Vernadine E. Quan-Soon	Assistant Secretary - Corporate Affairs
Anne Wagner-Findeisen	Corporate Secretary

Acting Chairman Frey presided and Secretary Wagner-Findeisen kept the Minutes.

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1. Approval of the Minutes

The minutes of the Regular Meeting of May 24, 1994 were approved.

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2. Report from the President and Chief Executive Officer

The President submitted the following report:

President Freeman stated that the fiscal impact of the restructuring program, which had been initiated in accordance with the Trustees' expressed objective to become more financially competitive in the industry, would be evident in the proposed 1995 budget when it is submitted to the Trustees in the fall. President Freeman added that one of the major accomplishments of the restructuring is in the Nuclear Generation area where the processes for identifying and implementing "modifications" will be streamlined and tightened.

Referring to the written report which he and Mr. Schoenberger had submitted to the Trustees, President Freeman indicated that in response to numerous comments from upstate political leaders as well as individual citizens, he would withdraw the recommendation to sell the Benton murals. The Trustees expressed their concurrence. Trustee Duch asked for information concerning the upkeep, maintenance and insurance costs for the murals.

In response to questions from Trustee Miller, the Vice Chairman stated that the Trustees would, at this meeting, be asked to take formal action solely on the proposed Separation Compensation Plan.

3. Separation Compensation Plan

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a 1994 compensation plan and to authorize expenditures of up to \$5,900,000 to the 1995 Operations and Maintenance Budget. The plan would be made available for a maximum of 180 salaried and hourly employees.

"The plan would be based on the one approved by the Trustees in 1993. A verification of other utilities' severance plans indicates that this plan is consistent within the industry. The plan would provide employees who are separated with three weeks base pay for each year of Authority employment, and up to one additional year of benefits. In addition, the Authority would provide career counseling and retraining assistance, staffed with a combination of Authority employees, the State University of New York, and others.

"The projected cost of providing separated employees with separation pay, would be a maximum of \$4,300,000. The projected cost of providing employee benefits continuation is approximately \$800,000. The projected cost of unemployment compensation is approximately \$700,000. Career counseling and retraining will cost approximately \$100,000. The projected maximum total cost of the plan is \$5,900,000.

BACKGROUND

"The Authority operates in an increasingly competitive industry. In response to these conditions, the Authority has decided to take a number of actions, including restructuring the organization and reducing operating costs. Regarding operating costs, the Authority has a goal of reducing operating expenses by at least \$70 million a year by 1996. This represents about a 15 percent reduction from the 1994 operating budget.

"Excluding fuel charges, personnel costs account for more than two thirds of the Authority's operating expenses. Therefore, if the Authority is to reach its target of cutting costs by at least \$70 million, personnel costs must be significantly reduced. To achieve the necessary personnel reductions, it is recommended that the Authority eliminate 220 positions in 1995 of which 180 will affect actual current employees.

DISCUSSION

"To achieve an effective work force reduction, it is recommended that the Authority implement a separation compensation plan. Volunteers will be accepted in sufficient numbers so that employees in functions that are to be eliminated can be reassigned to other positions at the Authority.

"The plan would provide three weeks of base pay for each year of Authority service, subject to a maximum benefit of one year's base pay. These employees would also be provided with Authority-paid medical, dental, and life insurance benefits for 12 months. Employee Assistance Plan coverage would also be provided at no cost to the employee.

"Career counseling and retraining assistance will also be provided, using Authority personnel and local universities.

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"Involuntarily separated employees would generally be eligible for unemployment compensation benefits; however, those who volunteer for the separation package will normally not be eligible to receive unemployment compensation.

RECOMMENDATION

"The Vice President - Human Resources and the Executive Vice President - Finance and Administration recommend that the Trustees approve the separation compensation plan.

"The Senior Vice President and General Counsel and the First Executive Vice President and Chief Operating Officer, concur in the recommendation."

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That the separation compensation plan and associated expenditures are hereby approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Expenditure Authorization</u>
Separation Compensation Plan	<u>\$5,900,000</u>

4. **Resolution - Team Members - Restructuring and Cost-Reduction Review**

WHEREAS, an internal New York Power Authority report has identified significant economies and efficiency improvements that will strengthen the Power Authority's operations and competitive position; and

WHEREAS, a group of 36 dedicated Power Authority employees, organized into six teams, worked diligently to identify these areas of savings and efficiency; and

WHEREAS, their efforts were ably coordinated by a project manager and supported by project assistants; and

WHEREAS, the employees devoted full time to the project, putting in long hours, including evenings and weekends, often at great personal sacrifice; and

WHEREAS, their sense of purpose and dedication to their mission was so strong that many team members courageously made recommendations directly affecting their own departments; and

WHEREAS, the assignment was completed in a compressed time period with ingenuity, insight and analytical skill; and

WHEREAS, participants turned down suggestions that they be rewarded monetarily or otherwise; and

WHEREAS, their devotion to duty has produced a program that will result in a stronger, more competitive Power Authority equipped for a new era of expanded service to the people of New York State; now therefore be it

RESOLVED, That the trustees of the New York Power Authority express their gratitude and admiration to the team members and to the project manager and project assistants.

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5. Financial Reports for the Five Months Ended May 31, 1994

In response to questions from Trustee Waldbauer: (a) Mr. Schoenberger stated that the decommissioning of Shoreham would be complete by the end of the year, and (b) Ms. Irving advised that the Authority has been receiving DSM reimbursements according to schedule, and that staff is actively monitoring the reimbursement process.

President Freeman briefed the Trustees concerning a recent chlorine spill at IP3. At the President's request, Mr. Josiger provided a status report on the IP3 restart effort, explaining that the Restart and Continuous Improvement Program ('RCIP') was complete and that a final restart schedule would be submitted to the Trustees at the July meeting. Mr. Schoenberger added that the NRC's Regional Administrator had recently noted improved teamwork at the plant and had expressed satisfaction with the Authority's efforts to fill management vacancies. Trustee Duch suggested that the Trustees be briefed monthly about IP3's progress.

6. Proposed Contract for the Sale of Firm Power to United Nations Development Corporation - Notice of Public Hearing

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the holding of a public hearing on a proposed contract for the sale of firm power to United Nations Development Corporation ('UNDC').

BACKGROUND

"In accordance with the provisions of Section 1005 of the Public Authorities Law, the Authority provides firm power service to public corporations in the Metropolitan Area of the City of New York. These customers include, among others, the Metropolitan Transportation Authority; the Port Authority of New York and New Jersey; the City of New York, and New York State. Since the initial contracts with southeast New York governmental customers were completed in the 1970s, two additional contracts for service to public corporations in the metropolitan area (the Jacob K. Javits Convention Center Operating Authority and Roosevelt Island Operating Authority) were completed in 1986.

"UNDC is a public corporation that owns and operates facilities in New York City. It was established under legislation enacted in 1968. UNDC's legislative mandate is to meet the needs of the United Nations community for office space, hotel accommodations, housing and other facilities in the vicinity of the United Nations Headquarters. To that end, UNDC has provided for 1.37 million square feet of mixed-use space in five buildings, all devoted to use by the United Nations community.

DISCUSSION

"UNDC is seeking service for its five buildings: Nos. 1, 2 and 3 United Nations Plaza and 763 and 765 First Avenue. Office space in the buildings is leased to the UN, UN Missions, UN organizations, UNICEF and other governmental entities. Also included in the buildings are UNDC administrative offices, residential apartments, a hotel, a restaurant and parking facilities. UNDC will also be seeking service at a later date for 300,000 square feet of additional space in the vicinity of the UN to be secured for its patrons.

"Submitted herewith is a proposed contract with UNDC, the terms of which have been agreed to by the applicant. Because the proposed contract provides for service under a new Authority service tariff (Service Tariff No. 55), conforming changes will be made to applicable delivery service leaves. Pursuant to the Authority's March 10, 1989 Planning and Supply Agreement with Consolidated Edison Company of New York, Inc., the Authority will assume responsibility for meeting the load growth of UNDC. The Authority has sufficient capacity available from the resources dedicated to the Southeast New York governmental customers to meet the current and projected requirements of this applicant.

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RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the Trustees authorize the advertisement of a public hearing on the proposed contract with UNDC at 10:00 a.m. on August 17, 1994, at the Authority's New York Office and that pursuant to Section 1009 of the Public Authorities Law, the Secretary be authorized to transmit copies of the proposed contract to the Governor and the Legislative leaders.

"The Senior Vice President and General Counsel, the Executive Vice President - Marketing and Development, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That the Authority hereby authorizes the advertising of a public hearing on the terms of a proposed contract with United Nations Development Corporation to be held at 10:00 a.m. on August 17, 1994 at the Authority's New York Office; and be it further

RESOLVED, That the Secretary be, and hereby is, authorized to transmit copies of such proposed contract to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, the Minority Leader of the Senate, and the Chairman of the Senate Finance Committee pursuant to Section 1009 of the Public Authorities Law; and be it further

RESOLVED, That subsequent to such public hearing the Authority shall reconsider the terms of the proposed contract and negotiate such changes as it deems necessary or advisable.

7. **Allocations of Expansion Power - Armstrong Brands, Inc.;
BRW Steel Corp. 13" Bar Mill; Future Environmental Services;
Rosina Food Products, Inc. and Sherwood, A Division of Harsco Corporation**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve Expansion Power allocations totaling 3,450 kW to five companies.

BACKGROUND

"The Power Authority Act, as amended by Chapter 32 of the Laws of 1987, provides for allocation of 250 MW of Expansion Power to businesses in New York within 30 miles of the Niagara Power Project and Chautauqua County. Of the 250 MW, 19,732 kW are set aside for allocation in Chautauqua County. There are currently 12,100 kW of Expansion Power available for reallocation to industry of which 8,518 kW are available to businesses located within the 30 mile radius and 3,582 kW are available to businesses in Chautauqua County.

"At their meeting of March 29, 1994, The Trustees approved prospective allocations to BRW Steel Corp. 13" Bar Mill (2,000 kW); Future Environmental Services Co. (250 kW); and Rosina Food Products, Inc. (400 kW), subject to the solicitation and consideration of competing proposals. The minutes of such meeting are attached as Exhibit `7-A'. Notice of the proposed allocations was published in the Buffalo News, Jamestown Post Journal and the Niagara Falls Gazette on March 31, 1994. Applications detailing the competing proposals were due to the Authority by May 3, 1994. Two proposals were received in response to the Authority's notice.

"The first proposal, submitted by Armstrong Brands, Inc. (`Armstrong'), involves an expansion and relocation to a vacant facility in Hamburg, NY. The second proposal, which was submitted by Sherwood, A Division of Harsco Corporation (`Sherwood') is for an expansion and partial relocation to a facility in Burt, NY.

DISCUSSION

"Armstrong, currently located in Orchard Park, is a manufacturer of solid packaging materials. Its main product line is interior packaging which consists of expanded polystyrene and foam fabricated packaging inserts. The company is considering an expansion and relocation to an existing 60,000 square foot facility in Hamburg in order to increase its sales and markets. Total project investment is estimated to be \$2.3 million of which \$1.9 million will be used for the purchase and renovation of the vacant facility. Renovations to the new facility will include the installation of energy efficient lighting and HVAC. The company will commit to create 44 new jobs in addition to its existing employment of 12 for a total job commitment of 56. The company has requested a total of 506 kW for this project. A recommended allocation of 400 kW is estimated to save the company \$125,000 annually at current rates. Financial assistance has been requested from the New York State Job Development Authority, the Regional Development Corporation and the Hamburg Development Corporation.

"Sherwood, a manufacturer of gas control valves and regulators, is planning to expand its New York operations to a facility in Burt. The company has outgrown its Lockport facility and plans to convert a 66,000

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square foot warehouse as it needs additional manufacturing space. The plan also involves the relocation of some of its Lockport operations to the Burt facility. Of the total project cost of approximately \$6.1 million, \$2 million will be used for the purchase and conversion of the warehouse and \$4.1 will be used to purchase new machinery and equipment. The conversion involves the installation of energy efficient lighting and HVAC. Also, the hydraulic pumping and compressed air systems will use adjustable speed drives. The company currently employs 370 people at Lockport and plans to relocate about 170 of those employees to the new facility. The company will commit to add 30 new jobs. The company has requested 400 kW for the new load associated with this project. A recommended allocation of 400 kW is projected to save the company \$139,000 annually at current rates.

"Both the Armstrong and Sherwood proposals meet the necessary criteria to be considered along with the applications discussed at the March 29, 1994 Trustees' meeting. Given that all five projects detailed in this item are expected to contribute substantially to the economy of Western New York and there is a sufficient amount of Expansion Power available for reallocation, it is appropriate to approve the allocations as summarized in Exhibit '7-B'.

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

RECOMMENDATION

"The Vice President - Industrial Economic Development recommends that the allocations of Expansion Power as summarized in Exhibit '7-B' be approved for a term of 15 years, subject to the renewal of the Niagara Project license.

"The Senior Vice President - Power Contracts, the Senior Vice President and General Counsel, the Executive Vice President - Marketing and Development, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

Trustee Duch stated for the record, with regard to the proposed expansion power allocations, that she serves on the board of the Western New York Economic Development Corporation.

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That the allocations of Expansion Power summarized in Exhibit "7-B" are approved in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President - Power Contracts or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations.

<u>Company Name</u>	<u>Recommended Allocation</u>	<u>Total Jobs</u>	<u>New Jobs</u>	<u>Existing Jobs</u>	<u>Projected Investment</u>	<u>Estimated Savings</u>
Armstrong Brands, Inc.	400 kW	56	44	12	\$ 2,300,000	\$125,000
BRW Steel Corp. 13" Bar Mill	2,000 kW	276	276	0	\$120,000,000*	\$678,000
Future Environmental Services	250 kW	21	21	0	\$ 800,000	\$104,000
Rosina Food Products, Inc.	400 kW	134	36	98	\$ 4,500,000	\$103,000
Sherwood, A Division of Harsco Corporation	<u>400 kW</u>	204	30	174	\$ 6,100,000	\$139,000
Total	<u><u>3,450 kW</u></u>					

* Represents total investment for both the Lackawanna, NY and Johnstown, PA facilities.

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8. Richard M. Flynn Power Plant - Gas Operations Agreement with Long Island Lighting Company

The President submitted the following report:

SUMMARY

"The Trustees are requested (1) to approve a three-year agreement with Long Island Lighting Company ('LILCO') in the form attached hereto as Exhibit '8-A', applicable to gas operations, electric dispatch, gas pricing, and gas transportation matters relating to the Richard M. Flynn Power Plant ('the Plant'), and (2) to authorize certain amendments to the Capacity Supply Agreement ('CSA') between the Authority and LILCO.

BACKGROUND

"The Authority entered into the Gas Bank Sales Agreement with Enron Gas Marketing, Inc. on October 24, 1990, as part of its proposal to construct the Plant for LILCO. As a result of being the successful bidder, the Authority entered into the CSA and Gas Transportation Agreement ('GTA') with LILCO on December 13, 1991. The CSA allows LILCO to economically dispatch the Plant as LILCO desires, with the Authority obligated to provide natural gas to meet such dispatch. The CSA also provides for LILCO to use its own gas when it is economic to do so and the parties share the resulting savings from the transaction.

"Gas prices have remained significantly lower than those forecasted at the time of the Authority's proposal to construct the Plant. Consequently, the Plant will operate, at least in its early years, as a swing unit based on economic dispatch rather than a base-load unit. The fluctuating dispatch of the Plant will make gas balancing services¹ necessary. Under the terms of the CSA, the Authority is obligated to secure such balancing services or the equivalent during the term of the CSA.

"The Authority solicited competitive bids to satisfy its balancing obligations under the CSA. A Request For Proposal to provide firm balancing services was sent to each of the three utilities that own portions of, and cooperatively operate, the New York Facilities System. They are LILCO, Consolidated Edison Company of New York, Inc. and the Brooklyn Union Gas Company. Given the physical circumstances and the role played by the utilities, the only practical bidders were those who operate the New York Facilities System. LILCO was evaluated as the successful bidder for the balancing services.

"The Authority and LILCO have negotiated a three year agreement that will benefit both companies and enable the Authority to fulfill its natural gas balancing and delivery obligations under the CSA and GTA. The term of the negotiated agreement will be from May 1, 1994 through April 30, 1997.

"On May 23, 1994, the Executive Vice President - Marketing and Development and LILCO executed the attached letter agreement, with the agreement being contingent upon approval by the Trustees by June 28, 1994.

¹ Balancing can generally be described as the service to dispose of excess gas when the gas nominated the previous day exceeds the gas burned, and to provide additional gas when the amount of gas nominated is less than the gas burned. It may also take the form of a purchase of gas, or the storage and return of gas at a later date.

DISCUSSION

"The negotiated agreement simplifies the gas balancing process. Rather than having the Authority and LILCO each provide gas to run the Plant, the Authority will provide all the gas for the unit, priced according to whether the Authority's or LILCO's gas would be used in the Plant to generate electricity. In essence, the physical delivery and balancing of the gas is accomplished through accounting. The agreement facilitates optimum economic use of the unit at all times and assures that sufficient gas is always available to run the unit.

"The key aspects of the proposed three-year agreement are summarized below:

Gas Operations

"When the Plant is available to generate electricity, the Authority will nominate and transport to the Plant an amount of gas equal to that required by the Plant to generate its maximum daily capacity of electric output, based on that day's forecasted temperature and the operational capability of the Plant. Except when the Plant generates electricity by burning Contract Fuel², LILCO will purchase all of the gas which is nominated by the Authority. Gas purchased by LILCO shall be paid for at the Authority's Base Cost of Gas, as defined below.

Electric Dispatch

"There are no changes to LILCO's rights under the CSA relating to dispatch of the Plant, except that LILCO's right to interrupt the delivery of electricity from the Plant for up to 5,000 hours is increased to 6,000 hours. When the Plant is generating electricity, the Plant will be deemed to be burning Contract Fuel if it is economical; however, when it is not economical to burn Contract Fuel, the Plant will be deemed to be burning Shared Savings Gas³. For billing purposes, LILCO and the Authority shall determine whether the Plant is burning Contract Fuel or Shared Savings Gas for each hour that the Plant operates.

"Based on LILCO's forecasted electric dispatch for each day, instead of requiring the Plant to generate electricity, LILCO may elect to use the gas nominated and delivered by the Authority for the Plant to meet its own gas system needs, with payments to be made by LILCO to the Authority as described below.

Prices Paid By LILCO for Electricity and Gas

"When the Plant generates electricity by burning Contract Fuel, LILCO shall pay the Authority the price set forth in the CSA. When the Plant generates electricity by burning Shared Savings Gas, LILCO shall pay the Authority (1) the variable O&M charge set forth in the CSA, plus (2) the Shared Savings⁴.

"For each Dth of gas nominated by the Authority and not burned by the Plant as Contract Fuel, LILCO will

² Contract Fuel means the gas priced at the per Dth price as set forth in the CSA.

³ Shared Savings Gas means the gas used by the Plant to generate electricity when Contract Fuel is not economical.

⁴ Shared Savings means one-half the difference between the cost of electricity from the Plant using LILCO's gas and LILCO's avoided cost of buying or producing electricity from other sources.

purchase the gas at a price equal to the Base Cost of Gas. The Base Cost of Gas is the per Dth price that is equal to the sum of (1) the Authority's variable transportation costs, including fuel retention and any applicable tariff

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surcharges, plus (2) any taxes now or hereafter imposed on the sale of gas to LILCO, plus (3) the commodity price of the gas, consisting of the simple arithmetic average of the NYMEX settlement price for the prompt month contract on the last three trading days prior to the month of delivery.

"When LILCO uses gas nominated by the Authority for its gas system, and electricity generated by the Plant by burning either Contract Fuel or Shared Savings Gas would have been economical, LILCO will pay the Authority as if electricity had been generated.

Gas Price Restructuring

"LILCO has until June 27, 1994, to decide whether or not to accept the restructured pricing in the Revised and Restated Gas Bank Sales Agreement between Enron and the Authority approved by the Trustees at their meeting of April 26, 1994. If accepted, the CSA will be amended accordingly for the remaining term of the CSA to reflect the new pricing. LILCO's option to accept requires acceptance of the price restructuring as a whole, without modification.

Gas Balancing

"For the term of the three-year agreement, LILCO deems the agreement as fulfillment of Authority's obligation under the CSA to obtain balancing services or the equivalent. Each month during the period of the agreement, the monthly demand charge will be reduced by \$150,000. For the period subsequent to the expiration or termination of the agreement, the Authority will grant to LILCO the right of first refusal to provide gas balancing services on terms offered to the Authority by a third party.

FISCAL INFORMATION

"The direct cost of the proposed agreement is \$150,000 per month, in the form of a reduction in LILCO's demand payment to the Authority for the Plant's capacity, totalling \$1.8 million per year, or \$5.4 million over the three-year term. This monthly charge reflects the cost of the balancing services that the Authority would otherwise be required to obtain.

"The change in the maximum hours of interruption by LILCO from 5,000 to 6,000 hours per year is expected to cost the Authority \$300,000 over the three-year period. This reflects the reduction in hours for which LILCO would be required to pay the Authority for electricity produced at the Contract Fuel price, offset by the additional sale of electricity produced with Shared Savings Gas.

RECOMMENDATION

"The Executive Vice President - Marketing and Development recommends that the Trustees approve and ratify the agreement with LILCO executed by the Executive Vice President - Marketing and Development, a copy of which is attached hereto as Exhibit `8-A', and authorize the President and Chief Executive Officer and the Executive Vice President - Marketing and Development to enter into amendments to the Capacity Supply Agreement should Long Island Lighting Company exercise its option to incorporate the gas pricing modifications of the Revised Agreement into the CSA.

"The Senior Vice President and General Counsel, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

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The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That the Letter Agreement, dated May 19, 1994, with the Long Island Lighting Company, executed by the Executive Vice President - Marketing and Development, a copy of which is attached hereto as Exhibit "8-A", is hereby approved and ratified; and be it further

RESOLVED, That the President and Chief Executive Officer and the Executive Vice President - Marketing and Development are, and each hereby is, authorized to execute an agreement with the Long Island Lighting Company amending the Capacity Supply Agreement between the Authority and the Long Island Lighting Company, having such terms and conditions as are necessary to implement the gas price modifications set forth in the Revised and Restated Gas Bank Sales Agreement between the Authority and Enron Gas Marketing, Inc., should the Long Island Lighting Company elect under the terms of the above-referenced Letter Agreement to be subject to such modifications.

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9. Commercial Paper Note Financing

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Mr. Tscherne introduced William Berry (Lehman Bros.); John O'Brien (O'Brien Partners); Bond Counsel John Connorton (Hawkins, Delafield & Woods) and Marlon Quan (Artemis Corp.) Ms. Irving expressed the Finance Department's thanks to them and to John Duffy and William Ernsthaf of the Law Department for their efforts in connection with the proposed action.

The Vice Chairman emphasized the importance of assuring that the Authority's disclosure with respect to material matters be maintained on a current basis throughout the term of the commercial paper program.

In response to questions from Trustee Duch, Ms. Irving confirmed that the program is structured so that the DSM users are funding all the program's cost, including the interest costs. Trustee Duch stated for the record that in view of her own affiliation with Key Bank, the proposed syndicate for the liquidity line of credit should not include such banking institution.

In response to questions from Trustees Miller and Duch, President Freeman explained that the DSM program is directed at public buildings rather than private industry or residential customers, and that he hopes to expand the program to other areas of the State. The President added that the Trustees would be provided with a report outlining the implementation of the program.

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10. Sublease of Space - 20th floor - Paramount Building - First Fortis Life Insurance Co., Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a sublease of approximately 9,000 square feet of office space at 1633 Broadway by the Authority as sublandlord to First Fortis Life Insurance Co., Inc. (hereinafter `First Fortis') as subtenant. The proposed sublease is for a term of five years at a fixed rent of \$23.75/square foot for the first three years and \$25.75/square foot for the 4th and 5th years. Two renewal options are included. The first renewal option would be for five years, and the second renewal option would be for the balance of the term of the Authority's master lease at 1633 Broadway (hereinafter `master lease') with the Paramount Group, Inc. as agent for MRI Rental, Inc. (hereinafter `Paramount'). The fixed rent for the renewal options will be at the then fair market rental value.

"The Trustees are also requested to authorize the expenditure of \$25/square foot towards sublessees' alterations to the space, which will include architectural, engineering, design and construction activities.

BACKGROUND

"At their meeting of September 29, 1987, the Trustees approved the execution of a lease for 169,234 square feet of office space at 1633 Broadway, New York City, as the new site for the Authority's New York City office. The term of that lease was for 20 years. The premises under lease initially included the entire 19th, 21st, and 22nd floors and approximately 45 percent of the 20th floor. It was further agreed that Paramount, the Landlord, would vacate the balance of the 20th floor, consisting of approximately 23,369 square feet, within five years from the date of the lease and this space would then be included in the Authority's Lease. This space was turned over to the Authority by Paramount on June 21, 1993, and the Authority's obligation to pay rent commenced November 21, 1993.

DISCUSSION

"Due to evolving space needs since 1987, the relocation of several Financial and Administration groups to White Plains and the downsizing of the staff, the Authority currently does not need to occupy the additional 23,369 square feet which was turned over on June 21, 1993. Anticipating the turnover of this space and recognizing its diminished space needs, the Authority in December 1992, engaged the real estate brokerage services of Sealy, Hoffman & Sheehan (hereinafter `Sealy') to canvass the general area of 1633 Broadway and solicit offers for subleasing all or a portion of this new space. Sealy's marketing activity included a direct marketing by mail and phone of prospective tenants from Sealy's private prospect list and active employment of the rest of the real estate brokerage community through the monthly distribution of advertising flyers and brochures. As a result of this marketing effort, the New York insurance corporation, First Fortis, made an offer to sublease a portion of this space. Preliminary negotiations with First Fortis have resulted in proposed basic lease terms which are set out as Exhibit `10-A'.

"The Authority's current fixed rental for this space is \$35 per square foot plus escalations. This rental shall increase for years ten through 15 to \$42/square foot (from January 1, 1998 to December 31, 2003) and will further

increase for the years 16 through 20 to \$46 square foot (from January 1, 2004 to December 31, 2008). The

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proposed sublease rent of \$23.75 for the first three years increasing to \$25.75 for year four and five would offset the Authority's fixed rent liability for this space by approximately 55 percent over the term of the proposed sublease.

"The disparity between the Authority's current rent and the rent under the proposed sublease represents the dramatic and unforeseen downturn in the commercial real estate market in the New York City area. This market currently has a tremendous amount of vacant space. Further, at 1633 Broadway alone, there is currently available approximately 915,433 square feet on either a direct basis (from the Landlord) or on a sublease basis. This represents 39 percent of the building. Of this amount 393,127 square feet is available on a sublease basis (approximately 17 percent of the building).

"Based on the space available from the foregoing, it appears that subleasing space at 1633 Broadway will become increasingly competitive and difficult.

FISCAL INFORMATION

"The Authority currently pays its lease obligations out of the Operating Fund. By recouping fixed rents under this proposed lease of \$23.75 per square foot for years one through three, escalating to \$25.75 per square foot for years four and five of the proposed lease, the Authority will offset this existing liability.

"Further, the Authority will pay standard brokerage commissions for securing this transaction.

"Both the payment of brokerage commissions and the expenditure of \$25 per square foot tenant improvement work letter will be paid out of the Authority's Operating Fund.

RECOMMENDATION

"The Director - Corporate Support Services, the Director - Real Estate, the Vice President - Procurement and Real Estate, and the Vice President - Corporate Finance recommend that the Trustees approve entering into a sublease agreement with the insurance corporation of First Fortis Life Insurance Company for the sublease of commercial office space at 1633 Broadway on terms substantially in accordance with the foregoing.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

In response to questions from Trustee Waldbauer, Mr. Mahoney indicated that unoccupied space rented by the Authority in the Paramount Building remains to be let and that staff is actively seeking tenants.

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The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That the Chairman, the President, the First Executive Vice President and Chief Operating Officer or the Executive Vice President - Finance and Administration be, and hereby is, authorized to enter into a sublease agreement for office space at 1633 Broadway with First Fortis Life Insurance Company, Inc., substantially the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Vice President - Procurement and Real Estate or the Director - Real Estate be authorized to execute any and all other agreements, papers or instruments which may be deemed necessary or advisable to carry out the foregoing.

**Exhibit `10-A`
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BASIC SUBLEASE TERMS

Authority to First Fortis Life Insurance Co.

Premises: 9,000 rentable square feet on 20th floor
1633 Broadway, New York City

Term: Five years commencing on move in date.
Projected 10/01/94 to 09/30/99.

Fixed Rent: First two years \$23.75 per square foot per year (\$213,750)
for years one through three escalating to \$25.75 per square foot per year (\$231,750) for
years four and five. The fixed rent includes an electric inclusion factor of \$2.75 per
square foot.

Additional Rent: Increased Operating Expenses and Real Estate Taxes over those incurred during first
sublease year.

Tenant Improvement
Allowance: \$25 per rentable square foot.

Renewal Options: Two additional five year terms or portion of such term as remains on Authority lease at
the then Fair Market Rental Value.

Brokerage: Authority to pay standard Brokerage Commissions.

11. Gilboa-Fraser Transmission Line - Acquisition of Cut, Trim and Removal of Trees and Brush and Access Road Easements

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition of permanent easements to cut, trim, and remove trees and brush adjacent to its Gilboa-Fraser Transmission Lines ('Gilboa') and to maintain and use an access road from the property owners shown on the attached Exhibit '11-A'. The proposed easements are located in the Town of Bovina in Delaware County.

BACKGROUND

"The Gilboa right-of-way is 400 feet wide. The northerly 150 feet of the easement are occupied by a 345 kV line. This right-of-way was acquired in early 1970, before the Authority adopted a policy of acquiring the right to cut, trim, and remove trees and brush at the same time that the transmission line easements are acquired.

DISCUSSION

"In some instances the right to cut, trim, and remove trees and brush adjacent to this transmission line has been acquired by easement (either temporary or permanent), but the vast majority of the trees have been purchased on an individual basis through negotiation with the landowner. The Authority usually offers the timber value of the trees in question, and in most cases, that amount or an amount reasonable to both parties is agreed upon.

"However, in recent years the trend toward second or seasonal home development has created the establishment of many homes and subdivisions in close proximity to the Authority's transmission line easements. Further, there has been a tendency for homeowners to prefer more wooded and secluded lots. This has dramatically increased the resistance to the purchase of danger trees outside of but adjacent to the Authority's right-of-way.

"At the time that Gilboa was constructed, no off-right-of-way access roads were obtained as access required for maintenance is principally within the transmission line easement. Where off-right-of-way access roads are required they have been used routinely for many years based only on the verbal permission of the affected landowners. As land uses change and properties are bought by non-resident owners, the Authority is at risk of losing the consent of the property owners to gain access to the Authority's facilities by use of these roads. Loss of informal access to these roads would cause the Authority extreme difficulty and costly construction to establish access within the transmission line easements. It is desirable to acquire permanent off-right-of-way easement rights on which it may maintain access roads to its facilities.

"The Authority's Real Estate representatives have negotiated option agreements for the acquisition of the easements itemized on Exhibit '11-A'. Negotiated compensation is based upon appraisal of comparable per acre values taking into account work performed by Authority maintenance forces to accommodate landowner and Authority concerns.

FISCAL INFORMATION

"Payments will be made from the Operating Fund.

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RECOMMENDATION

"The Director - Environmental Programs, the Director - Real Estate, and the Resident Manager - Blenheim-Gilboa Power Project recommend that the Trustees approve the acquisition of permanent easements as shown on the attached Exhibit `11-A'.

"The Vice President - Procurement and Real Estate, the Senior Vice President and General Counsel, the Executive Vice President - System Operations, the Executive Vice President - Finance and Administration, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire permanent easements as shown on the attached Exhibit "11-A" and hereby finds and determines that the acquisition of such permanent easements is reasonably necessary and desirable for the operation and maintenance of the Gilboa-Fraser Transmission Line; and be it further

RESOLVED, That the President, the Executive Vice President - System Operations, the Resident Manager - Blenheim-Gilboa Power Project, or the Director of Real Estate of the Authority be, and hereby is, authorized to execute on behalf of the Authority such agreements, on terms and conditions substantially in accord with the foregoing report, as are necessary or desirable for the acquisition of such permanent easements; and be it further

RESOLVED, That the Resident Manager, or the Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing.

Exhibit `11-A'
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GILBOA-FRASER TRANSMISSION LINE

<u>MAP & PARCEL NO.</u>	<u>SUBJECT OWNER(S)</u>	<u>AGREED COMPENSATION</u>	<u>PURPOSE OF PERMANENT EASEMENT</u>	<u>ACRES</u>
DB-660, Parcel 660	Aron, Raymond J. & Maria A.	\$200	Access road	0.1
DB-662 Parcels 662A, & Barbara H. 662B, 662C, 662D	Daubert, Richard A.	\$350	Access road Cut, trim and remove trees and brush	0.4 0.9

12. Sound Cable Project - Expenditure Authorization Request

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the payment of up to \$21.2 million for previously approved real estate acquisitions and engineering and construction activities in support of the Sound Cable Project ('SCP'). This amount includes potential expenditures of up to \$8.2 million for the payment of interests in real property, and \$13 million for previously planned and deferred engineering and construction activities. These expenditures are part of the overall construction cost for the SCP, and are reimbursable by the Long Island Lighting Company ('LILCO').

"The Trustees are also requested to authorize the final settlement for acquisition of an easement consisting of 2.81 acres within the property of Long Island Lighting Company ('LILCO') at the East Garden City Substation shown and described on Map No. NH-46.

BACKGROUND

"The SCP is a 345 kV, 600 MW transmission circuit which extends for 27 miles from Consolidated Edison Company of New York, Inc. ('Con Edison's') Sprain Brook Substation in Westchester County under the Long Island Sound to LILCO's East Garden City Substation in Nassau County. The project was financed and constructed by the Authority and placed in service in May 1991.

"At their meeting of May 28, 1987, the Trustees approved the Sound Cable Project Facilities and Marketing Agreement ('the Agreement') with LILCO which provided for the Authority to finance, construct, own and operate the SCP transmission circuit. Under the Agreement, all costs incurred by the Authority are reimbursable by LILCO over the life of the project. On November 22, 1988, the Trustees approved an additional transmission agreement with Con Edison for the use of its Sprain Brook Substation as an interconnection point for the SCP circuit.

"The total estimated cost for the SCP, which was agreed to by LILCO, was \$376 million. This included a direct construction cost of \$346 million and a financing cost of \$30 million. As of April 1994, \$293 million has been expended for construction of the SCP. To finance the SCP the Authority has issued \$330 million of bonds.

"At their meetings of February 28, 1989, June 27, 1989, November 28, 1989, March 27, 1990, December 18, 1990, and April 26, 1994, respectively, the Trustees authorized the acquisition of fee interests, permanent and temporary easements for the upland portion of the cable route, land rights required for the underwater cable across Long Island Sound, the temporary and permanent easements for the cathodic protection system, and the acquisition of an additional permanent easement in Davenport Park in connection with the SCP.

"Also at their meeting of June 27, 1989, the Trustees authorized the acquisition of the land and land rights required for the Authority-owned facilities within the properties of Con Edison at the Sprain Brook Substation and LILCO at East Garden City Substation.

DISCUSSION

Real Estate Expenditures

"The land and land rights acquired pursuant to the above-listed Trustee resolutions represent the real estate requirements for SCP. Since the Trustees' approvals, the Authority has been using the various land required for the SCP rights acquired, through either license agreements or pursuant to the Authority's statutory right of eminent domain. Throughout these periods of use, the Authority has been involved in extensive negotiations with the various landowners involved in order to settle the claims arising out of these approved acquisitions.

"At this time there remain nine individual parcels which the Authority staff has identified as still requiring the potential expenditure of \$8.2 million. These funds are required either to settle outstanding acquisitions negotiated settlements, or to provide for potential awards where claims have been filed against the Authority in the Court of Claims.

"Authority staff has negotiated a settlement of \$3 million with LILCO for the land rights required for the Authority-owned facilities at the East Garden City Substation. This settlement is within the appraised value of the subject site and is included within the estimated cost of \$8.2 million.

Construction Expenditures

"Under the Transmission Facilities Agreement with Con Edison, the Authority is obligated to implement certain improvements at the Sprain Brook substation in the event that the operation of the Sound Cable circuit causes Con Edison's equipment to exceed its rated capacity. Con Edison has notified the Authority of projected short circuit problems at the Sprain Brook Substation, and requested that the Authority install current limiting reactors in the Sound Cable circuit to mitigate fault current levels at the substation. Installation of current limiting reactors is to be completed in 1995. Estimated cost of the work is \$5.5 million.

"As part of the Transmission Facilities Agreement, Con Edison allowed the Authority to install the Sound Cable circuit within the Sprain Brook Substation on a parcel of land reserved for its future cable circuits. In return, the Authority has agreed to install cooling equipment on the Sound Cable circuit to avoid a thermal derating of a Con Edison future underground cable circuit. The installation of such cooling equipment will not be scheduled until Con Edison informs the Authority of its plans to install an additional 345 Kv cable circuit at the Sprain Brook Substation. Cost of \$6.5 million for the cooling equipment is included in the \$346 million budget estimate for the SCP.

"Additional funding of \$1 million is needed to install a cathodic protection system on the four submarine cables in the Long Island Sound. The submarine cables are affected by flow of stray currents from the d-c operated Long Island and Metro North Railroads. The presence of stray currents in the area of the Sound Cable route was evident during the field investigations performed prior to the cable design; however, the magnitude of the effects could not be assessed until the cables were installed and the stray currents measured. In 1993, the field measurements were performed by Ebasco Services, the design engineer for the SCP. The tests have revealed that the stray current flows in the submarine cables are of sufficient magnitude to cause possible corrosion of the cables. To minimize this risk of corrosion failure and assure an increased service life of the submarine cables, installation of an improved cathodic protection system is recommended. Estimated cost of engineering, design, and construction is \$1 million.

FISCAL INFORMATION

"The construction costs to complete the Sound Cable Project are projected to total \$21.2 million. Such monies are

available in the Bond Reserve Account sufficient to fund the authorized cost of these improvements to the Sound

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Cable Project and will be transferred for such purpose to the Long Island Sound Cable Project Construction Fund account. Payment will be made from the Long Island Sound Cable Project Construction Fund account.

RECOMMENDATION

"The Director - Real Estate, the Vice President - Contracts and Real Estate, and the Vice President - Project Management recommend that additional funding in the amount of \$21.2 million be authorized by the Trustees for the previously approved real estate acquisitions and construction activity as set out in this report, and further recommend that the Trustees authorize the final settlement for acquisition of the easements within the property of the Long Island Lighting Company at a settlement price of \$3 million and based on the facts and circumstances as set out in this report.

"The Vice President - Corporate Finance, the Senior Vice President and General Counsel, the Executive Vice President - Systems Operation, the Executive Vice President - Marketing and Development, the Executive Vice President - Finance and Administration, the First Executive Vice President and Chief Operating Officer, and I concur in the recommendation."

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED, That it is hereby authorized that up to \$21.2 million of Bond Reserve Account monies be withdrawn from such account, placed in the Long Island Sound Cable Project Construction Fund account and used for expenditures relating to land acquisitions and previously planned and deferred engineering and construction activity in connection with the Long Island Sound Cable Project; and be it further

RESOLVED, That whereas there are amounts in the Bond Reserve Account in excess of the Bond Reserve Requirement and not immediately required to make good any deficiency referred to in paragraph 1 of Section 511 of the General Purpose Bond Resolution, as amended and supplemented, the transfer of amounts not to exceed \$21,200,000, from the Bond Reserve Account into the Long Island Sound Cable Project Construction Fund account, is hereby authorized; and be it further

RESOLVED, That the Vice President - Procurement and Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all agreements, papers, or instruments which may be deemed necessary to settle or otherwise resolve all outstanding real estate matters within current authorizations as delegated by the Trustees and that the Vice President - Procurement and Real Estate be substituted for the Senior Vice President - Procurement and Contract Administration, which position has been eliminated, in such delegations approved by the Trustees at their meeting of October 27, 1987.

13. Amendment of Conflict of Interest Policy

The President submitted the following report:

SUMMARY

"The Trustees are requested to adopt amendments to the Authority's Conflict of Interest Policy (the `Policy'), which, among other things, would modify certain of the specific standards and principles in the Policy and modify the section of the Policy restricting trading and ownership by Authority employees of the securities of the investor-owned electric utilities in the State.

BACKGROUND

"The Authority, as a public entity, has a responsibility for maintaining the highest level of honesty, ethical conduct, and public trust in all of its activities. To meet this responsibility, the Trustees adopted the Policy in 1988 to address important aspects of ethical conduct.

"The Policy applies to the Authority's Trustees, officers, exempt employees and former exempt employees. The Policy is divided into the following areas: (1) standards of ethical conduct; (2) annual certification of absence of conflict of interest; (3) restrictions on post-employment activities; (4) restrictions on trading in the securities of New York State electric utilities; (5) remedies for violations of the Policy, and (6) definitions used in the Policy.

DISCUSSION

"Recently, it has become evident that certain changes to the Policy were needed both for the sake of clarification and to provide greater assurance that not only actual conflicts of interest, but also the appearance of such conflicts or other improprieties, are avoided. An additional factor which prompted the proposed modifications was the position taken by the State Ethics Commission on various ethical matters.

"The following is a discussion of the proposed modifications and the rationale underlying the changes. A copy of the affected provisions of the existing Policy, showing the proposed changes, is attached as Exhibit `13-A' hereto.

(1) The title of the Policy would be changed to `Code of Conduct'. This title seems more direct as to what is intended by the policy than the current policy's title, `Conflict of Interest Policy'. In addition, the proposed title is used in many companies' similar policies.

(2) Several specific standards and principles of conduct (Section II(B) of the Policy) would be modified, as set forth below:

(a) Specific Standard No. 1:

Revised Text

No employee shall engage in any transaction as representative or agent of the Authority with, or engage in any evaluation of, any business entity in which the employee, the employee's spouse or dependent child has

a financial interest. [Section II(B)(1)].

Comments

- (i) The phrase `or engage in any evaluation of' is new and is intended to cover explicitly a typical type of activity that is raised by employees' questions under the existing policy. The phrase in the existing policy `that might reasonably tend to conflict with the proper discharge of the employee's official duties' is deleted.

The existing requirement that the employee determine that an activity is or may reasonably be in conflict with the proper discharge of duties is eliminated, thus making the standard an absolute standard. This revision, particularly as combined with the proposed deletion of existing Specific Standard B.7, would change Authority policy from one based on disclosure of potential conflicts to one of prohibition of specific conduct.

- (ii) As modified, the specific standard will bar any employee from acting as the Authority's representative or agent in connection with, or engaging in the evaluation of, a business entity whenever he or she owns a stock interest of \$5,000 or more in the company in question. As discussed in paragraph (3) below, the market value threshold has been increased from \$1,000 to \$5,000, thereby making only the more significant investments the trigger for the imposition of restrictions.

(b) Specific Standard No. 2:

Revised Text

No employee, employee's spouse or dependent child shall acquire any financial interest in any business entity which the employee has reason to believe may be directly involved in decisions to be made by him or her affecting Authority transactions. If an employee, an employee's spouse or dependent child acquires such a financial interest by gift, inheritance, or the dissolution of a trust, the interest shall be promptly sold or transferred. If an employee's spouse or dependent child acquires or retains such a financial interest in violation of the foregoing provisions, it will be deemed to be a violation by the employee of this provision. [Section II(B)(2)].

Comments

- (i) The change reflected in the first two sentences of the section is made to clarify instances where the acquisition of a financial interest by an employee, an employee's spouse or dependent child is prohibited and remedial action must be taken.
- (ii) The last sentence of the section is new and reflects the comments of the New York State Ethics Commission on a draft of the revised Policy.
- (c) Specific Standard No. 5:

Revised Text

No employee, employee's spouse or dependent child, or an employee's independent business shall (1) sell any goods or services to the Authority or (2) contract for or provide such services with or to any private entity where the power to contract, appoint or retain on behalf of such private entity is exercised by the Authority. If an employee's spouse or dependent child engages in the conduct described in the preceding sentence, it will be deemed to be a violation by the employee of this provision. [Section II

(B)(5)].

Comment

- (i) The first sentence of this provision has been modified to create an absolute bar to any employee business dealings with the Authority.
- (ii) The last sentence of the section is new and reflects the comments of the New York State Ethics Commission on a draft of the revised Policy.

(d) Specific Standard No. 6:

Revised Text

- (a) No employee, employee's spouse or dependent child shall, directly or indirectly, solicit, accept or receive any gift having a value of \$75 or more, whether in the form of money, service, loan, meal payment, travel, entertainment, hospitality, thing, or promise, or in any other form, from any person or entity:
 - (1) which is regulated by, negotiates with, appears before on other than a ministerial matter, does business with or seeks to do business with or has contracts with the Authority (including, but not limited to, vendors, bidders, contractors, subcontractors or consultants), as well as anyone, whether or not a registered lobbyist, who attempts to influence the Authority's decisions; or
 - (2) under circumstances in which it could reasonably be inferred that the gift was intended to influence the employee, or could reasonably be expected to influence the employee in the performance of the employee's official duties or was intended as a reward for any official action on the employee's part.
- (b) An employee, an employee's spouse or dependent child may not receive within a single calendar year, two or more gifts of the type identified in paragraph (a) above, which individually are worth less than \$75 but in the aggregate equal or exceed \$75.
- (c) If an employee's spouse or dependent child engages in the conduct prohibited by paragraph (a) or (b) above, it will be deemed to be a violation by the employee of such provisions. [Section II(B)(6)]

Comments

- (i) The first branch of subsection (a) is new, along with subsections (b) and (c). The revised text reflects an absolute ban on gifts over \$75 from vendors and a ban on gifts over \$75 from anyone, including vendors and non-vendors, under circumstances in which it could `reasonably be inferred' that the gift was intended to influence the employee or could `reasonably be expected' to influence the employee. The revised provision follows the approach set forth in the Ethics Commission's most recent legislative proposal to modify the gift prohibition provision in the Public Officers Law.

The revision has the significant advantage of providing a clear rule of conduct. The dollar limit comes from the Public Officers Law ethics provisions and has the advantage of ruling out any significant gift while allowing certain de minimis meals to continue.

- (ii) The text in subsection (b) is new and imposes a ban on multi-gift situations resulting in a cumulative amount

received by an employee in a calendar year of over \$75.

(iii) The text in subsection (c) is new and reflects the comments of the New York State Ethics Commission on a draft of the revised Policy.

(e) Specific Standard No. 7:

"The existing Specific Standard No. 7 reads as follows:

7. If any employee, spouse, or dependent child of an employee shall have a financial interest in any business involved in (1) an Authority transaction in which the employee participates or (2) an Authority transaction whose outcome could be influenced by the employee's actions, then the employee shall promptly file with the General Counsel a written statement identifying such an interest.

This specific standard in the existing policy is proposed to be deleted as unnecessary in view of the changes to Specific Standard No. 1.

(3) The definition of 'Financial Interest' in the Policy has been revised as follows:

F. 'Financial interest' means:

2. Ownership of an interest in a business or real property which interest (a) has a market value in excess of \$5,000, (b) reflects a 10 percent ownership of the business, or (c) in the case of an employee or an employee's spouse, constitutes 25 percent of the net worth of the person owning such interest, or the combined net worth of the employee and his or her spouse. This excludes an interest in the employee's primary personal residence. In determining the value of an interest, debts, mortgages, liens or other encumbrances thereon are to be disregarded.

(4) Existing Article V, Trading of Securities, in addition to being revised, would be renumbered as Article III to give it more prominence. Existing Article III would be renumbered Article V.

Revised Text

Trading of stocks and bonds issued by the seven investor-owned members of the New York Power Pool ('NYPP') presents a possible area of conflict of interest for Authority employees and Trustees. The Authority presently competes in several respects with members of the NYPP. Other forms of competition may emerge in the future. Trading in the securities of NYPP members presents potential insider trading problems (see Corporate Policy No. 3-10, 'Securities Trading and Use of Confidential Information').

To protect against the potential of unlawful activities occurring in transactions of these sorts, it is Authority policy that an employee, an employee's spouse or dependent child may not trade in or, except as permitted below, acquire the securities of the investor-owned members of the NYPP, which are listed below:

- (1) Niagara Mohawk Power Corporation;
- (2) New York State Electric & Gas Corporation;
- (3) Central Hudson Gas & Electric Corporation;
- (4) Consolidated Edison Company of New York, Inc.;
- (5) Long Island Lighting Company;
- (6) Rochester Gas and Electric Corporation; and

(7) Orange and Rockland Utilities, Inc.

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Except in the case of the Trustees, officers, and key employees of the Authority, as defined in Article VII of this Code of Conduct, if any of these securities are currently owned or are acquired in the future by gift, inheritance, the operation of an automatic dividend reinvestment plan, or the dissolution of a trust, by an employee, an employee's spouse or dependent child, the employee must disclose such ownership to his or her Department Head or Resident Manager.

In the case of Trustees, officers, and key employees of the Authority, or their spouses or dependent children, who currently own or acquire these securities in the future by gift, inheritance, the operation of an automatic dividend reinvestment plan, or the dissolution of a trust, these securities must be sold or transferred within one year of (i) June 28, 1994, or (ii) the date of such acquisition, whichever is later.

This section does not apply to ownership of shares in a mutual fund.

There is no prohibition against the ownership or trading of Authority bonds and notes which are publicly held and traded. Such ownership or trading is subject, however, to Corporate Policy No. 3-10.

Comments

The essential policy underlying the proposed revision is that `voluntary' acquisition of the specified stock interests is prohibited, but holding on to existing ownership interests or acquiring such stock interests through operation of another person's actions or some pre-existing arrangement (e.g., an automatic dividend reinvestment plan) is permitted except in the case of Trustees, officers, and key employees of the Authority. The third paragraph, as revised, mandates that employees disclose any stock interests in the seven New York investor-owned utilities held by themselves, their spouses or dependent children. Trustees, officers, and key employees must sell or transfer the specified securities that they own or acquire in the future.

(5) A new definition is added to Article VII to define the term `key employee,' which is used in the new Article III. `Key employee' is defined to mean:

any employee who regularly represents the Authority in transactions involving, or regularly negotiates on behalf of the Authority with, any of the seven investor-owned utilities specified in Article III of this Code of Conduct.

RECOMMENDATION

"The Senior Vice President and General Counsel recommends that the Trustees adopt the modifications to the Policy as set forth above.

"I concur in the recommendation."

The following resolution, as recommended by the President, was unanimously adopted:

RESOLVED That the Conflict of Interest Policy is modified in accordance with the modifications set forth in the foregoing report of the President and Chief Executive Officer, with such modifications effective as of June 28, 1994.

MODIFICATIONS TO CONFLICT OF INTEREST POLICY PROVISIONS

Additions are in bold and underlined; deletions shown by strike-outs.

(a) Specific Standard No. 1:

No employee shall engage in any transaction as representative or agent of the Authority with, **or engage in any evaluation of,** any business entity in which the employee, the employee's spouse ~~{-}~~ or ~~{the employee's}~~ dependent child has a financial interest ~~{that might reasonably tend to conflict with the proper discharge of the employee's official duties}~~.

(b) Specific Standard No. 2:

No employee, **employee's** spouse ~~{-}~~ or dependent child ~~{of an employee}~~ shall acquire **any** financial ~~{interests}~~ **interest** in any business **entity** which the employee has reason to believe may be directly involved in decisions to be made by him or her affecting Authority transactions ~~{for which will otherwise create a conflict between his or her duty in the public}~~. **If an employee, an employee's spouse or dependent child acquires such a financial interest {and his or her private} by gift, inheritance, or the dissolution of a trust, the interest shall be promptly sold or transferred. If an employee's spouse or dependent child acquires or retains such a financial interest in violation of the foregoing provisions, it will be deemed to be a violation by the employee of this provision.**

(c) Specific Standard No. 5:

No employee, **employee's** spouse ~~{-}~~ or dependent child ~~{of an employee}~~, or an employee's independent business shall ~~{(1)}~~**(1)** sell any goods or services to the Authority or (2) contract for or provide such services with or to any private entity where the power to contract, appoint or retain on behalf of such private entity is exercised by the Authority ~~{, without approval of the President or the Chairman}~~. **If an employee's spouse or dependent child engages in the conduct described in the preceding sentence, it will be deemed to be a violation by the employee of this provision.**

(d) Specific Standard No. 6:

(a) No employee, **employee's** spouse ~~{-}~~ or dependent child ~~{of an employee}~~ shall, directly or indirectly, solicit, accept or receive any gift having a value of \$75 or more, whether in the form of money, service, loan, **meal payment,** travel, entertainment, hospitality, thing, or promise, or in any other form, ~~{under circumstances in which it could reasonably be inferred that the gift was intended to influence the employee, or could reasonably be expected to influence the employee, in the performance of the employee's official duties or was intended as a reward for any official action on the employee's part}~~ **from any person or entity;**

(1) which is regulated by, negotiates with, appears before on other than a ministerial matter, does business with or seeks to do business with or has contracts with the Authority (including, but not limited to, vendors, bidders, contractors, subcontractors or consultants), as well as anyone, whether or not a registered lobbyist, who attempts to influence the Authority's decisions; or

(2) under circumstances in which it could reasonably be inferred that the gift was intended to influence the employee, or could reasonably be expected to influence the employee in the performance of the employee's official duties or was intended as a reward for any official action on the employee's part.

(b) An employee, an employee's spouse or dependent child may not receive within a single calendar year, two or more gifts of the type identified in paragraph (a) above, which individually are worth less than \$75 but in the aggregate equal or exceed \$75.

(c) If an employee's spouse or dependent child engages in the conduct prohibited by paragraph (a) or (b) above, it will be deemed to be a violation by the employee of such provisions.

(e) Existing Article V, Trading of Securities:

Trading of stocks and bonds issued by the seven investor-owned members of the New York Power Pool ('NYPP') presents a possible area of conflict of interest for Authority employees and Trustees. The Authority presently competes in several respects with members of the NYPP. Other forms of competition may emerge in the future. Trading in the securities of NYPP members presents potential insider trading problems (see Corporate Policy No. 3-10, 'Securities Trading and Use of Confidential Information').

To protect against the potential of unlawful activities occurring in transactions of these sorts, it is Authority policy ~~as of the effective date of this Policy, that Authority employees and Trustees are prohibited from trading, either personally or through their spouses, or~~ **that an employee, an employee's spouse or dependent child may not trade in or, except as permitted below, acquire** ~~children, or agents, in~~ the securities of the investor-owned members of the NYPP, which are listed below:

- (1) Niagara Mohawk Power Corporation;
- (2) New York State Electric & Gas Corporation;
- (3) Central Hudson Gas & Electric Corporation;
- (4) Consolidated Edison Company of New York, Inc.;
- (5) Long Island Lighting Company;
- (6) Rochester Gas and Electric Corporation; and
- (7) Orange and Rockland Utilities, Inc.

~~An Authority employee may, however, sell or dispose of any stocks or bonds issued by the investor-owned NYPP members or any puts, calls, options or any other rights relating to such stocks or bonds, which are:~~

~~(1) owned by the employee on the effective date of this Policy; or~~

~~(2) acquired by the employee after the effective date of this Policy by gift, inheritance, or the dissolution of a trust;~~

~~provided that such sale or disposition does not violate the Authority's Corporate Policy No. 3-10.]~~

Except in the case of the Trustees, officers, and key employees of the Authority, as defined in Article VII of this Code of Conduct, if any of these securities are currently owned or are acquired in the future by gift, inheritance, the operation of an automatic dividend reinvestment plan, or the dissolution of a trust, by an employee, an employee's spouse or dependent child, the employee must disclose such ownership to his or her Department Head or Resident Manager.

In the case of Trustees, officers, and key employees of the Authority, or their spouses or dependent children, who currently own or acquire these securities in the future by gift, inheritance, the operation of an automatic dividend reinvestment plan, or the dissolution of a trust, these securities must be sold or transferred within one year of (i) June 28, 1994, or (ii) the date of such acquisition, whichever is later.

This section does not apply to an employee's ownership of shares in a mutual fund. ~~Moreover, the acquisition of stock by an employee through a dividend reinvestment plan or through stock splits is not prohibited. However, once stock is acquired through such a plan or through a stock split, the rules set forth in this section are applicable to such stock.~~

There is no prohibition against the ownership or trading of Authority bonds and notes which are publicly held and traded. Such ownership or trading is subject, however, to Corporate Policy No. 3-10.

(f) Definition of 'Financial Interest':

F. 'Financial interest' means:

2. Ownership of an interest in a business or real property which interest (a) has a market value in excess of ~~[\$1,000]~~ **\$5,000**, (b) reflects a 10 percent ownership of the business, or (c) in the case of an employee or an employee's spouse, constitutes 25 percent of the net worth of the person owning such interest, or the combined net worth of the employee and his or her spouse. This excludes an interest in the employee's primary personal residence. In determining the value of an interest, debts, mortgages, liens or other encumbrances thereon are to be disregarded;

(g) Definition of 'Key employee':

'Key employee' means any employee who regularly represents the Authority in transactions involving, or regularly negotiates on behalf of the Authority with, any of the seven investor-owned utilities specified in Article III of this Code of Conduct.

14. St. Lawrence Aquarium and Ecological Center - Informational Item

The President submitted the following report:

In 1985, the St. Lawrence Board of Legislators created a task force to develop and evaluate the concept of a freshwater ecological center on the St. Lawrence River. The Board of Legislators believed that such a project would have a significant economic impact on St. Lawrence County as a tourist attraction. In 1986, the task force commissioned a study in which the location and the economic feasibility of the facility were evaluated. The study concluded that it was feasible to build and operate the facility and the best site for the center would be near or in Robert Moses State Park. A site at Robinson Bay owned by the Power Authority and the Seaway Development Corporation on Massena Point was identified as the preferred site. In August 1988, the Authority's Trustees agreed to set aside approximately 80 acres for the aquarium. In addition, the Seaway Development Corporation also made acreage available at this site.

In 1988, the Task Force commissioned a funding feasibility study. This study indicated that it was premature to begin fund raising until the Task Force clarified the type of facility it wished to develop, obtained greater local support and incorporated as a nonprofit institution. Over the next five years, these tasks were accomplished.

The St. Lawrence Aquarium and Ecological Center is envisioned to be a public aquatic and ecological exhibition facility dedicated to public enjoyment, education and research. The facility will consist of a main building, several smaller exhibition pavilions and support buildings. The exhibits will focus on living organisms from the St. Lawrence River watershed including the Great Lakes and the Adirondack Mountains. The exhibits will trace the river from its origin in the forested highlands downhill through streams, ponds, and lakes and finally into the St. Lawrence River and on to the sea. There will be a pavilion located on Robinson Bay that provides an underwater view of the real river, an outdoor exhibit with river otters, a large 20,000 gallon indoor aquarium, several smaller aquaria, small live animal exhibits, audio/video presentations and interactive 'hands-on' exhibits. There will be site trails to view natural and enhanced wetland areas. There will also be laboratories, a library and support facilities for research.

The Board of the St. Lawrence Aquarium and Ecological Center has begun its fund raising efforts. According to the Board's consultant, the initial cost of the facility including design, construction, start-up (exhibition preparation, marketing and membership drives, staff recruitment and training) and endowment support is \$9,000,000 - 14,000,000. The first year costs and revenues are estimated to be approximately \$1.4 and 1.5 million, respectively. These figures escalate to \$3.9 (revenues) and \$3.5 (costs) million by year ten.

The initial cost of similar facilities have been funded with donations. Annual operating costs are covered by gate receipts, food and merchandise sales, membership sales and contributions. Aquaria based on similar ecological themes recently constructed in Chattanooga, Tennessee and Newport, Oregon have exceeded projected attendance and covered their operating costs.

Representatives from the Aquarium have approached and asked the Authority to be a major contributor. This could encourage local industries and other organizations to contribute. Prospects for additional funding include private gifts from individuals, foundations and corporations, membership drive, public sector support, and research support.

Making an investment in the Aquarium warrants a serious independent assessment. According to representatives from existing aquaria, such an assessment is a specialized scope of work that would be mostly efficiently done by an expert. A thorough marketing analysis should be performed to determine if the proposed

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aquarium is appropriate for the area and whether it would produce sufficient revenues to cover its operating costs. It is planned that an expert will be hired and the study will be completed within six months. During this time, Authority staff in conjunction with representatives from the Aquarium, will explore various management structures for such a `joint' project. The purpose of these discussions will be to ensure that the interests of both parties are met.

Since the proposed site is located in the immediate vicinity of the St. Lawrence-FDR Project and would be a major recreational facility in the area, potential investment should be viewed in the context of relicensing the Project. Under relicensing, the Authority is required to consider the development of recreational facilities. If the aquarium is worth further consideration, investment in the facility should be compared to other opportunities for recreational facilities near the project. To accomplish this, staff plans to accelerate the preparation of the recreation plan for relicensing.

The preparation of the plan will involve identifying recreational opportunities, evaluating alternatives, and identifying those facilities that we propose to upgrade or build. The preparation of the recreation plan will be initiated this fall and completed in approximately two years.

President Freeman introduced Mr. Frank Alguire, President; Robert Hadler, Vice President; John Feeley, Program Director; and other officials of the St. Lawrence Aquarium and Ecological Center. In response to questions from Vice Chairman Frey, Mr. Suloway explained that recreational plans are a required element of the relicensing process for both St. Lawrence and Niagara. Trustee Duch requested that the Trustees be kept abreast of the progress of proposed recreational plans.

15. **Next Meeting**

The next Regular meeting of the Trustees will be held on **Tuesday, July 26, 1994, at the Niagara Power Project** at **10:00 a.m.**, unless otherwise designated by the Acting Chairman with the concurrence of the Trustees.

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Closing

Upon motion made and seconded, the meeting was closed at 12:10 p.m.

Anne Wagner-Findeisen
Corporate Secretary

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