

i.
May 24, 1994

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

May 24, 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, Vice 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
John M. Hoff	Vice President - Procurement and Real Estate
Sally L. Irving	Vice President - Corporate Finance
Phillip J. Pellegrino	Vice President - Power Sales and Rates
Michael F. Woods	Vice President - Industrial Economic Development
John F. Duffy	First Assistant General Counsel
Joseph J. Carline	Assistant General Counsel
Ronald W. Ciamaga	Resident Manager - St. Lawrence/FDR Power Project
James Ford	Resident Manager - Niagara Power Project
John W. Blake	Director - Environmental Programs
Joseph J. Brennan	Director - Internal Affairs
Thomas R. Mahoney	Director - Real Estate
Stephen P. Shoenholz	Director - Public Relations

Also present:

William J. Cahill	
Cheryl Balkenhol	Senior Investment Officer
Jordan Brandeis	Director - Strategic Planning
George Grochowski	Director - Reactor Engineering
John Mustaro	Superintendent - Technical Services
Donald Russak	Senior Economist - Power Contracts
George Wilverding	Manager - Nuclear Safety Evaluations

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Laura M. Badamo	Assistant Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Secretary - Corporate Affairs
Anne Wagner-Findeisen	Corporate Secretary

Acting Vice 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 introduced the six employee Team Leaders who have been working on the Restructuring and Cost Reduction Program: Jordan Brandeis, George Grochowski, John Mustaro, Don Russak, Cheryl Balkenhol, and Joe Carline. Mr. Brandeis summarized the processes by which the teams had identified staffing levels and work functions for scrutiny by the teams with the ultimate objective of attaining \$50 million in annual operating savings. At the Trustees' request, it was agreed that a Special Meeting would be convened at which the Trustees would meet with the team leaders and discuss their recommendations.

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3. Financial Reports for the Four Months Ended April 30, 1994

4. Proposed Agreements With Replacement Power Customers

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve proposed agreements with Replacement Power customers involving rates, employment commitments and other terms and conditions of service. Emergency action is requested to enable the Authority to implement the new arrangements as soon as possible.

BACKGROUND

"At their meeting of September 26, 1989, the Trustees considered a proposal to increase Replacement Power rates over a seven-year phase-in period. In response to concerns raised by Replacement Power customers, the Trustees approved the first two years' increases and deferred action on the remaining five years. Since 1989, Replacement Power customers commenced ten separate lawsuits against the Authority in the State and federal courts, seeking to have the rate increases rescinded and declared illegal under State and federal law.

"At their meeting of December 19, 1991, the Trustees approved the third year's rate increase and on April 27, 1993, they approved the rates associated with the remaining years of the phase-in period. Also on April 27, 1993, the Trustees approved an optional arrangement for Replacement Power customers which provided for a ten-year rate phase-in in place of the seven-year version, a job creation program, an energy conservation program and job and power use commitments. This arrangement was available through July 31, 1993; 14 Replacement Power customers elected the option which became effective May 1, 1993. These customers are entitled to receive the more favorable arrangements that result from the litigation and settlement with other customers.

"Three of the lawsuits initiated by the Replacement Power customers have resulted in two final decisions upholding the Authority's ability to raise the rates to levels above the cost of producing the electricity at the Niagara Power Project. There remain five suits (and appeals in two others) outstanding that challenge the Authority's right to utilize Replacement Power revenues in excess of cost for non-Niagara Power Project uses.

"The Authority has continued to express a willingness to settle the rate issues to the satisfaction of all parties.

DISCUSSION

"Representatives of the Authority and of the Replacement Power customers have negotiated a settlement to resolve all of the issues involving rates, employment commitments and other matters, including the dismissal of all pending litigation. Attached hereto as Exhibit `4-A' is a proposed agreement (`the Agreement') which we recommend the Trustees approve.

"The Agreement contains a schedule of rates with inflation related escalators that will apply retroactively from May 1, 1993, and then through December 31, 2006. The settlement does not change the rates previously established by the Trustees to be achieved by 2006 but provides a slower transition toward that level in the next few years. Refunds will be made for the period beginning May 1, 1993, to account for the lower rates in this period. The Agreement also provides for the customer to commit to certain employment and power utilization levels with respect

to Replacement Power allocations for which the customer has not previously made such commitments. Failure to meet at least 80 percent of the committed levels of employment over prescribed periods would subject the customer to contract demand reductions. Replacement Power customers that received allocations under the 1981 and 1988 Replacement Power settlement agreements, and which have agreed to job and power usage commitments under those agreements, would be offered similar agreements with the new rates, but preserving the existing commitments. The rate for the Replacement Power allocations made at the April 26, 1994 meeting, and all subsequent allocations of Replacement Power will be at the Expansion Power rate.

"Energy efficiency would be advanced by the Agreement. Specific facilities of the customer would be subject to periodic comprehensive energy audits and, based on the results of such audits, the customer may be required to install cost effective energy conservation measures. Such measures would be at the direct expense of the Authority which would be reimbursed from the savings generated.

"The Authority's existing Replacement Power agreement with Niagara Mohawk Power Corporation ('NS-1') expires on January 1, 2006. The Agreement requires the Authority, to the extent consistent with obtaining a renewal of its license and other applicable law and regulations, to offer the customer an extended contract for the period January 1, 2006 through January 1, 2013. The extended contract would provide for the sale and delivery of power (i) directly to the customer by the Authority; (ii) through Niagara Mohawk; or (iii) through a third party, to be determined at the time. The rates would be the same as those applicable at the time to Expansion Power service and the commitment to maintain specific levels of employment would remain in effect.

"Finally, the Agreement includes a provision that would allow the individual customer to make an election as to the applicable rate, Rate I or Rate II, that would be the basis for Replacement Power billings. While Rates I and II incorporate the same unit charges, the billing provisions are different. Under Rate I, the customer would pay for Replacement Power and related energy used during the billing period, i.e., at the customer's actual load factor. Rate II requires the customer to pay for the contract demand and for energy at 100 percent load factor, i.e., on a take or pay basis. A customer's total load and usage profile would determine which rate optimizes the benefit for the customer. Under the provisions of NS-1, Niagara Mohawk's consent is required to effect the customer's selection. The Agreement provides that the Authority will make good faith efforts to secure such consent.

"The Agreement will bring to a close a long period of controversy surrounding the pricing of Replacement Power. Resolution of this dispute will remove the customers' uncertainty about Replacement Power rate levels and will assure the Authority an important source of revenue to support its Western New York and statewide activities. The Agreement will for the first time link all Replacement Power allocations to job commitments by the recipients. The electric energy conservation provisions of the Agreement mark the first such contractual commitments from Authority industrial customers to pursue cost-effective energy saving measures. These provisions open the door to further cooperation between the Authority and these sophisticated energy users in the pursuit of energy efficiency.

"The rate and job commitments by the recipients will stabilize employment and operations in these nationally important industries in the Niagara Frontier area and lay the base for increased employment and investment in that region. The Agreement will forge a new cooperative relationship between the Authority and the Replacement Power customers that will benefit the parties, the localities and the people of the State.

FISCAL INFORMATION

"If all Replacement Power customers accept the option offered hereunder, the Authority would realize revenues of \$137 million over the period May 1, 1993 through December 31, 1997 (the end of the seven year phase-

in).

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RECOMMENDATION

"The Executive Vice President - Marketing and Development and I recommend that we be authorized to execute agreements, substantially in the form of the Agreement, with individual Replacement Power customers that elect the option.

"It is also recommended that, consistent with the Authority's Administrative Procedures, the Secretary be authorized to file notice for publication in the New York State Register of emergency adoption of the rates associated with the Agreement which will be incorporated in NS-1. The notice should indicate the Authority's proposed action to adopt permanently the provisions of the measure. The Secretary should also be authorized to file such other notices as are required by statute or regulation. Finally, the Senior Vice President - Power Contracts should be authorized to issue written notice to Niagara Mohawk of the new rates to be incorporated in NS-1.

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

In response to questions from Trustee Waldbauer, Mr. Hiney explained that as a result of the proposed agreement, all pending replacement power rate litigation against the Authority would ultimately be dismissed.

In response to questions from Trustee Miller, Mr. Hiney explained that revenues from the sale of hydro power will be used to finance the Niagara Project upgrade and that the proposed rate refund would be made by the Authority over a time period comparable to the time period over which the original billings were made by the Authority.

In response to questions from Trustee Duch, Mr. Hiney explained that both the Authority and the customer must agree on each energy efficiency project, and that each such project would be subject to two audits during the term of the agreement.

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

Acting Chairman Frey expressed appreciation for Senator John Daly's role in helping to achieve the

agreement and commended staff for its efforts.

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

RESOLVED, That the Executive Vice President - Marketing and Development and the President and Chief Executive Officer be, and hereby are, authorized to execute agreements with individual Replacement Power customers substantially as set forth in the foregoing report of the President; and be it further

RESOLVED, That the Executive Vice President - Marketing and Development be authorized to execute such other documents as are necessary to effectuate the foregoing; and be it further

RESOLVED, That the foregoing action must in the judgment of the Authority be taken immediately to discharge its responsibilities and for the preservation of the general welfare; and be it further

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice of emergency adoption of Replacement Power rates under Contract NS-1 for the period May 1, 1993 through January 1, 2006, in accordance with the recommendation contained in the foregoing report of the President, to file notice of proposed action to adopt permanently the proposed rates, to submit such rates for publication in the New York State Register, and to submit such other notification as may be required by statute or regulation; and be it further

RESOLVED, That the Senior Vice President - Power Contracts be, and hereby is, authorized to issue written notice to Niagara Mohawk Power Corporation as required by Niagara Contract NS-1 with respect to the new rates, and be it further

RESOLVED, That within 90 days from such filing, the Authority reconsider the action for permanent adoption and republication in the State Register.

**5. James A. FitzPatrick Nuclear Power Plant -
Unsupported Firm Power Service - Final Action**

The President submitted the following report:

SUMMARY

"The Trustees are requested to adopt, as a final action, a decrease in the rates and a modification of certain contract provisions for unsupported firm power service from the James A. FitzPatrick Nuclear Power Plant ('JAF') to investor-owned utilities effective May 1, 1994.

BACKGROUND

"At their meeting of February 22, 1994, the Trustees adopted the revised rate plan on an emergency basis and authorized the Senior Vice President - Power Contracts to enter into certain contractual amendments to accommodate the revised plan. In order to better meet market conditions, the demand charge under Service Tariff No. 2 was approximately halved to \$6.00 per kW from \$13.40 per kW, while the capacity allocations were doubled to 260 MW from 130 MW. The energy charge was revised to provide an on-peak/off-peak pricing arrangement. Other modifications included taking advantage of the seasonal diversity in the municipal loads by offering a long term commitment for the sale of 260 MW to the utilities during the summer period. Also, the 90 day waiting period for demand charge credits when the plant is out of service was reduced to one day.

DISCUSSION

"Pursuant to the Authority's Administrative Procedures, the Secretary was authorized to file notice for publication in the State Register of the emergency adoption and of proposed Authority action to permanently adopt the provisions of the measure. Such notice was published on March 23, 1994, and no comments concerning the proposed action were received by the Secretary.

FISCAL INFORMATION

"The proposed rate and contract modifications will not result in a material change in the Authority's net revenues for 1994, and have been factored into the 1994 Operating Forecast and longer range plans.

RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the rates and contract modifications adopted on February 22, 1994, as an emergency action, be adopted as a final action.

"It is also recommended that the Secretary of the Authority be authorized to file notice of adoption with the Secretary of State for publication in the State Register and to file such other notices as are required by statute or regulation.

"The Vice President - Power Sales and Rates, the Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, the Executive Vice President - Marketing and Development, 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 proposed revisions to the charges and other provisions of Service Tariff No. 2 for unsupported firm power service to utilities from the James A. FitzPatrick Nuclear Power Plant be adopted as a final action effective May 1, 1994; and be it further

RESOLVED, That the Senior Vice President - Power Contracts be, and hereby is, authorized to take such other or further actions as are necessary desirable to effectuate the foregoing; and be it further

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

6. Proposed Transmission Service Agreement Between the Authority and the Niagara Mohawk Power Corporation Applicable to the Authority's Municipal and Rural Electric Cooperative Customers - Approval of and Authorization to Execute Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the proposed transmission service agreement ('Agreement') attached hereto as Exhibit '6-A', between the Authority and the Niagara Mohawk Power Corporation ('Niagara Mohawk') relating to the Authority's Municipal and Rural Electric Cooperative customers ('M&C Customers') and to authorize the execution thereof.

BACKGROUND

"Since 1958, Niagara Mohawk has been transmitting Authority-supplied power and energy to the Authority's M&C Customers whose service territories are located within the areas served by Niagara Mohawk's transmission system. Originally, transmission service was provided by Niagara Mohawk on an excess capacity basis. This transmission service was subsequently upgraded to the firm category pursuant to a letter agreement dated February 18, 1981 (the '1981 Letter Agreement'), as amended and approved by the Federal Energy Regulatory Commission ('FERC'). While the 1981 Letter Agreement expired as of January 1, 1990 by its own terms, Niagara Mohawk has continued to provide service thereunder pending negotiation of a new agreement.

DISCUSSION

"The Authority and Niagara Mohawk have negotiated the Agreement to supplant the 1981 Letter Agreement as it applies to M&C transactions. Representatives of the Municipal Electric Utilities Association ('MEUA') have been party to the negotiations and support the Agreement.

"Under the Agreement, Niagara Mohawk will transmit all Authority-supplied-power and energy to the M&C Customers served from Niagara Mohawk's transmission system. The Agreement will be filed with FERC and will become effective on a date authorized by FERC, but not before August 1, 1994. It will remain in effect until the expiration of the Authority's Niagara Project license on August 31, 2007.

"While Niagara Mohawk had considered unilaterally filing an unexecuted agreement with FERC, staff, with assistance from the MEUA representatives, negotiated changes to Niagara Mohawk's original proposal to achieve a satisfactory resolution of the matter. Under the Agreement, Niagara Mohawk will not seek amendments to its base transmission rates effective prior to August 1, 1999, nor more than once in a consecutive 12 month period. (Typically, utilities are not contractually limited as to the frequency of rate filings.) With respect to costs associated with power factor support, additional delivery points and ancillary transmission services, the Agreement requires Niagara Mohawk to secure FERC approval for the recovery of such costs.

"The Agreement is limited to service to M&C customers. Since the 1981 Letter Agreement also applied to service to certain industrial customers which purchase power from the FitzPatrick Plant, it will remain in effect pending the completion of negotiation of a new agreement for those customers.

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"The following rate schedule has been incorporated in the Agreement:

<u>Effective</u>	<u>Firm Demand</u>	<u>Interruptible Energy</u>
8/1/94	\$1.68 per kW-mo Billing Demand	\$ 2.30 per MWh Billing Energy
8/1/96	\$1.76 per kW-mo Billing Demand	\$ 2.41 per MWh Billing Energy
8/1/97	\$1.84 per kW-mo Billing Demand	\$ 2.52 per MWh Billing Energy
8/1/98	\$1.88 per kW-mo Billing Demand	\$2.575 per MWh Billing Energy

"Staff is satisfied that these rates are cost justified and will be accepted by FERC. While these rates are higher than the current firm and interruptible rates of \$1.603 per kW-mo and 2.20 mills per kWh, the latter rates have been in effect for approximately eight years.

RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the Trustees approve the Agreement and authorize him to execute the Agreement on behalf of the Authority.

"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 approves the attached Transmission Service Agreement between the Authority and the Niagara Mohawk Power Corporation ("Agreement") in substantially the form attached hereto; and be it further

RESOLVED, That the Senior Vice President - Power Contracts be, and hereby is, authorized to execute the Agreement.

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7. Service Tariff No. 52 - Firm Transmission Service on the Authority's Upstate Transmission Facilities - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve as final action the adoption of a new firm transmission Service Tariff No. 52 ('ST-52') (attached hereto as Exhibit ('7-A')), for prospective customers which have requested firm transmission service using the Authority's Upstate Transmission Facilities ('Facilities'). The tariff incorporates the existing rate for firm transmission service over the Facilities.

BACKGROUND

"At their meeting of January 25, 1994, the Trustees authorized the Secretary to file notice for publication in the State Register of the Authority's proposed action to implement the Firm Transmission rate set forth in Service Tariff No. 52. Notice of the proposed action by the Authority was published in the State Register on February 16, 1994, and no comments were received by the Secretary.

DISCUSSION

"The Authority's Facilities consist of the 345-kV Niagara-Edic/Marcy line; the 230-kV St. Lawrence/FDR-Plattsburgh line; and the St. Lawrence/FDR-Adirondack line.

"The Facilities are used by the Authority and its customers under specific transmission contracts or in conjunction with Authority power sales.

"The Authority has received inquiries concerning transmission service over the Facilities from independent power producers and utilities. More specifically, New York State Electric and Gas Corporation ('NYSEG') has requested service over the Facilities for the delivery of its purchase from the Falcon Seaboard Project in Plattsburgh, New York expected to commence in mid-1994, and continue for a term of 15 years.

"The proposed ST-52 tariff rate would be the current rate of \$1.30 per kW-month applicable to the Facilities and would be subject to change whenever the rate applicable to the Facilities is changed. Under the terms of this tariff, use of transmission in conjunction with service under other existing transmission service tariffs (i.e. ST-45 or ST-47) would result in a rate not to exceed an amount per kilowatt calculated by applying the Authority's interruptible transmission rate under Service Tariff No.31 at 100 percent load factor. The proposed rate for ST-52 would become effective June 1, 1994.

FISCAL INFORMATION

"Anticipated revenues from adoption of this tariff and the delivery of NYSEG's purchase from the Falcon Seaboard Project will be about \$4.7 million per year.

May 24, 1994

RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the Trustees adopt firm transmission Service Tariff No.52 with the firm transmission rate as set forth above.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, 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 firm transmission rate be, and hereby is, approved as described in the foregoing report from the President; and be it further

RESOLVED, That Service Tariff ST-52 (Exhibit "7-A") be, and hereby is, approved substantially in the form attached hereto; and be it further

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file Notice of Adoption of a measure implementing the firm transmission rate effective June 1, 1994, for the Authority's Upstate Transmission Facilities, for publication in the State Register and to file such other notice as may be required by statute or regulation.

Service Tariff No. 52
Firm Transmission Service

Effective June 1, 1994

Applicable

To firm use of the Authority's Upstate Transmission Facilities.

Character of Service

Alternating current; 60-hertz; 3 phase

Rate

\$1.30 per kilowatt of Contract Demand per month provided that the total monthly charge per kilowatt for service under an accepted application for firm transmission service incorporating this tariff and any other Authority tariff(s) for firm transmission service shall not exceed an amount per kilowatt calculated by multiplying the maximum rate in mills per kilowatt-hour set forth for interruptible service under Service Tariff No. 31 by 730 hours.

Transmission rates are subject to revision upon notice as provided in the provision entitled `Adjustment of Charges`.

The Transmission charges specified in this Service Tariff shall apply to the billing demand hereunder.

Billing Demand

The Billing Demand shall be the Contract Demand in effect during the billing period.

Contract Demand

The Contract Demand shall be the amount(s) of capacity specified in Customer's accepted Application for Firm Transmission Service.

Losses

Quantities accepted by the Authority at the point(s) of receipt identified in the Application for Service after reductions to account for transmission losses will be delivered to the point(s) of delivery identified in the Application. Such losses shall be determined by Authority and reviewed by Customer.

Adjustment of Charges

If Authority determined that the rates for firm transmission service hereunder should be revised pursuant to the Authority's Rules and Regulations for Power Service, it will notify Customer in writing of the revised charges not less

than thirty (30) days in advance of the effective date thereof.

8. Municipal and Rural Cooperative Economic Development Program - Allocations to Villages of Sherburne and Sherrill

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Villages of Sherburne and Sherrill (Exhibit `8-A').

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 April 1, 1994, 9,600 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 that are new to a system, the jobs-per-megawatt ratio is considered on a case-by-case basis. For projects involving existing businesses in a system, the suggested jobs-per-megawatt ratio is determined by the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target 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.

"An application for power under the program has been submitted by the Villages of Sherburne and Sherrill for consideration by the Trustees. The Executive Director of the Municipal Electric Utilities Association (`MEUA') has also received a copy of the two separate applications.

DISCUSSION

Village of Sherburne

"Sherburne Metal Products is a small, privately-owned firm which was purchased from Rome Cable Company in 1987. It is a manufacturer of copper rods which are mostly sold to Rome Cable, Camden Wire, and Omega Wire, all New York State companies. With the purchase of a new copper alloy caster, it will expand its present production in existing products and be able to manufacture additional products. Proposed investment in the new machinery and improvements to their facilities will be approximately \$1 million. The new machinery will be state-of-the art. To reduce its energy cost, the company has installed energy-efficient lighting and uses waste heat for its space heat. Ten additional jobs will be created (there are 35 existing jobs), and the new electric demand will be 600 kW.

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Village of Sherrill

"Oneida Ltd. is the only remaining manufacturer in the United States providing a complete line of stainless steel, silver plate, and sterling silver flatware. It employs about 2,500 people in Oneida and Sherrill. This one hundred year old company also owns the Camden Wire Company in Oneida County and Buffalo China Company in Erie County. In order to increase its production of knife blades, the company will invest up to \$2 million in forge and grinding machines using 200 kW of power, and will employ an additional 20 people over the next three years. The company manages its electric requirements through the operation of a steam air-compressor during peak hours and demand limiters on hot water and electric heaters.

"The recommended allocations under the program comprise half hydropower and half incremental power. In accordance with the Authority's new marketing arrangement with the full-requirement municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational, and the incremental power will be sold on an as-used basis. The hydropower earmarked for this program is presently sold to the municipal and cooperative customers on a withdrawable basis. The MEUA Executive Committee has been informed of these applications.

RECOMMENDATION

"The Vice President - Industrial Economic Development recommends that the Trustees approve allocations of power under the Municipal and Rural Cooperative Economic Development Program to the Villages of Sherburne and Sherrill in accordance with the foregoing report of the President.

"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."

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

RESOLVED, That allocations of power to the Villages of Sherburne and Sherrill, under the Municipal and Rural Cooperative Economic Development Program, are hereby 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 aforesaid allocation.

Exhibit `8-A'
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<u>Village Name</u>	<u>Recommended Allocation</u>	<u>Total Jobs</u>	<u>New Jobs</u>	<u>Existing Jobs</u>	<u>Projected Investment</u>
<u>Village of Sherburne</u> -Sherburne Metal Products	600 kW	45	10	35	\$1,000,000
<u>Village of Sherrill</u> -Oneida Ltd.	<u>200 kW</u>		20		\$2,000,000
TOTAL	<u>800 kW</u>				

9. Allocations of Expansion Power - American Axle and Manufacturing, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve Expansion Power allocations totaling 5,450 kW to American Axle and Manufacturing, Inc. ('American Axle') at two facilities.

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 business 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 14,900 kW of Expansion Power currently available for reallocation to industry of which 11,318 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 November 30, 1993, the Trustees approved prospective allocations to Cliffstar Corporation and Nabisco, Inc. subject to the solicitation and consideration of competing proposals. The minutes of such meeting are attached as Exhibit '9-A'. Notice of the proposed allocations was published in the Buffalo News, Jamestown Post Journal and the Niagara Falls Gazette on December 3, 1993. Applications detailing the competing proposals were due to the Authority by January 3, 1994. Four proposals were received in response to the Authority's notice.

"At the Trustees' meeting of January 25, 1994, three of the four competing proposals were also approved for allocations of Expansion Power. The minutes of that meeting are attached as Exhibit '9-B'. The fourth proposal, which was submitted by American Axle, was under discussion and was not presented to the Trustees at that time.

DISCUSSION

"Financial losses at the General Motors Corporation resulted in a strategy to sell or close some of its component businesses. American Axle was established and purchased General Motors' Tonawanda Forge Plant, Buffalo Axle Plant, and a forge and two machining plants in Michigan. The long term viability of both the Tonawanda Forge and the Buffalo Axle plants are dependent on the company's ability to invest in new technology, increase market share, and improve product quality and cost.

"The Buffalo Axle Plant assembles axles and steering linkages for both cars and trucks. American Axle is proposing to invest \$84 million to modernize and expand this business unit and anticipates that this investment will attract business from other automobile producers. The facility has a 500 kW Expansion Power allocation which was approved by the Trustees in February 1993. A 3,200 kW Replacement Power allocation was also approved at the Trustees' meeting of April 26, 1994. The company will commit to maintain 1,857 jobs at this site for all blocks of Authority hydropower. In order to achieve a competitive power cost, it is recommended that a 2,200 kW Expansion Power allocation be approved. The recommended allocation is estimated to save the company \$600,000 annually at current rates.

"The Tonawanda Forge Plant produces ferrous automotive forgings such as axleshafts, relay rods, ring gears and spindles. American Axle is proposing to invest \$35 million to retool this facility and plans to expand its product

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lines. The facility has a 1,300 kW Replacement Power allocation which was approved by the Trustees in 1991. An additional 2,600 kW Replacement Power allocation was approved at the Trustees' meeting of April 26, 1994. The company will commit to maintain 686 jobs at this site for all blocks of Authority hydropower. The cost of electricity is a critical item in this facility's ability to compete. It is therefore recommended that a 3,250 kW Expansion Power allocation be approved. The recommended allocation is estimated to save the company \$619,000 annually at current rates.

"Upon approval of the recommended allocations, the Authority will have a total job commitment of 2,543 associated with a total of 13,050 kW, 5,950 kW of Expansion Power and 7,100 kW of Replacement Power, which yields a 195 jobs per MW ratio.

"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 allocations of Expansion Power to American Axle and Manufacturing, Inc. totaling 5,450 kW (Buffalo Axle Plant - 2,200 kW and Tonawanda Forge Plant - 3,250 kW) be approved.

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

Trustee Duch stated for the record, with regard to the proposed allocation to American Axle, 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 be 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.

10. Municipal and Cooperative Customer Watt Buster Program - Expansion of Scope

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the expansion of the scope of the municipal and cooperative customer Watt Buster Program to include provision of a secondary refrigerator buy-back option for residential customers served by these systems.

BACKGROUND

"The Authority has been offering the Watt Buster Program for the residential customers served by the municipal and cooperative electric systems, at first on a pilot basis and later as a full scale program effort, since 1986. To date, Watt Buster services have been completed in 27 of the 51 municipal systems. Five systems are currently undergoing second rounds of program participation. Program services include a free home energy audit, installation of water heating conservation measures such as electric water heater tank wraps, faucet aerators, pipe insulation and low flow shower heads. Residential customers with electric heat are eligible for free installation of attic and basement insulation, window and door caulking and other infiltration control measures. Program participation to date has reached about 19 percent of the homes eligible with over 15,500 audits conducted and nearly 5,800 homes weatherized.

DISCUSSION

"It is now proposed that the scope of the authorized Watt Buster Program services be expanded to include a secondary refrigerator buy-back option. This service is offered for residential customers served by a number of utilities nationwide including Niagara Mohawk Power Corporation and Rochester Gas and Electric Company in New York State. The primary benefit is the reduction in annual energy consumption of about 1,100 kWh per year per unit removed. Modeled after these investor owned utility refrigerator buy-back programs, the Authority's sponsored program will offer residential customers an incentive of \$50 to \$100 for their secondary refrigerators. These refrigerators are typically older units which are continuously operating and nearing the end of useful life but for which the customer has no direct incentive to disconnect. In addition, there may also be physical barriers to refrigerator removal and disposal which the Authority will overcome by arranging for this service. The incentive will only be offered for those customers having refrigerators which are verified to be continuously operating and currently connected to the electric system. Following removal, the Authority's program contractor will:

1. render the refrigerator inoperable;
2. properly dispose of the refrigerator, in whole or in part, in an environmentally acceptable manner and in compliance with industry standards and all pertinent laws, rules, regulations, permits, approvals and certificates;
3. drain and recycle the freon (refrigerant typically contains CFCs) in the refrigerator compressor;
4. remove any PCB laden capacitors from the refrigerators and transport them to an Environmental

Protection Agency approved disposal site; and

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5. deliver the remaining components of the refrigerator to a scrap metal dealer for recycling and responsible landfill management.

"Based on reported utility evaluation of this type of program, it is estimated that the cost of these services will be about \$200 to \$250 per unit disposed, including the \$50 to \$100 customer incentive and the cost of a single compact fluorescent lamp to each participating residential customer as a marketing inducement. This cost also includes Authority overhead charges.

"In discussions with the Fairport and Plattsburgh municipal electric systems, these systems have indicated their willingness to participate in the initial offering of this program. Based on expected participation rates, it is estimated that approximately 1,430 refrigerators will be recovered for buy-back. Thus, the initial cost for this expanded Watt Buster Program option will be about \$300,000. However, all residential customers served by these systems are eligible for participation and this cost could potentially increase. A table indicating expected program costs and participation rates, benefit/costs, load impacts and levelized cost per kilowatt-hour for Fairport and Plattsburgh is attached as Exhibit `10-A'.

"Program services will be offered through a program implementation contractor selected through a competitive bid solicitation. A contract award recommendation will be submitted for the approval of the Trustees by the July meeting.

FISCAL INFORMATION

"The new program option will be funded through the existing Watt Buster funds authorization; no additional funding is requested at this time.

"All costs associated with the Watt Buster Program, including the refrigerator buy-back program option, together with the Authority's cost of advancing funds and overhead costs, will be recovered from the individual participating municipal/cooperative systems within seven years. To date, the total cost of program activity is \$4.3 million; \$2.1 million has been recovered through April 1994.

RECOMMENDATION

"The Vice President - Power Sales and Rates recommends that the Trustees authorize expansion of the scope of the Authority's Watt Buster Program to include provision of a secondary refrigerator buy-back program for the residential customers served by the Authority's municipal and cooperative electric customers.

"The Senior Vice President and General Counsel, 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 funds previously authorized for providing energy conservation services to municipal and cooperative electric customers under the Watt Buster Program be used in part in connection with expansion of such services to include a secondary refrigerator buy-back program, with recovery of such expenditures to occur as recommended in the foregoing report of the

President.

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11. Marcy-South 345 kV Transmission Facilities - Release of Easements of Off-Right-of-Way Access Road, Maps No. DUW-8562C, DUW-8563C, DUW-8564C

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the conveyance by quitclaim of four parcels of an off-right-of-way access road in the Town of Wappinger, County of Dutchess, as set forth on Exhibit `11-A' and as sketched on Exhibit `11-B'. Access easement rights to Map No. DUW-3630 will be retained by the Authority.

BACKGROUND

"At their meeting of March 31, 1987, the Trustees approved acquisition of an off-right-of-way access road (Map No. DUW-3631) for the construction and operation of the above facilities.

DISCUSSION

"Planning and construction of the Marcy-South Transmission Facilities required an off-right-of-way access road easement from Ketchamtown Road to transmission structure no. 4-4. Subsequent to the Authority's construction of the access road, Ketchamtown Development Corporation acquired the property and developed a 13-lot residential subdivision. This development includes a public road known as Woodland Court which was dedicated as a town road by the Town of Wappinger on August 27, 1991. Woodland Court provides the Authority with an improved access road to a point within 150 feet of the Marcy-South Transmission Line. The Authority will continue to exercise its off-right-of-way access easement rights over the 150 feet between Woodland Court and the transmission line easement. However, since the Authority utilizes Woodland Court as an access road, it has discontinued use of the parcels of the off-right-of-way access road to be conveyed by quitclaim to the underlying fee owners, as set forth on Exhibit `11-A' and as sketched on Exhibit `11-B'.

"Reconveying these off-right-of-way access easements to the underlying fee owners will eliminate the Authority's potential liability on the encumbered areas and clear title for the underlying fee owners.

FISCAL INFORMATION

"There is no fiscal impact.

RECOMMENDATION

"The Director - Real Estate and the Resident Manager - Blenheim-Gilboa Pumped Storage Power Project recommend that the Trustees approve the quitclaim of the Authority's access easement rights in the maps set forth in the attached Exhibit `11-A'.

"The Director - Environmental Programs, the Vice President - Procurement and Real Estate, the Senior Vice President and General Counsel, the Executive Vice President - Systems Operation, 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 pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds and determines that the real property shown and described on Power Authority of the State of New York, Marcy-South 345 kV Transmission Facilities Maps No. DUW 8562C, DUW 8563C and DUW 8564C as set forth in Exhibit "11-A" are no longer required for Authority use, and hereby finds and determines that such real property is surplus to Authority needs and may be quitclaimed to the respective underlying fee owners and that the quitclaim to such owners are on terms beneficial to the State of New York and the Authority; and be it further

RESOLVED, That the Director - Real Estate, or Resident Manager - Blenheim-Gilboa Pumped Storage Power Project be, and hereby is, authorized to execute and deliver to the respective landowners set forth on Exhibit "11-A" on behalf of the Authority and in the name of the People of the State of New York, acting by and through the Authority, a quitclaim deed of the permanent easements shown and described on Power Authority of the State of New York, Marcy-South 345 kV Transmission Facilities maps that are set forth on Exhibit "11-B"; and be it further

RESOLVED, That the Director - Real Estate, or Resident Manager - Blenheim-Gilboa Pumped Storage Power Project be, and hereby is, authorized to execute on behalf of the Authority and in the name of the People of the State of New York, acting by and through the Authority, all agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing.

**Exhibit `11-A`
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<u>Owner</u>	<u>Map No.</u>	<u>Parcel No.</u>	<u>Area</u>
Helen Yee	DUW-8562C	8562	0.095 acre
Michael DeZillo	DUW-8563C	8563	0.001 acre
Town of Wappinger	DUW-8564C	8564A 8564B	0.188 acre 0.038 acre

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12. St. Lawrence/FDR Power Project - Conveyance of a Portion of Plattsburgh-Air Force Base 46 kV Transmission Line Easement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the conveyance of 18± acres (3± miles) of transmission line easement in the Town of Plattsburgh, Clinton County to New York State Electric & Gas Corporation ('NYSE&G').

BACKGROUND

"The Plattsburgh-Air Force Base 46 kV Transmission Line is a single circuit, three phase, wood pole line which traverses a distance of eight miles in a southerly direction from the Authority-owned Plattsburgh Substation to the United States Government-owned substation located at the Plattsburgh Air Force Base.

"The line was energized in February 1959, and de-energized around 1982, when NYSE&G commenced supplying the Air Force Base with power.

DISCUSSION

"Recently NYSE&G requested that the Authority transfer to it a 3± mile portion of the unused easement which begins at a dead end structure located on the southeasterly side and immediately adjacent to the Saranac River and terminates at the south side of New York State Route No. 374. The transfer to NYSE&G would also include the abandoned poles, conductors, and related appurtenances. This transfer would allow NYSE&G to avoid the additional acquisition of a 25 foot wide easement in a moderately developed commercial and residential area. The sale of the easement and the sale of the poles, conductors, and related appurtenances thereon will eliminate the liability and the costs associated with maintenance or the demolition and environmentally acceptable disposal of the treated wood poles of the line by the Authority.

"The System Planning Division sees no long term strategic value in retaining this portion of the easement and the improvements thereon. Staff recommends that the Authority enter into a written agreement with NYSE&G which will condition the sale of the easement, structures, conductors, and related appurtenances being transferred 'as is.'

"Since the segment between New York State Route No. 374 to the south side of the Plattsburgh Municipal Lighting District ('PMLD') #2 substation portion to be transferred is parallel to the Authority's existing Plattsburgh to Saranac 115 kV Transmission Line, any grant to NYSE&G will be conditioned on:

1. The development of access and maintenance requirements and procedures which will protect Authority interests, particularly with regard to safety and environmental issues.
2. The reservation to the Authority of all rights required for future modifications and upgrades.
3. Any new transmission to be added by NYSE&G on the transferred segment between the Authority's existing Plattsburgh to Saranac 115 kV transmission line and the PMLD #2 substation will be placed

underground.

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"The compensation to be received from NYSE&G will be \$310,000 which was based on an appraisal of land values in the vicinity of the easement and negotiations with NYSE&G.

FISCAL INFORMATION

"Compensation received from NYSE&G will be deposited in the General Reserve Account.

RECOMMENDATION

"The Director - Real Estate, the Director - Environmental Programs, the Resident Manager - St. Lawrence/FDR Power Project, the Vice President and Chief Engineer - System Operations, and the Senior Vice President - Power Contracts recommend that the Trustees approve the sale of the 18± acre easement with structures, conductors, and related appurtenances thereon to NYSE&G. The easement width to be conveyed to NYSE&G is 25 feet wide across the segment between New York State Route No. 374 and the south side of the PMLD #2 substation which affects a portion of Parcel Nos. 1263, 1264, and 1265, and 50 feet wide across the portion from the south side of the PMLD #2 substation to the dead end structure located on the southeasterly side of the Saranac River from Parcel No. 1265A to 1277 as shown on map entitled 'St. Lawrence River Project, Clinton County, Town of Plattsburgh, Map No. CL-1253, Parcel No. 1253 thru 1277 and 1265A,' as conditioned above for \$310,000.

"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 the Authority hereby determines that the 18± acres of the easement consisting of 25 feet in width across a portion of Parcel Nos. 1263, 1264, 1265, and 50 feet wide across Parcel Nos. 1265A to 1277, as shown and described on the map entitled 'St. Lawrence River Project, Clinton County, Town of Plattsburgh, Map No. CL-1253, Parcel Nos. 1253 thru 1277 and 1265A', which was appropriated in the name of the People of the State of New York, be conveyed to New York State Electric & Gas Corporation, on the terms set forth in the foregoing report of the President & CEO. The Authority hereby determines that the conveyance of the easement described above is on terms beneficial to the State of New York and to the Authority; and be it further

RESOLVED, That the Executive Vice President - Finance and Administration, or the Executive Vice President - System Operations be, and hereby is, authorized to execute an agreement on behalf of the People of the State of New York and the Authority with New York State Electric & Gas Corporation for the conveyance of the easement and the structures, conductors, and appurtenances thereon, 25 feet in width across a portion of Parcel Nos. 1263, 1264, and 1265, and 50 feet in width across parcel numbers 1265A to 1277, as shown and described on map entitled 'St. Lawrence River Project, Clinton County, Town of Plattsburgh, Map No. CL-1253, Parcel Nos. 1253 thru 1277 and 1265A' on the terms, covenants, and conditions generally described in the foregoing report; and be it further

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RESOLVED, That the Executive Vice President - Finance and Administration, or the Executive Vice President - System Operations be, and hereby is, authorized to execute and deliver on behalf of the People of the State of New York, acting by and through the Power Authority of the State of New York an assignment of easement, with quitclaim language for the transmission line easement, and the execution and delivery in the name of the Power Authority of the State of New York, the Bill of Sale for the appurtenances thereon to the New York State Electric & Gas Corporation; and be it further

RESOLVED, That the Senior Vice President and General Counsel, or the Director - Real Estate be, and hereby is, authorized to execute such other and further documents and to do such things as may be necessary or desirable in furtherance of the foregoing.

**13. Robert Moses Niagara Power Project Upgrade - Voith Hydro, Inc.
- Expenditure Authorization**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize additional expenditure of \$3.45 million for the Robert Moses Niagara Power Project ('RMNPP') upgrade. The Trustees are also requested to approve release of \$6.25 million to Voith Hydro, Inc. for fabrication of two turbine runners.

BACKGROUND

"In the early 1980's the Authority developed plans for expanding the Niagara Power Project, which included building separate powerhouses at both the RMNPP and the Lewiston Pump Generating Plant ('LPGP'). The purpose of the expansion was to shift approximately 1 billion kilowatt-hours ('kWh') of generation from off-peak to peak demand periods per year, and to provide 330 MW of additional firm peaking capacity. The expansion of RMNPP capacity allows for the re-timing of about 300 million kWh per year, with the remainder of the production re-timing and firm capacity attributed to completing the LPGP expansion.

"In the late 1980's, the Authority determined that an upgrade of the RMNPP would be technically feasible, less costly than a separate expansion, and yet provide the same increase in the project's ability to re-time production. The upgrade program includes replacement and modification of the unit components needed to increase generating capacity of each of the 13 units from 175 MW to 200 MW for a total additional capability of 325 MW. Further, an upgrade allowed for improvements in unit efficiency, which provide for 200 to 250 million kWh per year of additional generation for the same water flows.

"After 33 years of operation, the condition of the RMNPP units has deteriorated. An added benefit of the upgrade is life extension of the existing units through replacement of the turbines, generator components, transformer, and other modifications. Presently, turbine runners and seals on two units have severe cavitation damage. A major overhaul of each unit will be needed if the upgrade work is not undertaken expeditiously. The condition of the remaining units is being closely monitored. Cavitation damage is occurring on the other turbine runners, but has not reached the critical point. However, given the age and condition of the units, it is expected that all of the remaining units will require a major overhaul within the next ten years. The upgrade incorporates these overhauls.

"Total cost for the RMNPP upgrade is estimated in present day dollars at \$250 million, or an average of \$19 million per unit. The overhaul work alone will cost \$130 million for the entire RMNPP plant, or \$10 million for each unit, representing about 53 percent of the total cost. The incremental cost of \$9 million per unit to upgrade the units provides for increased unit efficiency, increased unit output and life extension of the turbine. Based on a revenue analysis, the incremental costs for upgrading a single unit of \$9 million would be recovered in about 18 years from additional energy sales and cost recovery through rates. An updated economic analysis indicates that over the first 30 years of operation, the RMNPP upgrade will provide statewide production cost savings of about \$300 million, resulting in a benefit cost ratio of 1.7.

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"At their meeting of August 31, 1993, subsequent to successful installation of the prototype upgrade unit, the Trustees approved the upgrade of the two RMNPP units that have sustained severe cavitation damage. Currently, work on the first of these two units is underway and will be completed by the end of 1994. The upgrade of the other unit is scheduled for 1995. The remaining ten units at RMNPP will be overhauled and upgraded on a continuous construction schedule of one unit per year beginning in 1996.

DISCUSSION

"At their meeting of November 22, 1988, the Trustees approved award of a contract for \$39.8 million plus escalation to Voith Hydro for fabrication of a prototype and 13 additional replacement turbine runners for the RMNPP upgrade, including one spare. Under the terms of the contract, fabrication of turbine runners is to proceed based on phased releases by the Authority. To date, \$7.1 million has been expended by Voith Hydro on model testing, fabrication of the prototype and the second turbine runners, and raw material for the third runner.

"Delivery of the third turbine runner is required by mid-1995. To meet this schedule, the Authority now needs to authorize Voith Hydro to complete fabrication of this runner. In accordance with the Expenditure Authorization Procedures, Trustee approval is required to release an additional \$2.8 million to Voith Hydro for fabrication of the third turbine runner. At their meeting of August 31, 1993, the Trustees authorized \$40.2 million capital expenditures for the upgrade of second and third units at the RMNPP, including procurement of equipment. The \$2.8 million now requested for release is a part of this \$40.2 million authorization.

"Under the present schedule, the fourth unit upgrade is planned for 1996. The fabrication and delivery time for a new turbine runner is in excess of two years. Therefore, the runner must be ordered now for delivery in 1996. To date, no funding has been authorized for the fourth unit. Accordingly, the Trustees are requested to authorize additional capital expenditures of \$3.45 million for the RMNPP upgrade, and approve release of this amount to Voith Hydro for fabrication of the fourth turbine runner.

FISCAL INFORMATION

"Payment will be made from the General Reserve Account.

RECOMMENDATION

"The Project Manager, the Resident Manager - Niagara Power Project, the Vice President and Chief Engineer - System Operations, the Vice President - Production - System Operations, and the Vice President - Project Management - System Operations recommend that the Trustees authorize additional capital expenditures of \$3.45 million for the Robert Moses Niagara Power Project upgrade, and approve additional release of \$6.25 million to Voith Hydro, Inc. for two turbine runners.

"The Vice President - Procurement, the Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and the Executive Vice President - System Operations, 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 additional capital expenditures of \$3.45 million are hereby authorized to be committed in accordance with the Authority's Expenditure Authorization Procedures for the

Robert Moses Niagara Power Project upgrade (RMNPP); and be it further

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RESOLVED, That approval is hereby granted to commit funds for two turbine runners for the RMNPP upgrade, in the amount listed below:

<u>Capital</u>	<u>Contract Approval</u>
Robert Moses Niagara Power Project Upgrade	
Voith Hydro, Inc. Contract No. NEP-P-02670	
Total Contract Amount Approved 11/22/88 Trustees' Meeting (Not including escalation)	\$39,829,500
Amount Previously Committed	7,158,500
Current Commitment Authorization Request	<u>6,250,000</u>
Balance of Contract (Not including escalation)	<u>\$26,421,000</u>

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14. Niagara Power Project Upgrade - Authorization to File License Amendment Application

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize filing of an application with the Federal Energy Regulatory Commission ('FERC') to amend the license for the Niagara Power Project cancelling the expansion of the Lewiston Pump Generating Plant ('LPGP') which was authorized by FERC in 1989 as part of the Niagara Project Expansion.

BACKGROUND

"In November 1984, the Authority filed an application with the FERC to amend the Niagara Power Project license to permit construction of the Niagara Project Expansion. The expansion facilities were to consist of an underground powerhouse containing two 225 MW units at the Robert Moses Niagara Power Plant ('RMNPP') and the addition of three 20 MW units at the Lewiston Pump - Generating Plant ('LPGP').

"In June 1987, the Trustees approved a change in design of the Niagara Project Expansion from the addition of a separate underground powerhouse at the RMNPP, to an upgrade of all 13 turbine generator units at the plant. Each unit would be upgraded from 175 MW to 200 MW. Also included in the plan was construction of a separate expansion of the LPGP consisting of two pump-generating units totalling 60 MW.

"In response to an application for amendment of the license, the FERC issued an order on March 31, 1989 approving an upgrade of each of the 13 existing generating units at the RMNPP and construction of a new powerhouse at the LPGP containing two 30 MW pump-turbine units. The order provided for commencement of construction of the LPGP expansion by March 31, 1992 and for completion of the expanded project by March 31, 1999.

DISCUSSION

"Subsequent to FERC's Order authorizing the RMNPP Upgrade and LPGP expansion, the Authority performed further analyses of the LPGP expansion. In early 1991 it was determined that an upgrade of the existing LPGP was technically feasible. The upgrade of LPGP would be about \$100 million less expensive than the previously planned two-unit expansion.

"FERC was informed in March 1992 that construction of a separate LPGP expansion powerhouse would be inappropriate since feasibility studies indicated that an upgrade could be implemented at lower cost. In March 1992, and October 1993, the Authority requested extensions of time to start construction of the LPGP expansion from FERC to allow the Authority time to complete plans for the LPGP upgrade. On December 21, 1993, FERC granted an extension of time until June 1, 1994, by which time the Authority must either start construction of the LPGP expansion or file an application removing the LPGP expansion from the license.

"After the feasibility studies for the LPGP upgrade were completed, the Authority conducted a model design

competition to procure new pump/turbine runners. Contracts for design, fabrication and testing were awarded to

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Voith Hydro, Inc. and American Hydro/DBS Escher Wyss, as approved by the Trustees on May 27, 1992. These models, together with a model of the existing pump/turbine, were competitively tested at an independent hydraulic laboratory.

"Upon completion of model testing in April 1994, the Authority evaluated the results and confirmed that the upgraded pump/turbine designs could equal or exceed the production re-timing and new firm peaking capacity of the separate two-unit LPGP expansion plant. The Authority also updated the economic analyses for the LPGP expansion/upgrade. Since new capacity will not be needed until around the year 2009, the economic analysis excluded the value of capacity resulting in a 30-year benefit/cost ('B/C') ratio of 0.8. Due to the current capacity surplus it is recommended that an application be filed removing the LPGP expansion from the license. FERC should also be advised of the Authority's decision not to proceed with the LPGP upgrade.

FISCAL INFORMATION

"No expenditure approvals are being sought.

RECOMMENDATION

"The Executive Vice President - System Operations, and the Executive Vice President - Marketing and Development recommend that the Trustees approve the filing of a FERC License Amendment Application for the Niagara Power Project removing the LPGP expansion from the license, and advising FERC that the Authority will not proceed with the LPGP upgrade.

"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."

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

RESOLVED, That an application be filed with the Federal Energy Regulatory Commission to amend the license for the Niagara Power Project to cancel the LPGP expansion as recommended in the foregoing report of the President; and be it further

RESOLVED, That the Chairman, the President and the Senior Vice President and General Counsel are each authorized to sign on behalf of the Authority such license or other applications, formal petitions, pleadings, amendments thereto, notices, reports, exhibits and other requests, submissions, statements or documents as may be necessary or convenient to file with the Federal Energy Regulatory Commission in furtherance of the foregoing.

**15. Procurement (Services) Contract - James A. FitzPatrick
Nuclear Power Plant - Reactor Core Shroud Repair - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the President to award a contract to a prime vendor in an amount not to exceed \$5,000,000 for the design, fabrication, procurement, and installation of a reactor core shroud repair at the James A. FitzPatrick Nuclear Power Plant ('JAF'). This work is required because it is quite possible that inspections to be performed during the next refueling outage will reveal cracks which will require repair. Plants similar to JAF in design and operation have experienced significant cracks in the core shroud and have had to install repairs to continue plant operation. The core shroud repair will be installed if inspections of the shroud indicate an amount of cracking which would prevent safe plant operation. Should this repair not be installed this outage, the installation portion of the contract will be retained to address installation costs at a future time.

"To ensure the feasibility of completing the design, fabrication, and delivery of a shroud repair to JAF before the November 1994 Refueling Outage, a contract award by early June is necessary. All bidders have indicated that the critical path to completing this work is procurement of the long lead material. For this reason, delegation of the authority to award a contract to the President is being requested, as described in the recommendation and resolution which follow.

BACKGROUND

"The core shroud is a cylindrical internal structural component of the reactor vessel that surrounds the reactor fuel core and directs flow through the fuel elements. Cracking in a core shroud was first observed in 1990, at an operating General Electric ('GE') Boiling Water Reactor ('BWR') located outside the United States. Industry visual inspections performed between 1990 and 1993 revealed no new shroud cracks.

"In July 1993, during shutdown and in-vessel visual inspections at the Carolina Power and Light Brunswick Unit 1 Nuclear Station, a circumferential crack around the entire shroud cylinder was confirmed in one of the eight shroud horizontal welds (H3, see Figure 1) in the upper portion of the shroud. Additional cracks were found elsewhere in Brunswick's shroud, associated with welds H1 through H3, see Exhibit '15-A'. Carolina Power & Light evaluated the effect of the cracks on the structural integrity of the shroud, and elected to install a repair to compensate for the core shroud crack prior to restarting plant operation. This plant remained shut down for several months until the core shroud repair was designed, fabricated and installed.

"In response to the shroud cracking identified at Brunswick, the Authority initiated a proactive plan to address this industry concern for the JAF plant. This included an evaluation to determine the susceptibility of the Fitzpatrick core shroud to cracking based upon a comparison to the Brunswick plant. Based on this comparison, the Authority determined that JAF is one of several BWRs with risk of cracking in the core shroud. The Authority began discussions with other BWR owners and vendors regarding feasible solutions to this industry concern.

"In November 1993, the Authority issued an engineering report which assessed the safety significance of shroud cracking if JAF discovered the same amount of cracking as the Brunswick plant. This report documented that

a crack similar to that found at the Brunswick plant would not represent a threat to the safe operation of the JAF plant.

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"In response to the shroud cracking problem, the Nuclear Regulatory Commission ('NRC') issued Information Notice 93-79, which recommended that all BWR owners inspect the core shroud as part of the in-vessel visual inspections at the next planned refueling outage. The industry experience to date is that of the 15 BWRs which have performed inspections after the cracking at Brunswick, eight plants have discovered cracks of varying degrees of concern. Three plants have had to initiate repair activities in response to shroud cracking and several others planning to be ready to install repairs.

"In accordance with the direction in the NRC Information Notice 93-79, the Authority plans to inspect the core shroud during the 1994 Refueling Outage, scheduled to begin November 29, 1994. To eliminate the possibility of extending the refueling outage to effect a repair to the core shroud, the Authority decided that a shroud repair must be available to be installed should the inspection results warrant corrective action. The intent of this proactive approach is to have a repair designed, fabricated, tested and ready for installation prior to the core shroud inspection. As previously stated, the Authority believes that the inspections to be performed during the 1994 Refueling Outage are likely to find some cracking.

"The competitive bidding process was used to ensure that the most effective repair at the best price would be ready for the 1994 outage. A technical bid specification which provides the design criteria for a repair was developed. The request for quote for a shroud repair was issued April 4, 1994, and bids were received on April 26, 1994. At the time the request for quote was issued, industry experience indicated that shroud cracking was primarily observed at the upper shroud locations. The bid specification requested proposals that would address cracking in the upper weld locations (H1 through H3) at a minimum, and comprehensive repairs to address all of the core shroud welds (H1 through H8).

"Near the end of April 1994, the discovery of cracking at two additional domestic BWRs affected the Authority's contingency planning. During in-vessel visual inspections, potential shroud cracking was discovered at two nuclear units in the lower shroud weld locations (equivalent to H6A at JAF). These units are currently evaluating comprehensive repair options to address this situation. This industry experience reinforces the Authority's need for a comprehensive repair which addresses potential cracking at both upper and lower horizontal weld locations.

DISCUSSION

"Requests for Proposals ('RFP') were issued and bids were received at the end of April 1994. The proposals are being evaluated in accordance with the terms of the RFPs and established Authority policy.

"The bids include two repair options: the first option addresses shroud cracking in the upper weld locations only and the second option addresses shroud cracking for all welds in the core shroud. Given the recent industry experience, a repair for the upper portion only is no longer technically acceptable as a contingency repair. Therefore, only those bids which provide a comprehensive repair to both upper and lower weld locations are being considered further.

"Technical meetings are scheduled with the bidders being considered to assess first-hand their abilities, experience and innovative solution to the shroud cracking issue. The differences in approach are currently being evaluated to be certain that the best technical solution is selected at the most favorable price available.

"A formal bid evaluation is being prepared based on price, impact to outage schedule and personnel radiation dose criteria. Additional time is required to complete the bid evaluation.

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"Based on the bids being evaluated, the contract award amount to the prime vendor will not exceed \$5,000,000. Additional project costs, such as direct Authority support, engineering analyses, shroud inspection, licensing support, radiological engineering and field engineering support, waste disposal and contingency for other unforeseen events, are estimated at \$2,000,000. Therefore, the total core shroud repair project cost is estimated to be \$7,000,000.

FISCAL INFORMATION

"Funds for the core shroud contingency repair have been included in the 1994 Approved O&M Budget. Funding for services expected to be performed in 1995 will be included in the Budget submittal for that year. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Resident Manager - James A. FitzPatrick Nuclear Power Plant, the Acting Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, and the Acting Executive Vice President - Nuclear Generation recommend that the Trustees authorize the President to award a contract in an amount not to exceed \$5,000,000 to a prime vendor for the design, fabrication, procurement and installation of a core shroud repair at the James A. FitzPatrick Nuclear Power Plant. The total project cost is estimated to be \$7,000,000.

"The Vice President - Facilities Controller, 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 Duch, Mr. Schoenberger explained that staff believes there exists a "reasonable likelihood" that repairs will be needed. In response to questions from Acting Chairman Frey, Mr. Josiger outlined the steps to be taken in connection with performing the inspection, including the placement of an underwater camera.

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

RESOLVED, That the President be, and hereby is, authorized to award a contract to in an amount not to exceed \$5,000,000 to a prime vendor for the design, fabrication, procurement, and installation of a core shroud repair at the James A. FitzPatrick Nuclear Power Plant.

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**16. Procurement (Services) Contract - Deferred Compensation Plan
Recordkeeping and Financial Services - T. Rowe Price Services, Inc. - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the award of a procurement contract for recordkeeping and financial services for the Deferred Compensation Plan for Employees of the Power Authority of the State of New York (the 'Plan') to T. Rowe Price Services, Inc. ('T. Rowe Price') for a period of five years in the amount of \$50,000, commencing June 1, 1994.

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.

"At their meeting of March 28, 1989, the Trustees approved implementation of the Plan to provide those employees covered by a collective bargaining agreement with a means of saving through a tax deferred compensation program. Under collective bargaining agreements, the Plan became available to the International Brotherhood of Electrical Workers and the Utility Workers Union of America on July 1, 1989 and to the International Brotherhood of Teamsters on March 1, 1990. The Plan is also available to salaried employees. Under the Plan, employees may elect to defer receiving part of their wages and to have this deferred compensation invested under the Plan. Amounts deferred under the Plan are not available to employees until termination, retirement, death or unforeseeable emergency. As of December 31, 1993, the fair market value of this Plan's assets under the Authority custody amount to \$5,249,000.

"The Deferred Compensation Plan Committee (the 'Committee') administers the Plan and is authorized to enter into an agreement with a financial organization for the provision of recordkeeping and financial services. In selecting an organization to provide these services, the Committee considered the following: 1) the stability of the financial organization and its prior administrative experience and investment record; 2) the ability of the organization to meet its contractual obligations and comply with the reporting requirements of the Committee; 3) the variety and types of investment products offered by the organization; 4) the organization's experience and familiarity with the requirements of a State deferred compensation plan under Section 457 of the Internal Revenue Code; and 5) costs.

"The current contract for financial and recordkeeping services expires on May 31, 1994. Through the bid process, T. Rowe Price was selected to provide these services for the Plan for the period of June 1, 1994 through May 31, 1999.

DISCUSSION

"In response to the Authority's Request for Proposal ('RFP') to provide financial and recordkeeping services for the Plan, seven vendors submitted bids. Two vendors were eliminated from consideration--Foster Higgins, because its proposal did not address the deferred compensation plan, and Putnam Investments, because it provides financial services only. The remaining five vendors have experience administering deferred compensation plans and

meet all the specifications of the Request for Proposal. The annual costs for the five vendors are: ICMA Retirement

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Corporation, \$47,250; PEBSO of New York, \$32,918; Copeland Companies, \$20,775; Mutual of America, \$12,240; and T. Rowe Price, \$10,000. T. Rowe Price was selected by the Committee to continue to provide Plan recordkeeping and financial services because it is the lowest qualified bidder.

FISCAL INFORMATION

"Funds required for the first year of this agreement are included in the 1994 Approved O&M Budget. Additional funds for 1995 through 1999 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Vice President - Human Resources and the Vice President - Procurement and Real Estate recommend the Trustees approve the award of a contract to T. Rowe Price Services, Inc. for a period of five years beginning June 1, 1994, in the amount of \$50,000.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and 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 Guidelines for Procurement Contracts adopted by the Authority, the award of a contract for recordkeeping and financial services to T. Rowe Price Services, Inc., in connection with the Deferred Compensation Plan for Employees of the New York Power Authority, is hereby approved for a period of five years commencing June 1, 1994, as recommended in the foregoing report of the President, in the amounts and for the purposes listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Deferred Compensation Plan - Recordkeeping/ Financial Services	05/31/99	\$10,000 - 1994/95 10,000 - 1995/96 10,000 - 1996/97 10,000 - 1997/98
T. Rowe Price Services, Inc.		<u>\$10,000</u> - 1998/99
TOTAL AMOUNT AUTHORIZED		<u>\$50,000</u>

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17. Employment Agreement - William Cahill

The President submitted the following report:

SUMMARY

"The Trustees are requested to deem William Cahill an Authority employee solely for the purpose of extending to him the benefits of the Authority's policy for defense and indemnification of Authority Trustees and employees until the commencement of his contract of employment on September 1, 1994. On that date his status as an Authority employee makes him eligible for defense and indemnification policy benefits.

BACKGROUND

"Filling the vacancy in the chief nuclear officer position as expeditiously as possible with a highly qualified person was a priority. William Cahill was the person offered the chief nuclear officer title but was not available as an employee until September 1, 1994, because he was under contract to Texas Utilities ('TU') through August 31. However, an agreement negotiated between TU's Executive Vice President and the Authority's First Executive Vice President and Chief Operating Officer will enable the Authority to receive the benefit of Mr. Cahill's services as a contractor for a significant portion of time between April 19, and August 31, 1994. The Authority agreed to make Mr. Cahill available to TU for a corresponding amount of time during the term of his three years at the Authority.

"In order to make Mr. Cahill available immediately the parties disclaimed responsibility or liability to each other for any act or omission by Mr. Cahill while he is employed by that entity but loaned to the other entity. While that disclaimer enabled the Authority to avail itself of Mr. Cahill's services immediately, it did not address defense and indemnification considerations for the time he is actually rendering services to the Authority prior to September 1, 1994.

DISCUSSION

"Currently the Trustees and all Authority employees are covered by the Authority's defense and indemnification policy. The terms 'trustee' and 'employee' are defined in the policy; the definition of employee expressly excludes an independent contractor from coverage and, consequently, he would be ineligible for coverage under the terms of the Authority's defense and indemnification policy.

"Even if Mr. Cahill acts merely in an advisory capacity for the Authority during the period preceding commencement of employment, he is not immune from being named in a lawsuit or from allegations of liability for his role in Authority activities. As an employee acting within the scope of his employment he would be protected from such contingencies by virtue of the Authority's defense and indemnification policy. In order to match this protection the Authority can extend to Mr. Cahill the benefits of the Authority's defense and indemnification policy on the same terms as it extends such benefits to its Trustees and employees.

"To provide assurance that Mr. Cahill will be eligible for the benefits of the Authority's defense and indemnification policy for the period of time he is rendering services to the Authority, but before he becomes an Authority employee, the Authority can by resolution deem Mr. Cahill to be an employee solely for purposes of the defense and indemnification policy for the period commencing on April 19, and ending on August 31, 1994.

Thereafter, as an employee, he will continue to be eligible for the benefits of the Authority's defense and indemnification policy under the Board's resolution, dated April 26, 1994.

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RECOMMENDATION

"The Senior Vice President and General Counsel recommends that the Trustees agree to extend the benefits of the Authority's defense and indemnification policy to William Cahill by deeming him to be an employee for the period in question.

"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 for the period commencing on April 19, 1994 and concluding on August 31, 1994 and for the time during such period that he is rendering services to the Authority, William Cahill shall be deemed to be an Authority employee for purposes of the Authority's defense and indemnification policy, and any act or omission by him occurring within the scope of such services shall be deemed an act of omission occurring within the scope of his employment for the Authority for purposes of such policy.

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18. Resolutions - James M. Cunningham and Vincent J. Tobin

WHEREAS, James M. Cunningham has served the New York Power Authority with dedication and distinction for 15 years, the past 14 as Senior Vice President - Public Affairs; and

WHEREAS, he has been responsible for Power Authority activities in the areas of news media relations, advertising, corporate communications, government relations, community relations and special events; and

WHEREAS, awards for programs under his purview have brought national recognition and honor to the Power Authority; and

WHEREAS, his efforts have been directly responsible for significant increases in public awareness of the Power Authority and in its public approval rating; and

WHEREAS, he has been a valued source of counsel and support to Power Authority Chairmen and Trustees; and

WHEREAS, James Cunningham has played a major role in forming national utility policies, including leadership in securing Congressional approval of the National Electromagnetic Fields Research Program, and in forging an industry consensus on a voluntary approach to expanded transmission access; and

WHEREAS, he has been one of the utility industry's most eloquent and knowledgeable experts on the EMF issue and the status of research in the field; and

WHEREAS, he has been an outspoken advocate of public power in New York State and in the nation, and was a leader in founding the Large Public Power Council; and

WHEREAS, he has held senior positions in other national utility and public affairs organizations; and

WHEREAS, he is leaving the Power Authority to seek and conquer new challenges, and his keen intelligence, ready wit and wise counsel will be sorely missed by all at the Power Authority;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the New York Power Authority hereby convey their heartfelt thanks for all James M. Cunningham has contributed and their sincere best wishes for his continued success in the future.

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WHEREAS, Vincent J. Tobin has labored conscientiously and effectively to fulfill the mandate of the New York Power Authority for 20 years; and

WHEREAS, he has served with distinction in both the Law Department and the Public Affairs Department; and

WHEREAS, as Vice President - Government and Public Policy Affairs, he has been in the vanguard of promoting public policy initiatives--on both the state and national levels--to benefit the electricity consumers of New York State; and

WHEREAS, as an attorney, he played pivotal roles in litigation on a broad range of issues, including power allocations and transmission line certification; and

WHEREAS, he has worked assiduously to build and strengthen the Power Authority's relations with the Legislature, the Congress, and state and federal regulatory bodies; and

WHEREAS, Vincent Tobin's leadership was crucial in securing passage of the landmark 1987 legislation that broadened the FitzPatrick economic development program and preserved "expansion power" for Western New York; and

WHEREAS, he was a key participant in formation of the Large Public Power Council and, a member of its transmission task force, was instrumental in developing the industry's consensus on expanded access; and

WHEREAS, he has decided to leave the Power Authority in search of new challenges; and

WHEREAS, his uncommon insight, sense of humor, ready smile and willingness to expend untold energy to achieve the objectives of the Power Authority will be greatly missed;

NOW THEREFORE BE IT RESOLVED, That the Trustees of the New York Power Authority commend Vincent J. Tobin for his two decades of service and wish him great success in his future endeavors.

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19. **Next Meeting**

The next Regular meeting of the Trustees will be held on **Tuesday, June 28, 1994, at the St. Lawrence/FDR 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

On motion made and seconded, the meeting was closed at 11:55 a.m.

Anne Wagner-Findeisen
Corporate Secretary

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