

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

July 25, 1995

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

Present: Thomas R. Frey, Acting Chairman
John B. Daly, Trustee
Hyman M. Miller, Trustee
Clarence D. Rappleyea, Trustee

Trustee Robert J. Waldbauer was absent from the meeting.

S. David Freeman	President and Chief Executive Officer
Robert G. Schoenberger	Chief Operating Officer
William J. Cahill	Chief Nuclear Officer
Charles M. Pratt	General Counsel
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Robert L. Tscherne	Senior Vice President - Business Services
Woodrow W. Crouch	Vice President - Project Management - Power Generation
Deborah Perry Estrin	Vice President - Human Resources
Sally L. Irving	Vice President - Corporate Finance
William A. Josiger	Vice President - Nuclear Operations and Maintenance
Philip J. Pellegrino	Vice President - Power Sales and Rates
Stephen P. Shoenholz	Vice President - Public Affairs
James Ford	Regional Manager - Western New York
Richard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
Harry P. Salmon, Jr.	Site Executive Officer - James A. FitzPatrick Nuclear Power Plant
John W. Blake	Director - Environmental Programs
Joseph J. Brennan	Director - Internal Audit
Frederick E. Chase	Director - Community Relations
Mark D. O'Connor	Director - Real Estate
James H. Yates	Director - Business Marketing and Economic Development
Cordelia M. Dirlam	Account Executive - Business Marketing and Economic Development
Paul Finnegan	State Legislative Liaison
Vanessa Ford	Administrator
Larry Frech	Assistant Director - Information
Michael J. Huvane	Account Executive - Business Marketing and Economic Development
Peter Masilotti	Account Executive - Business Marketing and Economic Development
Carl Patrick	Director - Nuclear Policy and Information
Anne Wagner-Findeisen	Corporate Secretary
Vernadine E. Quan-Soon	Assistant Secretary - Corporate Affairs

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

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1. Approval of the Minutes

The minutes of the Regular Meeting of June 27, 1995 were approved.

2. Report from the President and Chief Executive Officer

At Mr. Freeman's request, Mr. Cahill, the Chief Nuclear Officer, reported on the number of contractor jobs at the IP3 and JAF plants which had been either eliminated or converted to Authority positions as a result of the 1994 cost reduction and restructuring effort. In response to questions from Trustee Daly, Mr. Cahill explained that even with the inclusion of a number of contractor jobs on the Authority's full time staff, the overall number of employees on the Nuclear Generation business unit has substantially decreased since the 1994 cost reduction measures, stressing that productivity levels in remaining jobs have increased markedly. Mr. Freeman added that he and Messrs. Schoenberger and Cahill had recently announced a plan to share resources in support of Nuclear Operations at the Indian Point and Nine Mile Point sites with Con Edison and Niagara Mohawk, with the objective of further cost reductions. These sharing arrangements will result in further position reductions in certain areas when duplicate overhead expenses are phased out. In response to further questions from Trustee Daly, Mr. Cahill explained that most of the staff reductions will affect contract employees although some Authority positions which prove to be redundant as a result of increased productivity may also be affected.

3. Resolution - Former Trustee Linda P. Duch

WHEREAS, Linda P. Duch served the residents of the State of New York with distinction as a Trustee of the New York Power Authority from July 1993 through June 1995; and

WHEREAS, she was the first woman to serve as a Power Authority Trustee; and

WHEREAS, Trustee Duch's tenure at the Power Authority covered a critical period marked by a significant restructuring and cost reduction program and other challenges; and

WHEREAS, her substantial experience as an officer and manager in the banking industry enabled her to provide valuable advice and counsel on financial issues; and

WHEREAS, she applied persistent and knowledgeable scrutiny to Power Authority expenditures, assuring the wisest and most efficient allocation of resources; and

WHEREAS, she was an unflagging advocate of effective and strategic use of low-cost Power Authority electricity to create and protect jobs for New Yorkers; and

WHEREAS, she has served on the Board of Directors of the Western New York Economic Development Corporation and has given her time and talents to a broad range of civic endeavors;

NOW BE IT THEREFORE RESOLVED, That the Trustees of the Power Authority of the State of New York express their sincere appreciation for the dedicated service and wise counsel provided by Linda P. Duch, that they salute her efforts on behalf of her state and her community and that they wish her continued success and fulfillment.

After offering the above resolution for adoption, Trustee Miller stated that former Trustee Duch had contributed special expertise and talent which have benefited the Authority, its ratepayers and the people of the State of New York and on behalf of the Trustees reiterated the Authority's appreciation for her service.

The Vice Chairman was absent during the consideration and adoption of the foregoing resolution, which was adopted by a vote of 3 in favor, 0 in opposition.

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4. **Financial Reports for the Five Months Ended May 31, 1995**

In response to questions from Vice Chairman Frey, Ms. Irving explained that by year-end, staff anticipates that net revenues will break even, despite the prolonged outage of Indian Point 3.

5. Metropolitan Transportation Authority Long-Term Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of an agreement concerning the electricity supply and related issues with the Metropolitan Transportation Authority ('MTA') (Exhibit '5-A') and extension of the MTA's current hydroelectric power allocation for another five years (Exhibit '5-B').

BACKGROUND

"The MTA has been an important Authority customer since its transfer from the Consolidated Edison Company of New York, Inc. ('Con Edison') in 1976 as part of the purchase agreement of the Indian Point 3 Nuclear Power Plant and Charles Poletti Power Project. The MTA is the Authority's second largest customer in Southeast New York ('SENY') and accounts for approximately 33% of the Authority's SENY production revenues.

"The MTA uses Authority electricity as an indispensable part of its operation of the largest mass transportation system in the western hemisphere which carries 1.6 billion riders annually.

"In 1994, annual revenues from the MTA were almost \$200 million; \$150 million was for Authority production of electricity and \$50 million for Con Edison delivery charges.

DISCUSSION

"Consistent with the Authority's goal to ensure sales and revenue stability and the Authority's commitment to retain customers in a highly competitive market, as well as the MTA's desire to stabilize its future electric costs, the parties entered into discussions seeking a mutually satisfactory agreement on these common objectives. The attached agreement is a result of those discussions.

"The agreement is similar to the contract recently entered into by the Authority with the City of New York. However, this agreement is customized to meet the particular needs of the MTA.

"The agreement's main provisions are as follows:

- The MTA will purchase its electricity requirements from the Authority at least through December 31, 2004; however, beginning January 1, 2002, the MTA could seek other electricity suppliers to serve a portion of its load - up to a total of 20% of its electric load (to be determined as of October 30, 2000) in annual transfers not to exceed one-third of that 20%. For example, if the MTA's load is 600 MW, 20% of that amount is 120 MW. Beginning in the year 2002, the MTA will be able to move one-third of 120 MW, which is 40 MW.
- The Authority will have the right of first refusal to supply all or part of such load as to which notice of termination has been given, both in the case of termination at the end of the term (2004) and/or if the MTA exercises its right to 'test the market' beginning in 2002.

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- In the event that the MTA sells off its facilities or one of its subsidiary agencies, it is bound by this agreement to transfer the agreement to the purchaser, subject to the Authority's ability to serve the purchaser under the Power Authority Act, etc. Similarly, if the MTA acquires new facilities or subsidiary agencies, they must purchase their electrical needs from the Authority.
- The Authority will agree to freeze electric rates through the year 2001. After January 1, 2002, rate increases will be based on the Authority's demonstration that the then-current cost-of-service exceeds rate levels in effect. If the cumulative rate increase based on cost of service for the years 2002 and 2003 exceeds 7%, the MTA may then exercise its right to transfer any remaining load not already transferred under the market test option (the 20% referenced above) to a non-Authority supplier on six months' written notice.
- Beginning in 1998, the MTA will have the opportunity to benefit from the Authority's operating efficiencies that reduce costs below revenues. If the SENY public customer cost-of-service is less than the SENY revenues from public customers, based on a two-year average, the MTA's share of such difference will be based on the ratio of the MTA's contribution to the Authority's SENY production revenues to the total of such revenues and will be refunded to it in the form of a rate rebate.
- The Authority will undertake up to \$132 million of energy efficiency programs on behalf of the MTA and provide the MTA with \$440,000 for electric vehicle development or purchases. This assistance is the same as that provided the City of New York after being adjusted for the relative contribution of the MTA and the City to NYPA's SENY production revenues. Individual energy efficiency programs will be submitted for Trustee approval on an itemized basis, as is current practice.

"The MTA has received an allocation of firm hydroelectric power of 10 MW pursuant to a contract with the Authority dated May 7, 1981. This contract has been extended twice, with the latest extension expiring on December 31, 1994. Since that date, the MTA's allocation has been continued on a month to month basis. Over the years, the MTA has come to depend upon receipt of this power to help it reduce its energy costs and views this allocation as an integral component of its purchases from the Authority. In the context of the long-term supply agreement discussed above, the MTA and Authority staffs have agreed to an extension of the MTA's hydroelectric allocation for another five years until July 31, 2000. This extension will be made under the existing separate agreement and consequently the rate stabilization provisions of the long-term arrangement do not apply to the MTA's hydroelectric allocation, i.e., the rates are not frozen or guaranteed.

"In the current competitive environment, it is essential that the Authority seek longer term relationships with its customers. This agreement serves as a vehicle to cement a long-term partnership and commitment between the Authority and this customer.

RECOMMENDATION

"The Director - Major Accounts/Governmental recommends that the Trustees authorize the execution of an agreement with the Metropolitan Transportation Authority substantially in the form attached hereto as Exhibit `A', and execution of a letter extending the Metropolitan Transportation Authority, substantially in the form attached hereto as Exhibit `5-B'.

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

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In response to questions from Vice Chairman Frey, Ms. Morman confirmed that the MTA represents one-third of the Authority's SENY load, and that if the proposed agreement is finalized and thus added to the other recently concluded agreements, approximately 86% of the SENY load will be under long-term contract. In response to questions from Trustee Daly, Mr. Pellegrino explained that the reference to \$132 million in energy efficiency measures reflects the provisions set forth in Article VIII of the proposed agreement, and is a cumulative sum which will be advanced by the Authority over a period of 10 years in connection with programs previously approved by the Trustees such as HELP, electrotechnologies, electric transportation, and renewables such as solar energy. Mr. Freeman added that these measures have served as a significant inducement to Authority customers to enter into long-term agreements. In response to questions from Trustee Miller, Mr. Pellegrino explained that the Authority will recover its funds pursuant to the terms of a separate cost recovery agreement and, until the year 2002, by means of additional invoicing on the customer's monthly power bills.

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

WHEREAS, the Metropolitan Transportation Authority is one the Authority's largest Southeast New York customers and a valued and long-term customer of the Authority; and

WHEREAS, the Metropolitan Transportation Authority desires rate predictability and stability and the Authority desires sales and revenue stability;

NOW THEREFORE BE IT RESOLVED, That the Chairman, Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, and the Senior Vice President - Marketing and Economic Development be, and each of them hereby is, authorized to execute an agreement (the "Agreement") between the Metropolitan Transportation Authority and the Authority, in substantially the form attached hereto as Exhibit "5-A", with such amendments, deletions, and supplements along with any other documents necessary to effectuate the foregoing, as the Chairman, the President and Chief Executive Officer, the Chief Operating Officer, or the Senior Vice President - Marketing and Economic Development deems necessary or advisable; and be it further

RESOLVED, That the Chairman, Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer, and the Senior Vice President - Marketing & Economic Development be, and each of them hereby is, authorized to execute an agreement between the Metropolitan Transportation Authority and the Authority, in substantially the form attached hereto as Exhibit "5-B", to extend the term of the contract with the Metropolitan Transportation Authority relating to the sale of 10 MW of hydroelectric power until July 31, 2000.

**6. Prospective Allocation of Expansion Power -
Dunkirk International Glass and Ceramics Corporation**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the notice and advertisement of a prospective Expansion Power allocation of 1,500 kW to Dunkirk International Glass and Ceramics Corporation ('Dunkirk International').

BACKGROUND

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

"Dunkirk International, a subsidiary of Conversion Technologies International, Inc. of Hazlet, New Jersey, is an environmentally friendly manufacturer that reformulates, through high temperature melting, waste products into Alumaglass. Alumaglass is a fine grain abrasive that is made by combining specified recovered resources from the metals and electronics industries with conventional glass-making materials. Dunkirk International also recycles TV tube cullet from the tube manufacturing industry and returns it to the TV tube melt and form industry. The company is planning to add production capacity and has requested an allocation of Expansion Power.

DISCUSSION

"Dunkirk International is located in a 230,000 square foot facility, that was formerly occupied by Greater Buffalo Press, in the City of Dunkirk. The company is planning to add production capacity within its existing structure in order to enter and grow in the fine abrasive market and to increase capacity for TV tube cullet recycling. Total capital investment is projected to be about \$8.6 million, of which the majority will be used to purchase and install machinery and equipment.

Dunkirk International will commit to add 150 jobs, over a three year period, to its existing employment of 64 for a total job commitment of 214. The company anticipates that it will require 2.2 MW for this project. The recommended allocation of 1,500 kW is estimated to save the company \$ 500,000 annually over the standard tariff rates of the local utility. The power will be delivered by the Niagara Mohawk Power Corporation.

"The allocation is strongly supported by the Chautauqua County Industrial Development Agency. The project will receive financial assistance from the Chautauqua County Industrial Development Agency; Dunkirk Local Development Corporation; New York Job Development Authority; and the Southern Tier Enterprise Development.

"The application was 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)).

"Section 460.2 of the Authority's Regulations allows the Authority to make a prospective commitment of power, subject to advertisement and notice of such commitment. This notice would seek competing proposals from other interested businesses, which the Authority would consider in accordance with Section 460.2 before taking final action on the commitment to these companies.

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RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees authorize the notice and advertisement of a prospective allocation of Expansion Power to Dunkirk International Glass and Ceramics Corporation, as described in the attached memorandum, subject to solicitation and consideration of competing applications.

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

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

RESOLVED, That the Secretary be, and hereby is, authorized to publish notice and advertisement of the Authority's intent to allocate 1,500 kW of Expansion Power to Dunkirk International Glass and Ceramics Corporation, absent receipt of a better competing proposal.

7. Contracts for the Sale of Economic Development Power to J.J. Cassone Bakery, Inc. and Montefiore Medical Center - Transmittal to the Governor

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the transmittal to the Governor of proposed contracts for the sale of Economic Development Power ('EDP') to J.J. Cassone Bakery, Inc. ('Cassone') (300 kW) (Exhibit '7-B'), and Montefiore Medical Center ('Montefiore') (800 kW) (Exhibit '7-C'). Both contracts are for 10 years. The contract with Cassone supports 350 jobs while the contract with Montefiore supports 36 jobs.

BACKGROUND

"On April 11, 1995, the Economic Development Power Allocation Board ('EDPAB') approved Cassone's application for EDP as listed in Exhibit '7-A' and recommended the allocation to the Authority with certain terms and conditions. In addition to the quantity of EDP (300 kW), number of jobs to be committed (350 jobs), and term of contract (10 years), EDPAB recommended that the Authority's EDP service agreement with Cassone include provisions regarding affirmative action, reduction of power (if jobs or power usage fall below committed levels), and energy efficiency. The proposed allocation is a direct power sale contract between the Authority and Cassone. A public hearing on the proposed contract with Cassone was held on July 10, 1995, at the Authority's New York Office.

"Montefiore's allocation of 800 kW was originally recommended by EDPAB at its meeting of May 18, 1993, and approved by the Trustees at their meeting of June 29, 1993, as an EDP sale through the County of Westchester Public Utility Service Agency ('COWPUSA'). Because of a 4 MW allocation approved by the Trustees at their meeting of May 23, 1995 to COWPUSA for the Ciba-Geigy Corporation, it is necessary to enter into a direct sale contract with Montefiore.

"As described in the May 23, 1995 President's memorandum to the Trustees regarding Ciba-Geigy, it was necessary to serve Ciba-Geigy's load through COWPUSA in order to obtain delivery service from Consolidated Edison Company of New York, Inc. ('Con Edison'). In order for COWPUSA to be able to serve Ciba-Geigy, it was necessary to transfer Montefiore to the Authority as a direct service contract. A public hearing on the proposed contract with Montefiore Medical Center was held on July 10, 1995, at the Authority's New York Office.

DISCUSSION

"Cassone is a family-owned bakery and wholesale distributor of breads and pastries. The company's fresh foods division delivers its fresh breads and rolls throughout the tri-state area on a daily basis. In addition, the company presently ships its frozen products to Westbury for storage and distribution nationwide. Cassone has plans to expand its current facility to free up existing space to warehouse its frozen foods and install new baking equipment due to the high costs of trucking its products to Westbury. However, the company is finding it difficult to compete on a nationwide basis due to the high cost of operating in New York. As an alternative, the company has investigated relocating all of its manufacturing operations to a company owned facility located in Stamford, Connecticut. An allocation of EDP for Cassone's expansion project will help contain Cassone's energy costs. The

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company presently employs 270 people and another 80 are expected to be added over the next three years. Cassone maintains an ongoing energy efficiency program to replace equipment with energy efficient units and to improve lighting efficiency. The company would save an estimated \$45,000 annually over Con Edison's standard rates. The allocation of 300 kW would be in effect for a term of 10 years.

"Montefiore is a health care institution situated primarily in the Bronx. Montefiore's growing data processing needs led to an investigation of more than 50 sites in New York and another 15 sites in New Jersey for a new computer facility. Electricity costs would be lower at the New Jersey sites and a substantial benefit of an out-of-state allocation. COWPUSA submitted an application for EDP on behalf of Montefiore for a facility dedicated to data processing operations that will be located in the South Westchester Corporate Park in Yonkers. Montefiore will invest about \$5 million to establish the data center while retaining 23 jobs and creating 13 additional positions. Energy efficient equipment will be specified for installation in the new facility. The proposed 10-year, 800 kW allocation would result in a ratio of 45 jobs per MW and save the data operations approximately \$125,000 annually over the standard rates of Con Edison.

"The proposed allocations have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The Authority's standard EDP allocation agreements with each of the companies provide for reductions in an allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority as provided by Section 460.4 of the Authority's Rules and Regulations. Additionally, each contract will include specific energy audit and implementation requirements.

"A public hearing on the proposed contracts was held on July 10, 1995, at the Authority's New York Office. A representative from Cassone made a statement in support of the proposed contract. A written statement was submitted by Steven Wemple, a representative from Con Edison. Mr. Wemple expressed his concerns that only an incremental load increase should be considered eligible for an expansion allocation and that Cassone's incremental increase in load is significantly less than the proposed allocation of 300 kilowatts. Con Edison is incorrect. The 300 kW allocation is sized to meet, not exceed, the anticipated incremental load of the bakery. Thus the Authority is proposing to provide power only for the new load, not any of the existing load, contrary to Con Edison's claims.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the proposed contracts for the sale of Economic Development Power to J.J. Cassone Bakery, Inc. and Montefiore Medical Center representing the allocations shown in Exhibit `7-A' be transmitted to the Governor with the recommendation that they be approved.

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

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority enter into contracts with J.J. Cassone Bakery, Inc. and Montefiore Medical Center, subject to the terms and conditions described in the foregoing report of the President; and

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WHEREAS, the Authority reached agreement with J.J. Cassone Bakery and Montefiore Medical Center on the terms of such contracts for the sale of Economic Development Power; and

WHEREAS, on July 10, 1995 the Authority held a public hearing on the terms of such contracts upon more than 30 days' notice given by publication once each week during such period in at least six newspapers within the State of New York; and

WHEREAS, after such public hearing the Authority reconsidered the terms of such contract and does not deem it necessary or advisable to modify the contracts;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the form of the proposed contracts for the sale of power between the Authority and J.J. Cassone Bakery and Montefiore Medical Center which were submitted at this meeting, and that the Authority believes such contracts to be in the public interest and; be it further

RESOLVED, That the Secretary shall transmit such contract to the Governor, the Speaker of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, and the Chairman of the Senate Finance Committee, together with the record of the public hearing held on such contract and the recommendation of the Authority to the Governor that such contract be approved; and be it further

RESOLVED, That the Chairman and the Secretary be authorized and directed to execute such contract in the name and on behalf of the Authority whenever the contracts shall be approved by the Governor; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate such contracts.

Allocation of EDP

<u>Company</u>	<u>County</u>	<u>Utility</u>	<u>EDP (kW)</u>	<u>Jobs Commit.</u>	<u>Job/ MW</u>	<u>Term</u>
EXPANSION PROJECTS						
J.J. Cassone Bakery, Inc. yrs.	Westchester	ConEd	300	350	1,166	10
Montefiore Medical Center Yrs.	Westchester	ConEd	800	36	45	10
TOTALS			<u>1,100</u>	<u>386</u>		

8. Annual Review of Industrial Job Commitments

The President submitted the following report:

SUMMARY

"Annually, Authority staff initiates a review of all industrial power allocations and the customers' performance against agreed-to job commitments. This year's review covers 207 contracts (63 Expansion Power, 68 Replacement Power, and 76 FitzPatrick Economic Development Power) with 153 customers. Several customers have multiple power allocations and contracts.

"Each contract contains a commitment, by the customer, to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment (80% for 'vintage' Expansion Power customers), the Authority may reduce that customer's power allocation proportionately.

"It is recommended that the Trustees reduce the power allocation to three companies, approve the continuation of current power allocations to 13 companies that were below their job commitment levels for reasons discussed below, adjust the future job commitment levels for four companies that have made productivity improvements, and adjust the future job commitment levels for one other customer.

BACKGROUND

"Presently, the 207 contracts between the Authority and its industrial customers represent power allocations totalling 916 MW for total job commitments of 135,847 jobs.

"In aggregate, Authority customers reported actual jobs at the end of 1994 of 142,848, or 105% of the total job commitment. Nevertheless, there are 18 customers whose actual job levels fall below the 90% threshold (or 80% for 'vintage' Expansion Power customers).

DISCUSSION

"As more fully discussed below, of the companies that fell below their job commitment level, staff recommends that: (1) three companies have their power allocations and job commitments reduced; (2) 13 companies be allowed to continue their present power allocation and job commitment; (3) four companies be allowed to maintain their power allocation while lowering their job commitment level to reflect productivity improvements; and that (4) one company be permitted to maintain its power allocation at a lower job commitment level. A summary listing of all contracts discussed in this memorandum is provided as Exhibit '8-A'.

Allocations and Job Commitments to be Reduced (3)

"DUSSAULT FOUNDRY (250 kW of Expansion Power), a manufacturer of gray and ductile iron castings, did not submit an employment report for 1994. It has since been learned that the company terminated its operations on February 11, 1995. It is recommended that the allocation be withdrawn.

"LYONS FALLS PULP & PAPER (2,000 kW of FitzPatrick Power) has a commitment of 294 jobs. Its product, which is specialty paper, continues to be seriously affected by the last recession, and the company is now

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29% below its job commitment with a steady downward trend in jobs. The company does not anticipate having a need for this full power allocation nor that it will be able to meet its present job commitment for the foreseeable future. It is recommended that the company's allocation and job commitment be reduced proportionately to 1,400 kW and 208 jobs.

"POHLMAN FOUNDRY ('Pohlman') (800 kW of Expansion Power) continues to be affected by the loss of heavy industry in the northeast. Pohlman is one of the last remaining foundries in New York. In the spring of 1994, the company decided that it could no longer compete in the small casting business and has out-sourced it to a facility in Pennsylvania. The company states that it can no longer compete in this market due to certain New York costs, workmen's compensation being the primary driver, and the fact that the product is very price competitive. The company feels confident that its future is strong in its niche casting market, the large-casting and no-bake mold process which it sells primarily to New York companies. It has also started a new business that will crush and recycle glass cullet. In 1994, the company's monthly employment average was 72, which is only 56% of its job commitment of 128. It is recommended that the company's power allocation be reduced to 450 KW and its job commitment be reduced to 72.

Allocations to Continue With No Change (13)

"ADVANCED REFRACTORY TECHNOLOGIES, INC. ('ART') (1200 kW of Replacement Power) manufactures advanced ceramic materials. ART works collaboratively with both industry and governmental agencies to develop specialized products. ART is on the cutting edge of ceramic technology, and commercial applications for much of its technology only recently have come to fruition. As a start-up company, ART was allocated 1,200 kW of Replacement Power in 1986 for a manufacturing expansion of \$1.5 million in capital investment and 107 jobs. The company has actually invested more than its original plan but still only uses half of its power allocation even though it has installed manufacturing capacity in excess of its power allocation. ART employed an average of 68 people during 1994. The company continues to grow and is at the brink of a major increase in output resulting from the commercialization of one of its products. ART has long-term supply contracts in place and is awaiting much delayed federal funding approval before it can go forward with its plans. It is recommended that more time be given to ART to meet its job and usage commitments.

"ALUF PLASTICS (900 kW of FitzPatrick Power) manufactures plastic bags. It is committed to add 40 new jobs for a total job commitment of 150 jobs. The company fell to 85% of its job commitment in 1994 but as of June 1995 is now employing 140, which is 93% of the company's commitment. It is recommended that the Trustees not change the company's allocation.

"BELL AEROSPACE TEXTRON ('Bell') (355 kW of Replacement Power) continues to be hurt by defense spending cutbacks. In 1994, Bell was at 83% of its job commitment of 120. In 1993, the Authority reduced Bell's Replacement Power allocation from 1,100 kW to 355 kW after Bell re-organized and moved some of the jobs to Massachusetts. Employment in 1994 dropped steadily from 112 in January to 87 in December as the company lost defense contracts. However, no jobs were moved out of the State in 1994. Bell is making every effort to keep the facility open and to eventually add jobs. At the current power allocation and actual job level, this customer supports a jobs per megawatt ratio of over 280 jobs/MW. It is recommended that no action be taken at this time to further reduce Bell's allocation in the hope that, with a little more time, production will at least stabilize and the facility will remain a viable operation.

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"BRENNER PAPER (700 kW of FitzPatrick Power), a New York City manufacturer of paper products, fell to 78% of its job commitment of 165 jobs. However, the company has rebounded and now employs 154 people, which represents 93% of its total job commitment. Therefore, it is recommended that its allocation not be changed at this time.

"F.N. BURT (300 kW of Replacement Power) manufactures decorative paperboard packaging for consumer products such as cosmetics and liquor. The company had been growing strongly until the middle of 1990, when the economic recession started to impact its markets. In 1994, the company only achieved 81% of its job commitment of 270. Last year, salaried and hourly workers accepted benefit and wage reductions and changes in work rules. Employment rose steadily during 1994 and then fell back at year's end. The company also receives 400 kW of Expansion Power for which it is meeting its job commitment. At the current combined power allocations and actual job level, this customer supports a jobs per megawatt ratio of over 310 jobs/MW. It is recommended that more time be given to this company to meet its job commitment level.

"DUNKIRK ICE CREAM CO., INC. ('Dunkirk') (3,000 kW of Expansion Power) After the most recent facility expansions, which included the design and construction of an on-site waste water pre-treatment facility, projections for growth were not realized. Among the reasons for this were the failure of certain production equipment to perform as warranted and the faulty design of components of the waste water pre-treatment facility which led to delays in the start-up, operational difficulties, critical malfunctions and financial losses. The volume produced was less than anticipated, which resulted in service and supply problems for numerous customers. In response to these problems, a concerted business analysis was undertaken and the production problems have since been corrected. Dunkirk has two job commitments of 578 jobs (2,000 kW - August 1989) and 638 jobs (1,000 kW - November 1991). In 1994, the average monthly employment of 515 was 89% and 81% of these commitment levels, respectively. With the current power allocations and actual job levels, this customer supports a jobs per megawatt ratio of over 170 jobs/MW. The company anticipates that it will be able to fulfill its job commitment in the very near future. It is recommended that no action be taken at this time.

"GENERAL INSTRUMENT CORP. (850 kW of FitzPatrick Power) manufactures silicon materials. It has committed to 44 jobs. The company's employment level fell to 85% of its job commitment in 1994, but is now employing 46, or 105% of its job commitment. The company anticipates hiring an additional 12 people by the end of 1995. It is recommended that the Trustees continue to encourage the growth of this Long Island company by allowing this allocation to remain in place.

"GENERAL MOTORS ('GM') (10,000 kW of FitzPatrick Power) In 1994, the GM assembly plant in Tarrytown had an average employment of 2,104 people. Even though this is only half of GM's commitment, it equals a ratio to over 200 jobs per megawatt. GM is one of the largest employers in New York State and the company has announced a scheduled closing of this plant for 1996. It is recommended that this allocation continue with no change in allocation amount.

"NEW YORK ENVELOPE ('NYE') (2,100 kW of FitzPatrick Power) is a New York City manufacturer of paper products that has fallen two percentage points below its job commitment level of 650 jobs. The New York City Public Utility Service ('NYCPUS') has entered into a new, stricter three-year contract with NYE which restricts the company's total job commitment to within 95 percent of its total job commitment level. In addition, NYCPUS is currently negotiating with NYE on the consolidation of its facilities. NYCPUS has recommended to the Authority that no action be taken on this company at this time. Therefore, it is staff's recommendation that this allocation continue with no change in amount at this time.

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"PRECISION ELECTRO MINERALS CO., INC. ('PEMCO') (800 kW of Replacement Power) is a very small start-up company which manufactures fused silica. It applied for 2,000 kW of Replacement Power in 1989 to run its operation, and received an allocation of 800 kW. At that point in time, it was economically feasible to run the operation with the balance of its electricity needs served by Niagara Mohawk Power Corporation ('Niagara Mohawk'). At full output, the facility would require 30 people, which PEMCO committed to employ in return for its Replacement Power allocation. However, the company experienced a number of start-up problems, beginning with difficulty in finding financing during a recessionary period. Subsequently its markets softened because of the recession and foreign competition, and it also suffered substantial losses as a result of a major fire. In addition, Niagara Mohawk's rates have risen dramatically, and PEMCO has had to curtail its output to such an extent that it operates largely on its Replacement Power allocation, and thus far, has only been able to create 19 jobs. As the operation is highly electrically intensive, a reduction in its allocation would severely impact its ability to survive. It is recommended that PEMCO's job commitment and power allocation remain at current levels.

"SIGRI GREAT LAKES CORPORATION (3,200 kW of Expansion Power) is a vintage Expansion Power customer which has maintained sufficient employment levels until 1993. During that year, market forces and over-capacity within the industry forced the reduction of operations at Niagara Falls. The company's 1994 monthly employment average of 109 is 58% of its job commitment of 188. As options were weighed to determine the future of the Niagara Falls plant, the price of electric power at the facility was decidedly a competitive advantage. The company has recently ratified a five-year contract with its union that allows for a broader classification of job definitions and which will result in a reduction of required manning for the plant. The future for this plant looks good. The low-cost electric power has played a critical role in maintaining viable operations in Niagara Falls. It is, therefore, recommended that no action be taken at this time.

"SOUTHSIDE LAUNDRY (700 kW of FitzPatrick Power) is a large commercial laundry service with a job commitment of 256. In 1994, Southside Laundry was at 89% of its job commitment, falling only two jobs short. The company had been showing growth until the third quarter of 1994, when cutbacks in the health care industry impacted the company's hospital customers. Despite setbacks, however, the company has hired five additional part-time employees and two additional full-time employees. It is recommended that, in view of the recent job additions, no reduction in allocation be ordered at this time as Southside Laundry's employment picture continues to improve.

"SPECIAL METALS CORPORATION (1,000 kW of Expansion Power) a producer of super alloys has seen growth in 1994. The company was greatly affected by the downturn in the aerospace industry and continues to look for new opportunities. This Dunkirk conversion operation gets most of its product from a sister facility in New Hartford, New York which also receives an allocation of FitzPatrick Power. The Dunkirk monthly employment average of 62 is 77% of the company's employment commitment of 81. This number represents a 7% increase over the 1993 employment average. As of December 1994, the total employment was 68. Due to this positive trend, it is recommended that the company be given another year to fulfill its job commitment.

Allocations to Continue With Job Commitment Changes for Productivity Improvements (4)

"E.I. DuPONT ('Dupont') (1,900 kW of Expansion Power) is a vintage customer that has experienced a decline in its total employment over the last several years. The company's 1994 monthly employment average of 477 is 71% of its employment commitment of 675. In 1991, the sodium operation suffered a severe production downturn due to the federally-mandated phaseout of leaded gasoline and its major ingredient, tetraethyl lead ('TEL') which was then a primary sodium end-use. This downturn resulted in a reduction of 97 plant employees related to sodium production. These measures were critical for sodium to remain viable during its anticipated transition to new and

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different worldwide markets. In fact, this facility is the sole surviving sodium production facility in North America. An essential factor to its continuing recovery is the availability of low cost hydropower which, along with salt, comprises approximately 90% of its raw material cost. Any significant increase in the price of these materials will seriously jeopardize the sodium operations' ability to remain competitive. The company has also been affected by recent efforts to be more efficient and cost competitive in its overhead services. There has been an aggressive effort to evaluate administrative and support functions in order to identify opportunities for improved efficiencies. As a result of these efforts, 55 positions were eliminated due to productivity improvements. In order to assist Dupont in maintaining its sodium operations in New York and to account for productivity improvements, it is recommended that a new job commitment of 620 be approved.

"FORD MOTOR COMPANY ('Ford') (7,200 kW of Expansion Power) has requested a reduction of 96 in its employment commitment due to productivity improvements. Ford has two allocations of Expansion Power: the Trustees approved a 2,900 kW allocation in February 1993 for the installation of a large transfer press, and a 4,300 kW allocation in December 1994 under the Expansion Power revitalization criteria. Ford currently has employment commitments of 2,291 (2,900 kW) and 2,340 (4,300 kW). Ford's contracts for the sale of Expansion Power permits the Authority to consider productivity improvements when evaluating the company's job numbers. Staff has met with Ford to review the documentation and has concurred that 96 jobs were eliminated in 1994 due to various productivity measures. It is recommended that Ford's request to reduce its job commitments by 96 be approved.

"GENERAL MOTORS CORPORATION - HARRISON RADIATOR DIVISION ('GM') (14,300 kW of Expansion Power) has requested a reduction of its employment commitment from 7,011 to 6,755 due to increased efficiency and improved technology. The GM contract allows the Authority to adjust the base employment number for the implementation of productivity measures. Staff met with GM to review the documentation and has verified the productivity measures. It is recommended that General Motors Corporation - Harrison Radiator Division's request to reduce its job commitment by 256 be approved.

"RALSTON PURINA COMPANY ('Ralston') (2,900 kW of Expansion Power) has employment commitments of 300 jobs (2,000 kW - August 1991) and 321 jobs (900 kW - July 1993). The company has requested that these employment commitments be adjusted to 286 jobs each. During the past eighteen months, the Dunkirk facility has made a concerted effort, through a program entitled 'Accelerated Cost Reduction Plan', to reduce its annual operation and maintenance cost by over \$11 million. To accomplish this task, the company invested over \$10 million in productivity enhancing capital investments such as new machinery, computer technology, employee training, and a large 103,000 square foot warehouse. Staff has met with Ralston to review the documentation and concurs with its conclusion. It is recommended that a new job commitment of 286 be approved.

Allocation to Continue With Job Commitment Changes (1)

"BUFFALO TUNGSTEN (1,250 kW of Replacement Power) - In 1986, this company was allocated 2,000 kW to relocate and start up a facility to produce tungsten and tungsten carbide powder for machine, mining, and power drilling tools. In 1994, the company relinquished 750 kW when it did not complete part of its project for economic reasons. Its employment commitment was reduced to 104 jobs.

"However, there was never an adjustment made in its job commitment related to the hi-tech furnaces that were installed which required only 25-30 people to operate instead of the 76 people listed in its application that specified older technology. The company has consistently fallen short of its employment commitment for this reason. Employment ranged from 26 to 38 during 1994. Forty-four people were employed in May 1995, but employment is expected to drop off somewhat during the summer due to the cyclical nature of the business. The company has plans to invest in another furnace this year, which will add three jobs. It is recommended that the company's job

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commitment be adjusted to 40 jobs to reflect the actual employment related to the newer technology furnaces. This translates to about 32 jobs per MW allocated, which is not unreasonable for such a highly electric-intensive industry.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve reductions in power allocations and job commitments for three companies as outlined above; that the Trustees approve a lowering of the job commitment level only for four companies due to productivity improvements as outlined above; that the Trustees approve a lowering of the job commitment level for one other company for reasons other than productivity; that the Trustees defer action with regard to the other 13 companies specifically addressed above; and to authorize the Director - Business Marketing and Economic Development to provide written notice to those companies whose power allocations and/or job commitments are being reduced.

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

In response to questions from Trustee Daly, Ms. Morman and Mr. Huvane explained that expansion power is reallocated by the Authority as it becomes available as a result of relinquishments from local industries. In response to further questions from Trustee Daly, the Vice Chairman and Mr. Freeman explained that the Authority must negotiate delivery rates for FitzPatrick power with the IOUs on an individual, case by case basis.

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

RESOLVED, That the Authority hereby approves the reduction of power allocations and job commitments to three companies; the reduction of job commitments to four companies for productivity improvements; the reduction of job commitments to one company for reasons other than productivity, as outlined in the foregoing report of the President, and defer actions with respect to the other companies identified in the report; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development be, and hereby is, authorized to provide written notice to those companies whose allocations and job commitments are being reduced.

**Exhibit `8-A`
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ALLOCATIONS AND JOB COMMITMENTS TO BE REDUCED (3)

Company	Date of Allocation	Type of Power	Allocation	Employment Commitment (# of Jobs)	Average '94 Jobs	Average An'l % Achiev'd
Dussault Foundry	9-25-90	EP	250 kW	28	Closed 2-11-95	-
Lyons Falls Pulp and Paper	4-24-90	JAF	2,000 KW	294	210	71%
Pohlman Foundry	8-27-91	EP	800 KW	128	72	56%

ALLOCATIONS TO CONTINUE WITH NO CHANGE (13)

Company	Date of Allocation	Type of Power	Allocation	Employment Commitment (# of Jobs)	Average '94 Jobs	Average An'l % Achiev'd
Advanced Refractory Technologies, Inc. (ART)	7-31-86	RP	1,200 kW	107	68	64%
Aluf Plastics	8-29-89	JAF	900 kW	150	128	85%
Bell Aerospace	7-31-86	RP	355 kW	120	100	83%
Brenner Paper	9-25-90	JAF	700 kW	165	128	78%
F. N. Burt	7-31-86	RP	300 kW	270	220	81%
Dunkirk Ice Cream	8-29-89 11-26-91	EP	2,000 kW 1,000 kW	578 638	515 515	89% 81%
General Instrument Corp	2-23-93	JAF	850 kW	44	38	85%
General Motors	6-26-85	JAF	10,000 kW	4000	210 ₄	53%
New York Envelope	3-27-90	JAF	2,100 kW	650	570	88%
Precision Electro Minerals	1-31-89	RP	800 kW	30	19	62%
Sigri Great Lakes Corp	10-25-88	EP	3,200 kW	188	109	58%
Southside Laundry	2-23-93	JAF	700 kW	256	228	89%

Special Metals Corp.	5-29-91	EP	1,000 kW	81	62	77%
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RP = Replacement Power

EP = Expansion Power

JAF = FitzPatrick Power

**ALLOCATIONS TO CONTINUE WITH JOB COMMITMENT CHANGES
FOR PRODUCTIVITY IMPROVEMENTS (4)**

Company	Date of Allocation	Type of Power	Allocation	Employment Commitment (# of Jobs)	Average '94 Jobs	Average An'l % Achiev'd
ont	10-26-88	EP	1,900 kW	675	477	71%
r Co.	2-23-93	EP	2,900 kW	2291	2267	99%
	12-15-94		4,300 kW	2340	2267	97%
1 Radiator	10-25-88	EP	14,300 kW	7011	6736	96%
irina	8-27-91	EP	2,000 kW	300	287	96%
	7-27-93		900 kW	321	287	89%

ALLOCATION TO CONTINUE WITH JOB COMMITMENT CHANGES (1)

Company	Date of Allocation	Type of Power	Allocation	Employment Commitment (# of Jobs)	Average '94 Jobs	Average An'l % Achiev'd
ngston	8-1-86	RP	1,250 kW	104	31	30%

RP = Replacement Power
 EP = Expansion Power
 JAF = FitzPatrick Power

9. Village of Penn Yan - Proposed Increase in Retail Rates - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve, as a final action, revisions in the base retail rates of each customer service classification for the Village of Penn Yan ('Village'), New York. This will result in additional total annual revenues of \$152,000 or 9.5%. This was previously approved by the Trustees, on an emergency basis, at their meeting of March 28, 1995. A second system revenue increase, if warranted, would be considered for the Authority's Trustees' approval in the spring of 1996.

BACKGROUND

"The proposed rate increase is required to provide adequate revenues to meet the electric department's additional debt service obligations, increase its depreciation fund, allow for sufficient working capital funds and enable it to meet forecasted increases in operation and maintenance expenses through fiscal year 1996. Current rates have been in effect since February 27, 1992, when the Trustees approved a 6.0% rate reduction.

"The electric department has planned capital additions and replacements of about \$695,000 through fiscal year 1996. These expenditures include the reconductoring of several distribution circuits, purchase of transportation equipment and the installation of a load management system. The Village plans to debt finance about \$508,000 and fund the remainder of the capital program through the rate increase.

"As part of the 1992 rate approval, the Village agreed to a \$1.15 million debt financing program covering the fiscal years 1992-1994, to fund in part, a capital program amounting to \$1.88 million. The Village's fiscal year 1994 Annual Report Cash Flow filing shows that only \$48,000 was borrowed from fiscal years 1992-1994, despite capital expenditures of \$1.45 million over this period. By not borrowing as planned and, therefore, having to draw down on operating revenues which were not intended to pay for the capital program, the electric department has experienced serious cash flow problems. To help alleviate this fiscal crisis in the short term, the Village issued a Revenue Anticipation Note ('RAN') for \$225,000, payable in fiscal year 1995. Further, the electric department borrowed \$100,000 in February 1995 from other departments (inter-fund borrowing) and plans to borrow another \$50,000 in June 1995, from the same source. These inter-fund borrowings are payable within one year. It is recommended that the Village borrow \$375,000 to cover the repayment of these debt obligations and, in turn, repay this new borrowing over a period not less than five years.

"The proposed revenues by service class represent an 'across the board' 9.5% increase. Although the 1992 rate approval required that the Village prepare an updated cost of service study in 1994, the study has not yet been completed. This is due to insufficient load data collected by the Village over the 1993/94 winter. The Village plans to complete the study and financing plan in line with the 1992 rate approval and propose revised rates and a system revenue increase, if warranted, for the Authority's Trustees' consideration in spring 1996.

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 proposed Authority action to adopt permanently the

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provisions of the measure. Such notice was published on May 31, 1995, and no comments concerning the emergency adoption or revised action have been received by the Secretary. A public hearing was held by the Village Board on March 21, 1995, and no objections were raised to the proposal.

"It is recommended that the Village be required to complete the cost of service study and financing plan utilizing debt financing, to the extent financially prudent, and base the 1996 rate revision proposal on the completed study.

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

"Comparisons of present and proposed total revenues and base rates to be produced by each service classification are attached as Exhibits `9-A' and `9-B'.

RECOMMENDATION

"The Manager - Municipal and Cooperative Regulation recommends that the attached schedule of rates for the Village of Penn Yan, New York, be approved on a final action basis, under the Authority's Administrative Procedures to take effect beginning with the first full billing period following this date. It is further recommended that a second system revenue increase, if warranted, be considered by the Trustees in the spring of 1996.

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

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

Mr. Freeman added that staff will be submitting to the Trustees a proposal for seeking legislative authorization to modify the Authority's regulatory responsibilities vis-a-vis its municipal customers. The Vice Chairman and Trustee Miller stressed the importance of seeking input from the municipal customers on these issues before engaging in a course of action.

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

RESOLVED, That the revised rates for electric service for the Village of Penn Yan, New York, be approved, to take effect with the first full billing period following this date, or as soon thereafter as accepted for filing by the State Register, as recommended in the foregoing report of the President; and be it further

RESOLVED, That the Authority's Trustees will consider a system revenue increase for the Village, if warranted, in the spring of 1996; and be it further

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

10. 1995 Revolving Credit Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a \$200 million Revolving Credit Agreement (Exhibit `10-A') with a syndicate of four banks led by Morgan Guaranty Trust Company (`Morgan'), for a period of five years, to provide a line of credit as required liquidity support for the Adjustable Rate Tender Notes.

BACKGROUND

"The \$200 million Adjustable Rate Tender Notes (the `ART Notes') were issued to finance a portion of the Marcy-South Project. The terms of the ART Notes require that the Authority maintain a bank line of credit while the Notes remain outstanding.

"The terms of the ART Notes allow rate periods to be set for six months or in six month increments up to a maximum five-year period. A new six-month rate period for the Notes will commence on September 1, 1995, and, one-month prior to that date a new, extended line of credit must be in place.

DISCUSSION

"The ART Notes require that the line of credit be supported by banks having a credit rating of at least an "A" on senior long-term debt. Thirteen banks, active in providing credit lines, were invited to bid, seven of which possess a "AA" or better rating and six having an "A" rating. The banks invited to bid included U.S. banks (Bank of America, Bank of New York, Chase, Chemical, Citibank, and Morgan Guaranty) as well as foreign-based banks (Industrial Bank of Japan, Mitsubishi, Sanwa, Sumitomo, National Westminster, the Bank of Nova Scotia, and the Toronto-Dominion Bank).

"The Authority received responses from all but three of the banks, with many of the banks forming syndicates and several willing to underwrite the full line. The bids were very competitive, with the high and low bids on commitment fees separated by only two basis points (2/100 of 1%). The bids were analyzed for total cost over the five year period based upon the commitment fee as well as any annual agent fees and upfront fees, including the bank's attorney's fees. Bids submitted by "A" rated banks were assessed an additional five basis point cost to reflect the interest rate penalty investors would place on the ART Notes. The remarketing agent, Goldman Sachs, is of the opinion that the penalty may even be higher under certain circumstances in the market.

"On this basis, the group led by Morgan Guaranty submitted the lowest cost bid as summarized below:

<u>Bank</u>	<u>Credit Rating</u>	<u>Commitment Fee `bps'</u>	<u>Total Costs of 5 Year Line</u>
Morgan Guaranty Trust Company	AAA	9.5	\$ 966,500
Chemical Bank	AA	8.0	990,000
Bank of Nova Scotia	AA	9.5	992,500
Industrial Bank of Japan	A	7.0	1,302,500
Bank of New York	A	11.0	1,725,000

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"The \$200 million facility would be provided by Morgan, Bank of America, Mitsubishi Bank, and Sumitomo Bank, with Morgan also serving as Agent. The commitment fee on the unused balance of the line is 9.5 basis points, equivalent to \$190,000 per annum. In the event that the line is used, the rate basis options are: (i) Libor plus 25 basis points or, (ii) the greater of Prime or Federal Funds plus 50 basis points. The commitment is for five years, terminating in September 2000, with the option of two, one-year extensions, if acceptable to the banks. The Authority also retains the right to terminate the agreement on thirty days' notice should the market for lines of credit improve at a later date.

"The bids submitted by the banks for this line reflect the high degree of competition among banks for an "AA" credit such as the Authority. These market conditions present the opportunity for the Authority to lock in a very favorable rate for five years which is only 1 1/2 basis points more than a three year line would cost. The five-year term of the agreement would also allow the Authority to extend the maturities on the ART Notes in favorable interest rate markets.

FISCAL INFORMATION

"Commitment fees and the banks's legal fees for the facility will be paid from the General Reserve Account.

RECOMMENDATION

"The Treasurer and the Vice President - Corporate Finance recommend that the Trustees authorize the execution of a \$200 million Revolving Credit Agreement with the syndicate of banks specified above, substantially in the form of the agreement attached hereto.

"The General Counsel, the Senior Vice President - Business Services, the Chief Operating Officer, and I concur in the recommendation."

In response to questions from Trustees Miller and Daly, Ms. Irving and Mr. Tscherne explained that it is customary to maintain a readily accessible line of credit to provide liquidity for short term paper in the event that the Authority's Adjustable Rate Tender ("ART") Notes are not remarketed and thus must be repaid by the Authority; however, no interest costs are incurred on the line of credit until it is actually used, and the only cost of maintaining the credit line is a commitment fee of \$190,000. In response to further questions from Trustee Miller, Messrs. Schoenberger and Tscherne explained that it has been the Authority's practice to keep not more than 15% of its debt in variable rate form, and this option has proven to be less expensive than issuing bonds. In response to further questions from Trustee Daly, Mr. Tscherne explained that repayment of the principal of the ART Notes will commence in 1996.

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Trustee Daly inquired whether the Marcy-South transmission line is operating at a loss. Mr. English responded that revenues to support March-South were projected to be tied to Canadian imports which have been lesser than anticipated due to lower oil prices. Mr. English further explained that pursuant to the terms of the agreement reached with the investor-owned utilities which built the substations for the transmission line, the Authority is paying back the cost of the substations over a 10-year period, which will expire in 1998, and the associated annual payments will terminate (\$22 million in 1995). Trustee Daly requested background material on the history and status of the Authority's power sales transactions with Canada.

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

BE IT RESOLVED by the Trustees of the Power Authority of the State of New York, that the Authority hereby approves the 1995 Revolving Credit Agreement with Morgan Guaranty Trust Co. of New York ("Morgan"), as Agent, and Morgan, Bank of America, N.A., Mitsubishi Bank, LTD. and The Sumitomo Bank, LTD., in substantially the form attached hereto as Exhibit "10-A"; and be it further

RESOLVED, That the Chairman, Vice Chairman, President, Senior Vice President - Business Services, Vice President - Corporate Finance, and Treasurer are, and each hereby is, authorized to execute, on behalf of the Authority, such Agreement, in substantially the form attached hereto as Exhibit "10-A", with such changes, insertions, deletions, amendments and supplements as shall be approved as necessary or desirable by the officer executing such Agreement, such approval to be evidenced conclusively by such execution; and be it further

RESOLVED, That the Chairman, Vice Chairman, President, Senior Vice President - Business Services, Vice President - Corporate Finance, and Treasurer are, and each hereby is, authorized to execute, if such officer deems it advisable, on behalf of the Authority, up to two one-year extensions to the 1995 Revolving Credit Agreement; and be it further

RESOLVED, That the Chairman, Vice Chairman, President, Senior Vice President - Business Services, Vice President - Corporate Finance, and Treasurer are, and each hereby is, authorized to execute such amendments to the 1995 Revolving Credit Agreement as the Chairman, Vice Chairman, President, Senior Vice President - Business Services, Vice President - Corporate Finance, or Treasurer deems necessary or desirable; and to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further assurances or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions or to comply with the requirements of the 1995 Revolving Credit Agreement; and be it further

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RESOLVED, That the Trustees of the Authority hereby: (1) authorize the payment to the Authority of funds available in the General Reserve Account for the lawful corporate purpose of paying the commitment fee for and legal fees relating to 1995 Revolving Credit Agreement facility specified in the attached President's Memorandum; and (2) determine that there is available from the General Reserve Account, and not needed for the purposes specified in paragraphs 1-4 of Section 512 of the General Purpose Bond Resolution, monies in an amount not to exceed \$1,355,000 which shall be paid over to the Authority for such lawful corporate purpose.

**11. Sound Cable Project - Release Easement,
Map No. WY-51, Parcel No. 51**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the release of an Authority-owned permanent easement of 0.031 acres located in the County of Westchester, City of Yonkers, to the underlying fee owner, the Roman Catholic Church of St. Eugene (hereinafter `St. Eugene').

BACKGROUND

"At their meeting of March 27, 1990, the Trustees approved the acquisition by purchase or eminent domain of, among others, a permanent easement identified on Map No. WY-51.

DISCUSSION

"To support the construction of the Sound Cable Project (`SCP'), the Authority acquired a permanent easement of 0.031 acre in the area identified by Map No. WY-51 on June 6, 1991. The purpose of this acquisition was to place a cathodic protection rectifier set (hereinafter `cathodic protection') on St. Eugene's property located in Yonkers. This site was one of three sites for the placement of cathodic protection along the SCP for the purpose of protecting the SCP cable pipes from excess corrosion.

"Subsequent to the construction of the cathodic protection at the St. Eugene site, St. Eugene's claimed that the existence of the system at the site could limit potential development of St. Eugene's remaining 1.5 acres. An analysis of the performance of the cathodic protection system was therefore undertaken. This analysis concluded that the cathodic protection located on St. Eugene's property could be removed without affecting the overall cathodic protection of the cable pipes. Thereafter, the cathodic protection near the St. Eugene property was disconnected from the system.

"St. Eugene's subsequently filed a claim arising from this appropriation against the Authority in the Court of Claims. St. Eugene's claimed damages of \$990,000, alleging a complete loss of its 1.5 acre building lot. Authority staff has negotiated a settlement of this claim, which includes the payment to St. Eugene's of \$73,537.50, (\$47,537.50 of which was previously paid for temporary use and as advance payment for this appropriation), the removal by the Authority of the cathodic protection device, and the quitclaim by the Authority to St. Eugene's of the permanent easement earlier appropriated. The monetary consideration for this claim settlement will be paid from the Operating Fund.

FISCAL INFORMATION

"There is no fiscal impact resulting from the release of these premises.

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RECOMMENDATION

"The Director - Real Estate, the Vice President - Procurement and Real Estate, and the Vice President - Project Management recommend that the Trustees approve the release of easement of the parcel represented on Map No. WY-51 to the underlying fee owner, the Roman Catholic Church of St. Eugene.

"The General Counsel, the Senior Vice President - Business Services, the 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 0.031 acre permanent easement as shown and described on Power Authority of the State of New York, Sound Cable Project, Map No. WY-51 be released to the Roman Catholic Church of St. Eugene and that such release is on terms beneficial to the Authority; and be it further

RESOLVED, That the Chairman be, and hereby is, authorized to execute and deliver to St. Eugene's Church a release of easement of the 0.031 acre permanent easement shown and described on Power Authority of the State of New York, Sound Cable Project, Map No. WY-51; and be it further

RESOLVED, That the President, the General Counsel, or the Director - Real Estate of the Authority be, and each hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to effectuate the foregoing.

12. Westchester County and New York City Efficiency Measures Under Long-Term Contract - Investment Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize \$37 million to fund non-electric energy efficiency measures for SENY public customers and for boiler replacement at the Sachem Central School District ('Sachem') on Long Island. These investments were a significant part of the inducement for SENY public customers to enter into long-term power supply agreements with the Authority and were brought to the attention of the Trustees when the contracts were approved. The Sachem portion of this program resolves a perceived air quality problem local to the Authority's Richard M. Flynn Plant ('Flynn Plant'). These investments will be fully repaid to the Authority with interest within ten years following project completion.

BACKGROUND

"As part of its competitive marketing strategy, the Authority is now pursuing ten-year electric power supply contracts with its SENY public customers which provide for a rate freeze, electric vehicles, and energy efficiency programs. At this time, over a dozen SENY public customers, including the County of Westchester, New York City, and the New York City Housing Authority, have entered into such long-term power supply contracts. The energy efficiency investments for which we seek ratification herein are an integral component of these agreements and provide a means to reduce the customers' total energy costs with no impact to their capital budgets and at no net cost to the Authority. All costs, including Authority overheads, will be recovered from the customers by either a lump sum payment or a surcharge on the customers' electric bills in an amount less than the energy cost savings realized from the implemented projects.

"With respect to the Sachem school district, the Authority has an opportunity to mitigate a specific concern of the community local to the Flynn Plant. The Flynn Plant is required to meet stringent environmental requirements. The community complained, however, that during start-up testing, odors were detected at a junior high school approximately one mile from the Plant. Replacement of boilers at several Sachem schools allows the Authority to be a good neighbor to this community by improving local air quality at no net cost to the Authority.

DISCUSSION

"The Authority currently offers energy efficiency programs including the highly successful SENY High Efficiency Lighting Program ('HELP'), the New Construction Program and the Electrotechnologies Program. While implementing these programs, Staff identified other opportunities for additional energy savings that were not being achieved because the SENY customers do not have the capital and the specific measures were outside the scope of existing Authority programs. Nevertheless, the opportunities identified are very attractive to the customers.

"These projects will allow the Authority to provide customer value by offering services which achieve cost savings by reducing fossil fuel usage for the SENY public customers. For example, the City of New York currently spends \$85 million per year for fossil fuel. Staff estimates that these projects could result in customer savings of between \$8.5 to \$12.5 million annually. Based on the results of several facility audits, the same proportionate savings are expected to be available to Westchester County and other SENY public customers.

"The projects helped induce these customers into signing long term contracts, they add value for the customers by allowing the Authority to fund capital improvements to their facilities during a period of severe budgetary constraint. Customers in turn use these 'off-budget' funds to reduce their energy costs, and NYPA gets fully repaid out of the savings.

"Building systems and energy saving options include but are not limited to the following:

- I. Heating system improvements. There are many improvements and 'tune-ups' that can be made to heating systems to enhance fuel efficiency, including the following:
 - Replace old boilers with new high efficiency gas-fired boilers. This can include conversion to dual fuel capability, providing the opportunity to utilize less expensive interruptible gas rates.
 - Replace oil burners in boilers.
 - Insulate steam systems, including piping, valves, and expansion tanks.
 - Install self-actuating steam valves: replace manual valves on steam radiator systems with self-actuating valves; provide improved occupant comfort, reduce overheating of problem areas, and reduce wasted steam use by more carefully controlling the amount of steam in the system.
 - Institute a steam trap maintenance program. Routine steam trap inspection and replacement of failed traps can greatly reduce energy losses.
 - Reduce unoccupied building temperatures: using night setback controls and optimum start/stop programming of an Energy Management System ('EMS') will reduce the energy consumed by the systems during unoccupied hours.

- II. Domestic hot water system improvements. Improvements in the efficiency of existing domestic hot water systems include the following:
 - Lower domestic hot water temperature to decrease standby losses.
 - Install smaller summer boilers or instantaneous systems for the heating of domestic hot water. This eliminates the use of larger heating boilers during the summer when used only for domestic water heating.
 - Shut off of domestic hot water recirculating pumps during unoccupied periods.

- III. Improvements to building envelope systems. Providing improvements to the overall building envelope will reduce energy consumption for both cooling and heating, and increase occupant comfort. Such improvements include:
 - Install window treatments. Single pane windows in which the sash and general construction of the window is in good condition can benefit from the installation of insulated plastic overglazing to improve the overall efficiency.
 - Insulate areas such as attics to reduce heat loss and improve comfort conditions.

- IV. Natatorium improvements. Evaporation is the largest heat loss mechanism in swimming pools, and results in wasted heating energy and water consumption. Improvements to natatorium systems include the following:
 - Cover unoccupied pools with motorized covers or blankets. This will result in lower water consumption as well as a decrease in the energy required for dehumidification of the pool area.
 - Lower pool water temperature. Pool temperatures should be adjusted to between 80 and 82°F.
 - Lower natatorium space temperature. Space temperature should be lowered to approximately 2 degrees higher than water temperature.

- Install heat recovery systems to preheat ventilation air.

"Based on the Authority's successful HELP model, we offer project financing, technical services and turn-key installation services. Program technical and installation services would be provided through the use of qualified implementation contractors selected through a competitive bid solicitation. Contract awards would be approved by the Trustees. Initial funding of \$35 million is requested to cover anticipated project costs, confined to the customers with long term contracts to whom we offered such services in return for their execution of the contracts.

"At Sachem, the existing boilers at the Sagamore Junior High School, the Chippewa Elementary School and the Waverly Avenue Elementary School in Sachem are old and inefficient. Replacing the existing boilers with several smaller boilers will improve local air quality and overall energy efficiency. The new boiler systems will be designed to operate with either natural gas as the primary fuel or #2 fuel oil as a backup. This will allow the purchase of natural gas at the lowest price.

"The comprehensive energy conservation program, comprising lighting/occupancy sensors, motor replacement, variable speed drives and an energy management system for the entire district (being installed under the Authority's HELP program), in addition to boiler conversions at a cost not to exceed \$2 million for the three aforementioned schools, is anticipated to have a total project cost of approximately \$11.5 million with an effective payback of under seven years.

"Implementation services for design, engineering and construction of the boiler plants will be competitively bid. The Trustees will be asked to approve any associated contract awards. A Cost Recovery Agreement would be executed with each participating SENY public customer and with Sachem. This agreement will cover capital requirements, repayment terms, implementation responsibilities and detailed project design parameters, prior to the commencement of any project construction activity.

FISCAL INFORMATION

"The funding requested herein will be provided from the Energy Conservation Effectuation and Construction Fund in the total amount of \$37 million to be invested over several years. For the participating SENY public customers these costs, together with the cost of advancing funds, and Authority overhead charges, will be recovered through a bill surcharge over a period not to exceed ten years from the date each project is completed. Sachem will reimburse the Authority similarly, but through direct payments.

RECOMMENDATION

"The Senior Vice President - Energy Efficiency and Technology recommends that the Trustees authorize the implementation and associated funding for the projects described herein. The program, apart from the specified Sachem school district boiler plant conversions, will only be available to those SENY customers that have executed long-term power supply agreements with the Authority.

"The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Business Services, the Chief Operating Officer, and I concur in the recommendation."

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In response to questions from Trustee Daly, Mr. Freeman explained that the Authority has acquired several electric vehicles with the objective of increasing public awareness of electricity as a source of power for transportation, and that as part of the inducement for Authority customers to enter into long-term agreements, the Authority plans to make several electric vehicles available to such customers. In response to further questions from Trustee Daly, Mr. English explained that most Authority power is currently allocated, and thus there is little which can be described as "excess capacity".

Trustee Miller expressed reservations about the proposed expenditures stating his opinion that the Authority should not be involved in boiler plant improvements. Mr. Freeman responded that the Authority had committed to provide the non-electric end use program to Authority public customers in Westchester County and New York City as part of the inducement to enter into long term power supply contracts and because the customers had expressed interest in having the Authority undertake such programs; however, the Sachem program is an open item. Trustee Rappleyea expressed support for meeting customers' expectations. The Acting Chairman inquired whether the Sachem portion of the proposed measures could be deferred without jeopardizing any formal commitments made by the Authority. Mr. Freeman responded in the affirmative.

In response to a question from Trustee Miller, Mr. Freeman confirmed that the Authority is legally obligated to provide the subject program, and that it is part and parcel of the contracts the Authority has already executed with the public customers. Trustee Miller requested that the Trustees be kept abreast of future negotiations on long-term power contracts as they are occurring. Trustee Miller then moved an amendment to the proposed resolution deleting the reference to measures for Sachem, and moved the adoption of the amended resolution. The resolution was adopted as amended.

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

WHEREAS, a core mission of the Authority is to continue to provide electricity to the SENY public customers from the facilities purchased and built to serve such entities; and

WHEREAS, in the increasingly competitive environment in which the Authority operates, long-term power purchase commitments from the SENY customers are desirable and necessary; and

WHEREAS, the provision of energy related programs to such customers will, along with other things, induce them to purchase Authority electricity for extended periods of time, thus securing the Authority's customer base; and

NOW THEREFORE BE IT RESOLVED, That the Senior Vice President - Energy Efficiency and Technology or his designee be, and hereby is, authorized to execute cost recovery agreements and any other documents between the Authority and SENY public customers as may be necessary or desirable to cover the capital allocation, repayment terms and program responsibilities necessary or desirable for the implementation of the energy efficiency measures described in the foregoing report of the President, provided such customers have entered into long-term power supply agreements with the Authority; and be it further

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

**Energy Conservation
Effectuation and
Construction Fund**

**Expenditure
Authorization**

**SENY Long-Term Customer
Efficiency Program**

\$35,000,000

13. Addition to the Nuclear Generation O&M Expenses - Indian Point 3 Nuclear Power Plant

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the addition of \$25.5 million to the Indian Point 3 ('IP3') Operation and Maintenance ('O&M') budget for 1995, as a result of outage having lasted over four months longer than anticipated.

BACKGROUND

"In December 1994, the Trustees approved a 1995 O&M budget of \$92.2 million for IP3. This 1995 O&M budget included \$4.4 million for the IP3 Restart and Continuous Improvement Program ('RCIP'). The budgeted level of expenditures to support the RCIP work efforts was based on IP3's scheduled restart date of February, 1995.

"Subsequent to the preparation and approval of IP3's 1995 O&M budget, increased work scope and repairs caused the outage to be extended until July, 1995. The Trustees and senior Authority management have been kept informed of the status of the outage and the problems encountered. Nuclear Generation's goal during this period has been to ensure that the plant equipment, staff, management, programs and processes are in place to support the safe restart and continued operation of IP3.

DISCUSSION

"Due to the extension of the outage, the increased work scope, and repairs, IP3's outage related expenses will exceed the budgeted amount by \$25.5 million.

"The additional costs are in four major categories: outage support, including the daily expenses necessary to support the intensive work activity during an outage; preventive and corrective maintenance, including extensive physical work associated with plant deficiencies and material condition; repairs, including unforeseen work to repair or replace system components which failed during the start-up process; and restart assessment/continuous improvement programs, including the rigorous assesment process to ensure a safe start-up.

"The budget overrun for outage costs is a non-recurring expense. In order to reduce the amount of additional funding needed to make up for the outage overruns, Nuclear Generation has made a careful assessment of IP3 activities for the remainder of 1995. Programs, staff and purchases which can be eliminated or deferred have been identified in order to reduce the budget impact of the outage overruns.

"This request for additional funds will cover the cost of the extended outage only. No funds have been included for contingencies or other unplanned expenses. During the outage Nuclear Generation has put in place and trained employees in key positions. There has been a strong positive change in the safety perspective and questioning attitude of the staff. As a result, IP3 has established a solid foundation to support the safe and reliable operation of the Plant. The most important contributor to cost control is the error-free operation of the Plant. During the

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remainder of 1995 and in 1996, the Plant will be focused on building on improvements made during the outage and controlling costs.

"This request for additional funding is summarized below:

Outage Support

"Outage Support includes additional overtime, staff augmentation and station services required to support the extended outage.

Preventive and Corrective Maintenance

"An extensive program of maintenance was conducted on all major plant systems during the outage. The Plant's material condition was upgraded and maintenance backlogs were reduced. Increased spending was required to meet regulatory requirements in the areas of Fire Protection, Motor Operated Valves and Asbestos Abatement.

Repairs

"During system testing and plant heatup, problems were identified with the safety injection pumps and the reactor vessel o-rings which resulted in major unanticipated repair or replacement costs.

Restart Assessment/Continuous Improvement

"In order to strengthen the problem identification and assessment processes, specialized consultants assisted Authority staff in analyzing and closing out restart issues and resolving problems.

FISCAL INFORMATION

"The expenditures listed were neither anticipated nor included in the original or revised 1995 Operating and Maintenance budget. The increase of \$25.5 million to the IP3 budget will be partially offset by \$3.4 million from other nuclear-related budgets. This will result in a net increase of \$22.1 million to the budget. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Engineering and Project Management, the Vice President - Appraisal & Compliance, the Vice President - Regulatory Affairs & Special Projects, the Vice President - Nuclear Engineering and the Chief Nuclear Officer recommend approval of additional funds in the amount of \$25.5 million to the Indian Point 3 Nuclear Power Plant budget.

"The General Counsel, the Senior Vice President - Business Services, the Chief Operating Officer, and I concur in the recommendation."

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

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RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, authorization is hereby granted to increase the 1995 O&M budget as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

Indian Point 3 Operations & Maintenance

1995 Original Operations & Maintenance Expenses Approved December 1994	\$ 92,200,000
IP3 Additional Expenditure Authorization	<u>25,500,000</u>
Revised Approved 1995 O&M Expenditures	<u>\$117,700,000</u>

14. Settlement Agreement with S. David Freeman

The Acting Chairman submitted the following report:

SUMMARY

"The Trustees are requested (1) to approve a settlement agreement between the Authority and S. David Freeman concerning Mr. Freeman's employment as President and Chief Executive Officer and (2) to authorize the execution of a Certification and Notice pursuant to Section 73(8) of the Public Officers Law.

BACKGROUND

"At their meeting of January 25, 1994, the Trustees approved a Statement of Essential Terms for the employment of S. David Freeman as President and Chief Executive Officer of the Authority and authorized the Chairman to enter into an employment agreement with Mr. Freeman in accordance therewith. Mr. Freeman entered into such an employment agreement on February 28, 1994, which continues through February 28, 1997, and has served as President and Chief Executive Officer since March 1, 1994.

DISCUSSION

"The proposed settlement agreement results from the Trustees' decision to appoint a Trustee as Chief Executive Officer. The settlement agreement includes the following provisions, among others:

- (1) Mr. Freeman's position as President and Chief Executive Officer and the February 28, 1994 employment agreement will end upon the effective date of the settlement agreement;
- (2) The termination of the employment agreement is not for cause;
- (3) Mr. Freeman will apply to the New York State Ethics Commission ('Ethics Commission') for approval of his offer to provide advice to the Authority's Chairman and to perform such tasks and assignments as requested by the Chairman and agreed to by Mr. Freeman;
- (4) The Authority will indicate to the Ethics Commission its support for such application;
- (5) The Authority will continue Mr. Freeman's compensation and benefits unchanged during the pendency of this application or until August 15th;
- (6) If Mr. Freeman's application is approved, the Authority will pay Mr. Freeman the balance of his agreed-upon compensation over a two year period;
- (7) The Authority will pay Mr. Freeman a per diem allowance, to the extent he actively is providing such advice or performing such tasks or assignments on Authority premises, with a \$10,000 minimum over the two year period referred to above; and
- (8) If Mr. Freeman's application is not approved, he will be entitled to receive in a single payment the balance of his compensation and benefits under the February 28, 1994 employment agreement.

"Mr. Freeman has served as President and Chief Executive Officer with distinction and a record of substantial accomplishment.

"The settlement agreement is consistent with the recent amendments to Section 73(8) of the Public Officers Law which provides that former state officers and employees who were designated as 'policy makers' by their public employer

may apply to the State Ethics Commission for an exemption from certain provisions of the statute. Mr. Freeman has assented to the terms and conditions of the settlement agreement.

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RECOMMENDATION

"I recommend the approval of the proposed settlement agreement with S. David Freeman and authorization to execute a Certification and Notice consistent with Section 73(8) of the Public Officers Law."

Trustee Rappleyea was absent from the room during the consideration of the following resolution. The resolution, as recommended by the Acting Chairman, was adopted by a vote of 3 in favor, 0 in opposition:

RESOLVED, That the settlement agreement with S. David Freeman described in the foregoing report be, and hereby is, approved; and be it further

RESOLVED, That the issuance of a Certification and Notice consistent with the provisions of Section 73(8) of the Public Officers Law is hereby approved; and be it further

RESOLVED, That the Acting Chairman is authorized to execute the settlement agreement and Certification and Notice on behalf of the Authority and that the General Counsel is authorized to execute such other documents as may be necessary to carry out the purposes of these resolutions.

15. Resolution - S. David Freeman

Trustee Rappleyea was absent from the room during the consideration of the following resolution. The resolution, as recommended by the Acting Chairman, was adopted by a vote of 3 in favor, 0 in opposition:

WHEREAS, S. David Freeman has served the New York Power Authority with dedication and skill as President and Chief Executive Officer, bringing new luster to his already distinguished career in public power and government; and

WHEREAS, Mr. Freeman's knowledge of the industry, leadership and singular personal style have enabled him to confront vast challenges and to prepare the Power Authority for a competitive future; and

WHEREAS, Mr. Freeman reshaped the Power Authority to meet the needs of that future by creating a new organizational structure while achieving major cost savings; and

WHEREAS, he doubled funding for energy efficiency, undertook creative initiatives to promote use of solar power and electric vehicles and set the course for relicensing of the Power Authority's hydroelectric projects; and

WHEREAS, he presided over negotiation of long-term power sales agreements with the Authority's large government customers and the return to service of their principal power source, the Indian Point 3 Nuclear Power Plant; and

WHEREAS, he significantly improved relations with NYPA's labor unions, resulting in mutually beneficial contract extensions, and emphasized increased responsiveness to the needs and concerns of all employees; and

WHEREAS, he settled a lengthy rate dispute with Western New York industries and expanded statewide use of Power Authority electricity as a vital impetus to economic development, with allocations during his tenure helping to create or protect about 21,000 jobs; and

WHEREAS, from the start of his term, when he successfully called for cancellation of a contract to purchase Quebec power, he was a resolute voice for responsible energy and environmental policies on the state, national and international scenes;

NOW BE IT THEREFORE RESOLVED, That the Trustees of the Power Authority of the State of New York extend heartfelt thanks to S. David Freeman for his many contributions to the Power Authority and the people of New York State, express their satisfaction that his expertise will remain available to them; and wish him and his wife, Suzanne, success in all future endeavors.

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**16. Selection of the Chairman of the Authority -
Appointment of Chief Executive Officer -
Annual Salary of Chairman & Chief Executive Officer -
Appointment of President & Chief Operating Officer of the Authority**

The Acting Chairman submitted the following report:

SUMMARY

"In accordance with Section 1004 of the Public Authorities Law (the `Power Authority Act'), the Trustees are requested to choose Clarence D. Rappleyea as Chairman of the Authority, effective August 15, 1995. The Trustees are further requested to appoint Mr. Rappleyea as the Chief Executive Officer, in accordance with Section 1004 of the Power Authority Act, and to establish an annual salary for the position of Chairman & Chief Executive Officer, effective August 15, 1995. The Trustees are further requested to appoint Robert G. Schoenberger as President and Chief Operating Officer, effective July 25, 1995.

BACKGROUND

"The Senate has confirmed Mr. Rappleyea's nomination as Trustee by Governor Pataki, effective June 30, 1995. Section 1004, as recently amended, provides that a Trustee may also hold the position of Chief Executive Officer of the Authority, if so selected by the Trustees.

DISCUSSION

"Mr. Rappleyea has a long and illustrious career in the New York State Assembly with a reputation for outstanding leadership and consistent legislative accomplishments. His personal achievements span a wide range of civic, social and charitable activities. He will remain a member of the Assembly until August 15, 1995.

"The amendments to Section 1004 provide that when the Chairman is also selected to serve as the Chief Executive Officer, the Trustees may establish a salary for the combined Chairman & Chief Executive Officer position independent of any statutory limit otherwise applicable.

"Robert G. Schoenberger has served as Chief Operating Officer since March 1994; prior to that he was Executive Vice President for nine years. He has been employed with the Authority since 1979, in various other positions of authority and responsibility.

RECOMMENDATION

"I recommend the selection of Clarence D. Rappleyea to fill the vacancy of Chairman created by Thomas G. Young's resignation, effective August 15, 1995. I further recommend that the Trustees appoint Clarence Rappleyea to serve as the Authority's Chief Executive Officer at an annual salary of \$185,000, effective August 15, 1995.

"I further recommend the selection of Robert G. Schoenberger as President and Chief Operating Officer, effective July 25, 1995. The existing Chief Operating Officer position will be eliminated."

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Trustee Rappleyea was absent from the room during the consideration of the following resolution. The resolution, as recommended by the Acting Chairman, was adopted by a vote of 3 in favor, 0 in opposition:

RESOLVED, That Clarence D. Rappleyea of Norwich, New York is hereby chosen as Chairman of the Power Authority of the State of New York, effective August 15, 1995; and be it further

RESOLVED, That Clarence D. Rappleyea is hereby appointed as Chief Executive Office of the Authority, effective August 15, 1995; and be it further

RESOLVED, That the annual salary of the Chairman and Chief Executive Officer of the Authority is hereby set at \$185,000; and be it further

RESOLVED, That Robert G. Schoenberger be appointed as President and Chief Operating Officer, effective July 25, 1995.

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17. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, August 29, 1995, at the Niagara Power Project at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

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Closing

Upon motion made and seconded, the meeting was closed at 11:30 a.m.

Anne Wagner-Findeisen
Corporate Secretary