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

November 28, 1995

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November 28, 1995

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

Present:	Clarence D. Rappleyea, Chairman
	Thomas R. Frey, Vice Chairman
	Hyman M. Miller, Trustee
	Robert J. Waldbauer, Trustee

Robert G. Schoenberger	President and Chief Operating Officer
Charles M. Pratt	General Counsel
William J. Cahill	Chief Nuclear Officer
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
Philip J. Pellegrino	Senior Vice President - Energy Efficiency & Technology
Robert L. Tscherne	Senior Vice President - Business Services
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President - Project Management - Power Generation
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
Sally L. Irving	Vice President - Corporate Finance
Stephen P. Shoenholz	Vice President - Public Affairs
Ronald W. Ciamaga	Regional Manager - Northern New York
James Ford	Regional Manager - Western New York
Richard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Relations
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Director - Internal Audit
Hella Maide	Director - Major Accounts Group - Governmental
Robert H. Meehan	Director - Compensation & Benefit Strategy & Design
John L. Murphy	Director - Public Information
James H. Yates	Director - Business Marketing and Economic Development
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs

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

1. Approval of the Minutes

The minutes of the Regular Meeting of October 31, 1995 were approved.

2. <u>Financial Reports for the Ten Months Ended October 31, 1995</u>

In response to questions from Trustee Miller, Ms. Irving explained that net revenues from hydro and transmission were more than offset by net revenue deficiencies at the nuclear facilities. President Schoenberger further explained that the positive net contribution by the transmission function in 1995 is due primarily* to the *support of the IP3 outage and that, after the Authority completes payments to the IOUs for certain substation work in 1988, the transmission function will again commence generating net revenues. Mr. Tscherne added that although neither IP3 nor JAF are currently recovering their costs, staff anticipates that IP3 and Poletti will do so in 1996. President Schoenberger further explained that, although JAF is within its forecasted budget for the current year, much of the plant's output is sold at low, wholesale prices, thus exacerbating the revenue shortfall.

3. Southeast New York (`SENY') Public Customer Delivery Service Time-of-Day Electrotechnologies Billing Option - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to adopt as a Final Action, modifications to specific delivery service appendices applicable to sales to the SENY public customers.

BACKGROUND

"At their meeting of May 23, 1995, the Trustees adopted the delivery service Electrotechnologies Billing Option on an emergency basis and authorized the Senior Vice President - Marketing & Economic Development to issue written notification to the affected customers including the conforming tariff modifications shown in Exhibit `3-A'. Submitted herewith as Exhibit `3-B' is the pertinent portion of the minutes of the May 23, 1995 meeting.

DISCUSSION

"The purpose of the delivery service Electrotechnologies Billing Option is to enable customers, who might otherwise be prevented by these strongly seasonal rates (summer rates are approximately four times higher than winter rates), to participate in the Electrotechnologies Program (`EP'). This optional non-seasonal delivery service rate will allow those SENY customers participating in the EP the choice of being billed under a flat annual delivery service rate.

"Pursuant to the Authority's administrative procedures, the Secretary was authorized to file notice for publication in the State Register of the emergency adoption and of proposed Authority action to permanently adopt the provisions of the measure. Such notice of proposed action was published in the State Register on June 14, 1995. No comments concerning the proposed action have been received by the Secretary's office in response to the publication.

FISCAL INFORMATION

"Adoption of the Electrotechnologies Billing Option is expected to recover delivery service revenues from participating SENY customers equal to the Consolidated Edison Company of New York, Inc. delivery service charges. However, staff will monitor revenue recovery and recommend future rate adjustments, if such actions are warranted.

RECOMMENDATION

"The Director - Major Accounts Governmental and the Director - Pricing & Forecasting recommend that the Electrotechnologies Billing Option and conforming tariff modifications adopted on May 23, 1995 as a proposed action be adopted as final and that the Senior Vice President - Marketing and Economic Development be authorized to issue final notice to the affected customers.

"It is also recommended that the Trustees authorize the Secretary of the Authority to file Notice of Adoption with the Secretary of State for publication in the New York 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 Senior Vice President - Energy Efficiency, the General Counsel, the Senior Vice President - Business Services, and I concur in the recommendation."

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

RESOLVED, That the proposed tariff modifications applicable to the delivery of firm power and energy to the SENY public customers be adopted as a final action, and take effect as soon as accepted for filing by the State Register as recommended in the foregoing report of the President; and be it further

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

RESOLVED, That the Senior Vice President - Marketing and Economic Development be, and hereby is, authorized to issue final notice to the affected customers and do such other and further things as may be necessary to effectuate the foregoing.

4. Allocation of Economic Development Power to Municipal Distribution Agency - Donaldson, Lufkin & Jenrette, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 3,500 kW of Economic Development Power (`EDP') to the New York City Public Utility Service (`NYCPUS') for resale to Donaldson, Lufkin & Jenrette, Inc. (`DLJ').

BACKGROUND

"At its meeting of June 8, 1994, the Economic Development Power Allocation Board (`EDPAB') recommended to the Authority an allocation of 3,500 kW of Fitzpatrick EDP to DLJ for job retention purposes. The power would be sold by the Authority to NYCPUS for resale to DLJ.

DISCUSSION

"DLJ is an investment trading firm currently located in New York City that considered shifting its back office operations to 277 Park Avenue or relocating them to Jersey City, New Jersey. The company approached NYCPUS and the New York City Economic Development Corporation to negotiate sufficient reduction in occupancy costs to allow DLJ to maintain its back-office operations in New York. Relocating to New Jersey would have provided DLJ with a 20 year occupancy cost that is considerably less than DLJ's cost for its most viable consolidation alternative in New York. The company identified a total of 1,539 employees out of its current roster of 1,950 employees who were at risk of being relocated to New Jersey. However, in consideration of a package of benefits offered by the City that included Fitzpatrick power, the company has negotiated with the landlord of 277 Park Avenue for space that would accomodate its front and back-office facilities. DLJ has committed to maintain its current level of employment and to invest over $8 million in real property improvements. DLJ's new New York City facility would be designed with high efficiency adjustable speed drive motors, high efficiency HVAC units and lighting, occupancy sensors, and an energy management system. NYCPUS has specifically requested the Authority to provide this proposed 15 year allocation of 3,500 kW which would save DLJ an estimated $290,000 annually over Consolidated Edison Company of New York Inc.'s standard rates.

"The proposed allocation has 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 contract between DLJ and NYCPUS (Exhibit `4-A'), provides for reductions in the 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 by NYCPUS as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contract between the Authority and and NYCPUS. Additionally, both contracts will include specific energy audit and implementation requirements.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of FitzPatrick power to the New York City Public Utility Service for resale to Donaldson, Lufkin and Jenrette, Inc. in the quantity described herein.

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

In response to questions from Trustee Miller, President Schoenberger explained that the proposed allocation is consistent with prior power sales to institutions such as Bear Stearns, Goldman Sachs, and Chase Manhattan Bank, etc. Vice Chairman Frey added that this type of allocation had been authorized by 1987 legislative enactments.

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

RESOLVED, That the Authority hereby approves the allocation of 3,500 kW of Fitzpatrick Economic Development Power to the New York City Public Utility Service for resale to Donaldson Lufkin & Jenrette, Inc.; and be it further

RESOLVED, That the contract for the resale of FitzPatrick Economic Development Power between the New York City Public Utility Service and Donaldson Lufkin and Jenrette, Inc. is subject to approval by the Director - Business Marketing and Economic Development; and be it further

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

5. James A. FitzPatrick Nuclear Power Plant - Engineering, Procurement and Installation Hydrogen Water Chemistry Phase II (Reactor Internals) - Expenditure Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve (i) additional capital expenditures of $3,900,000 for engineering, procurement, and installation of equipment to increase the current hydrogen addition system flow rates for mitigation of Intergranular and Irradiation Assisted Stress Corrosion Cracking (`IGSCC' & `IASCC') of the reactor internal components and (ii) a delegation to the President to approve the award of a contract for hydrogen water chemistry equipment and installation to General Electric in the estimated amount of $3.7 million, subject to final negotiation of commercial and technical requirements. This modification, entitled Hydrogen Water Chemistry Phase II (Reactor Internals) is to be installed at the James A. FitzPatrick Nuclear Power (`JAF') Plant.

BACKGROUND

"Prior memoranda from the President identified the need to investigate the degree of protection of the reactor vessel internal components from long term damage. The Trustees previously authorized $6.2 million for engineering, procurement, and installation of a hydrogen water chemistry system to protect the reactor recirculation system piping from IGSCC. This program is complete and operational. Results show no additional cracks in the piping to date which, when coupled with projected prevention of reactor internals stress corrosion cracking, avoids potential costs to the Authority of $50-100 million for pipe and reactor internal replacement.

"At their meeting of January 30, 1990, the Trustees authorized $2.9 million, of which only $1.2 million has been expended for In-core Stress Corrosion Monitoring, to determine if increased levels of hydrogen injection could protect critical areas of the reactor vessel internals. This program has been completed and forms the basis for the modifications now proposed. The balance of authorized funds of $1.7 million will be used in conjunction with this current request to fund this phase II request.

"There have been increasing occurrences of damage in boiling water reactor (`BWR') vessel components from IGSCC as the plants have aged. At JAF some of these components, (i.e., shroud) have required extensive replacement or repair at a combined cost of about $8 million, in addition to impacting the outage durations.

"The reactor vessel contains additional in-core components which are susceptible to IGSCC and IASCC which can be protected by increased hydrogen addition rates. The current hydrogen addition system is capable of only an 18 standard cubic feet per minute (`scfm') injection rate. Reactor tests have been performed which conclude that an injection rate of 40 scfm is considered necessary to provide the needed level of protection to reactor vessel internals. There are currently thirteen U.S. Boiling Water Reactors which are operating on this proposed hydrogen water chemistry injection. To achieve the required 40 scfm, the JAF hydrogen addition system must be modified.

"The only alternatives are to: (1) not implement this modification and repair or replace the reactor internal components as cracks are discovered during outage inspections, if repair/replacement technology is available. EPRI and the industry estimate these repairs could exceed $100 million over the remaining life of the plant; (2) delay implementation of this modification in the hopes other mitigation techniques are proven successful and less costly.

Due to the age of JAF and the increasing probability of stress corrosion cracking over time, waiting could be detrimental to the condition of the vessel components.

DISCUSSION

"A recent preliminary engineering evaluation determined the scope and cost of the modifications discussed below. Current estimates by the Authority for engineering, procurement and installation are $5.6 million.

Modification Description

"The Hydrogen Water Chemistry Phase II modifications consist of the following items:

1. Modification to the hydrogen and oxygen injection system components to allow for higher flow rates. (Estimated Cost $0.9 million)

2. Installation of a liquid hydrogen and liquid oxygen facility. (Estimated Cost $1.5 million)

3. Installation of an Electrochemical Potential (`ECP') flange in the recirculation piping to monitor the effectiveness of the increased hydrogen injection rates. This flange is currently required by the NRC for reduced piping inspection and recommended by EPRI. (Estimated Cost $0.6 million)

4. Installation of shielding to reduce radiation levels caused by higher hydrogen injection rates. (Estimated Cost $2 million)

5. Installation of a passive (no pumps) zinc addition skid with a supply of zinc is designed to reduce radiation levels when the plant is not operating. (Estimated Cost $0.6 million)

"General Electric (`GE') is the original supplier of the JAF Nuclear Steam Supply System, which includes the reactor vessel. In addition, under the terms of an agreement with GE, the Authority is eligible for discounts for the purchase of certain goods and services.

Cost Estimates

"In May 1995, the President authorized spending $88,000 to perform preliminary engineering for this project. This project will continue into 1997 with the following projected cash flow:

1995	1996	1997
$0.3 million	$3 million	$2.3 million

"It is also recommended that the Trustees delegate to the President the authority to award a contract in the estimated amount of $3.7 million to GE, subject to final negotiation of commercial and technical requirements. As the original supplier of the NSSS system, GE is uniquely qualified to perform this modification work on a turn-key basis, providing necessary equipment and installation services. In accordance with the GE agreement, a discount of approximately $400,000 will be included in the contract price.

FISCAL INFORMATION

"The James A. FitzPatrick Improvement Project Proceeds Account has a current balance of $58 million of which $26.7 million is available to fund this request and additional tasks identified in the Capital Plan but not yet

authorized. Based upon current cash flow projections, funds are available through the year 1998. Thereafter,

funding will be from the General Reserve or Bond Reserve Accounts. Payment will be made from the appropriate Construction Fund - James A. FitzPatrick Project Improvement Project Proceeds Account.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Vice President - Engineering and Project Management, and the Chief Nuclear Officer recommend the Trustees' approval of expenditures of $3.9 million for engineering, procurement and installation of equipment to support the Hydrogen Water Chemistry Phase II (Reactor Internals) Modification at the James A. FitzPatrick Nuclear Power Plant and delegation to the President to award a contract in the estimated amount of $3.7 million to General Electric for equipment and installation services associated with this modification subject to final negotiation of commercial and technical requirements.

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

Vice Chairman Frey inquired whether the proposed action would have any impact on the Authority's efforts to decrease the use of outside contractors. President Schoenberger responded in the negative and explained that the original design is GE's and that GE staff is currently instrumental in assisting Authority personnel in planning for shorter refueling outages of some 45 days which top performers in the industry are achieving; the shortest outage at JAF to date has been about 66 days. In response to questions from Trustee Waldbauer, Mr. Cahill explained that both of the proposed nuclear-related expenditures are anticipated to result in substantial cost savings. The hydrogen work will lengthen the useful life of the JAF plant through to the expiration of its operating license and will cost less to perform now than at a future date. The heat decay item will have a more immediate impact in that it will contribute to shortening refueling outages by as much as five days which results in savings of some $500,000 daily by allowing additional time for power generation. In response to questions from Trustee Miller, President Schoenberger confirmed that several other nuclear plants have successfully adopted this methodology and are achieving substantial cost savings.

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

RESOLVED, That the expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

Capital	Expenditure Authorization	Contract Award	Projected Closing Date
Power Plant - Hydrogen Water Chemistry Phase II (Reactor Internals)			
James A. FitzPatrick Nuclear Power Plant	**$5,600,000**		
General Electric		**$3,700,000**	**12/30/98**
Previously Authorized (CEAR CJ3316S)	**$1,700,000**		
TOTAL AMOUNT AUTHORIZED	**$3,900,000**		

6. James A. FitzPatrick Nuclear Power Plant - Decay Heat Removal System Project - Expenditure Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize a capital expenditure of $4,250,000 for engineering, material procurement, and installation of a new independent system for decay heat removal (`DHR') at the James A. FitzPatrick Nuclear Power Plant (`JAF').

"The new DHR system will become the primary system responsible for decay heat removal during a refuel outage. It will then be possible to perform repairs and maintenance on the plant systems currently responsible for decay heat removal (Residual Heat Removal, Fuel Pool Cooling, and Service Water) without delays associated with maintaining decay heat removal requirements. As a result, 45-day or less refueling outages become achievable.

BACKGROUND

"The Authority is faced with the challenge of conducting 45-day or less refueling outages at JAF. Activities currently required in a refueling outage must be performed more efficiently or be eliminated in order to reach this goal. The installation of an independent DHR system has proven to be a cost effective and reliable method for reducing the duration of boiling water reactor refueling outages. This has been verified through outage reduction and industry experience from the Hatch and Brunswick stations. A nominal reduction in refueling outages of five days can be realized. The projected outage reduction expected during 1996, coupled with subsequent five day reductions in future outages, should allow for a conservative payback period of two outages.

DISCUSSION

"The new DHR system consists of primary and secondary cooling loops. The primary loop draws hot water from the spent fuel pool, circulates it through heat exchangers and returns cooled water to the spent fuel pool. The secondary loop transfers heat from the heat exchanges to a heat sink such as a cooling tower. The system is used after reactor vessel disassembly when the cavity is flooded and spent fuel pool gates are removed. This allows both the reactor core and the spent fuel pool to be cooled by natural circulation, effectively mixing hot reactor cavity water with cool spent fuel pool water. The new DHR system will allow testing and maintenance of the existing decay heat removal and support systems.

"The nuclear fuel decay heat after reactor shutdown is normally removed by the Residual Heat Removal system. Later in the refueling outage when all the fuel is in the spent fuel pool, the decay heat can be removed by the Fuel Pool Cooling system. The ultimate heat sink for both these systems is the Reactor Building Service Water system. For all refueling outages, maintenance and repair work must be performed on these systems. Many of the system valves require leak rate testing and potential repairs. This is performed by working one of the two redundant trains at a time. The new DHR system is independent of all the existing decay heat removal systems and will add flexibility to performing the required testing and maintenance on the existing systems and eliminate scheduling conflicts and associated delays.

"For example, the Residual Heat Removal Service Water Piping requires replacement during the next outage.

This task would add eight to ten days to the outage schedule. Installation of the alternate shutdown cooling system

provides needed flexibility so that this task can be performed without extending the outage. In addition, industry experience indicates that staff can expect to reduce subsequent outages by a nominal five days.

"This expenditure request of $4,250,000 is intended to complete all the tasks associated with the engineering, material procurement, and installation of the new independent DHR system. These tasks will include the costs associated with the following items:

A. Engineering, design, and technical evaluations;
B. Procurement of the system hardware and materials;
C. Construction and installation of system;
D. Post installation testing and pre-operational testing;
E. System operation and maintenance procedures and instructions.

FISCAL INFORMATION

"The James A. FitzPatrick Improvement Projects Proceeds Account has a current balance of $55 million of which $26.7 million is available to fund this request and additional tasks, not yet authorized, identified in the capital plan. Based upon current cash flow projections, funds are available through the year 1998. Payment will be made from the appropriate Construction Fund - James A. FitzPatrick Improvement Project Proceeds Account.

RECOMMENDATIONS

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Vice President - Nuclear Engineering and Project Management, and the Chief Nuclear Officer recommend that the Trustees authorize capital expenditures in the amount of $4,250,000 for the Decay Heat Removal System Project at the James A. FitzPatrick Nuclear Power Plant.

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

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report to the President, in the amount and for the purpose listed below:

Capital	**Expenditure Authorization**
James A. FitzPatrick Nuclear Power Plant	
Decay Heat Removal Project	**$4,250,000**

7. Procurement (Services) Contract - Niagara Power Project - Change Order - Fleet Technology Limited

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a change order to the Authority's contract with Fleet Technology Limited (`Fleet') to allow Fleet to assist the Authority in a program to test new ice boom spans at the Niagara Power Project. The change order to the contract with Fleet will extend the contract termination date from April 30, 1995 to December 31, 1997 and increase the award amount by $125,000, to be shared equally with Ontario Hydro (`OH').

BACKGROUND

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

"The Authority, with financial and staff support from Ontario Hydro , began evaluating potential improvements in the design of the Lake Erie-Niagara River ice boom (`LENRIB') in late 1992. The studies were precipitated by a July 1989 amendment to the Niagara Power Project license in an order issued by the Federal Energy Regulatory Commission (`FERC'). The order required the Authority to conduct studies of measures that might reduce the impacts of ice on the operation of the Niagara Power Project and mitigate the potential for ice jam flooding on the upper Niagara River. The studies of the ice boom included a review of ice boom technology developments in the last 30 years, measurements of ice loads on the ice boom during the 1993-94 ice season, measurements of ice loads on a steel pontoon ice boom used in the St. Lawrence River by the Canadian Coast Guard during the 1994-95 ice season, and numerical modeling of the performance of the existing timber boom and several structural alternatives for reducing the volume of ice discharged into the upper Niagara River from Lake Erie. The progress and scope of work for these studies has been and is being overseen by a Board of Consultants (`Board') established pursuant to the FERC's order.

"The results from the studies suggested that the Authority and OH consider replacing the timbers in the ice boom with 30-inch diameter steel pontoons (circular steel pipe with welded end caps) that will have higher resistance to ice overtopping. Such a design change is expected to substantially reduce the number and magnitude of lake ice runs, particularly in the early winter when ice jams and stoppages are most prone to occur in the river. This modification is expected to increase the early winter ice overtopping resistance of the ice boom by about five times. The Board recommended that before embarking on a wholesale replacement of the ice boom timbers with steel pontoons, the Authority conduct a field evaluation of this new design concept in the 1995-96 ice season, if possible, or in the 1996-97 ice season.

"The estimated discounted cost of replacing all of the timbers with steel pontoons is about $760,000. This improvement yields a net present value of $4,200,000 or a benefit/cost ratio of 5.5/1.0. Based on this favorable benefit-cost assessment, the Authority and OH have agreed to implement the design modification and share the cost equally. The first step in the implementation will be to conduct the recommended field demonstration.

"The basis for the design modification and field demonstration were presented to the International Niagara Board of Control (`Niagara Board') at its September 28, 1995 meeting. The Niagara Board was informed that the

field demonstration will be conducted within the constraints of the International Joint Commission's Order of

Approval for use of the ice boom and that results from the field demonstration will be presented to the Board before further changes to the ice boom configuration and/or design are made. Based on discussions at the meeting, the Board concurred with the Authority's and OH's plan to conduct the field demonstration.

DISCUSSION

Fleet Technology Limited

"A procurement contract was awarded to Fleet on November 1, 1992 for a study entitled `Assessment of Ice Boom Technology for Application to the Upper Niagara River.' The objective of the study was to evaluate whether there are possible design modifications that could be applied to the LENRIB to further reduce the discharge of ice from Lake Erie into the upper Niagara River. The work focused on identifying modifications that could reduce the severity of lake ice runs that have the greatest adverse impact on power generation and the potential for ice jamming in the river.

"The contract period was six months (November 1, 1992 to April 1, 1993) and the contract award amount was $48,500. The award amount was applied to Phase 1 of the study in which Fleet was to review the design, construction, and operation of the LENRIB; review state-of-the art developments in ice boom technology that could be applied to the LENRIB; and develop a list of practical modifications and/or alternatives to the LENRIB. The contract contained an option for a Phase 2 study at a cost of $17,000 to assess the feasibility of implementing each of the modifications and/or alternatives identified in Phase 1.

"Phase 1 of the study was completed in July 1993. The Phase 1 draft report effectively demonstrated that modifying the design of the LENRIB had the potential to significantly improve the performance of the ice boom and warranted further evaluation. Based on the results of Phase 1, the projected scope of work for Phase 2 was revised to better address the Phase 1 conclusions for studying improvements in the performance of the ice boom.

"As part of Phase 2, which was completed in April 1995, field measurements of ice forces on the LENRIB were to be obtained during the 1993-94 ice season. Because Fleet had the necessary know-how and personnel for conducting such a field program, a change order was issued to Fleet in September 1993, increasing the award amount by $28,500 and extending the contract termination date to November 1, 1993. The increased award amount in Change Order No. 1 was used by Fleet to develop a plan for the field measurement program and initiate the design and procurement of equipment required for the field measurements. An additional $84,200 was required by Fleet to assist the Authority with the installation of the equipment, assist the Authority and OH in monitoring environmental conditions in the vicinity of the ice boom during the winter, retrieve and analyze the measurements, and prepare a report. Change Order No. 2, which was approved by the Trustees on October 26, 1993, extended the contract termination date to April 30, 1995 and authorized the expenditure of the additional funds. Change Order Nos. 3, 4, and 5, in amounts of $14,378, $25,000, and $15,000, respectively, were issued to cover costs related to increases in the scope of work that were recommended by the Board of Consultants. The status of the contract is set forth in Exhibit `7-A'.

"The Trustees' approval is required to extend the contract termination date to December 31, 1997 to allow Fleet to assist the Authority in implementing a program to measure ice loads on the steel pipe pontoon ice boom spans that will be tested during the field demonstration in either the 1995-96 or 1996-97 ice season.

FISCAL INFORMATION

"Funds for this purpose are included in the 1995 Approved O&M Budget. Funds required for 1996 are included in the 1996 Preliminary O&M Budgets. Payment will be made from the Operating Fund. Ontario Hydro

has agreed to share the costs with the Authority equally.

RECOMMENDATION

"The Director - Power Systems Operations and the Regional Manager - Western New York recommend that the Trustees approve a change order to the contract with Fleet Technology Limited, extending the contract termination date to December 31,1997, at an additional cost of $125,000.

"The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Power Generation, the Senior Vice President - Transmission, the Senior Vice President - Business Services, and I concur in the recommendation."

In response to questions from Trustee Waldbauer, Mr. English stated that subject to the results of the field evaluation, Ontario Hydro is likely to pay for 50% of the expense of replacing the timber in the ice boom with steel pontoons.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the procurement contract with Fleet Technology Limited is hereby approved and extended through December 31, 1997, as recommended in the foregoing report of the President, for the purpose listed below:

O&M	Projected Closing Date	Contract Approval
Fleet Technology Limited	12/31/97	To be made by staff pursuant to Expenditure Authorization Procedures

8. Procurement (Services) Contracts - Independent Petroleum Inspection Services - Camin Cargo Control, Inc. and Oiltest, Inc. - Awards

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of two contracts to Camin Cargo Control, Inc. (`Camin') and Oiltest, Inc. (`Oiltest') for independent petroleum inspection services at an estimated total cost of $24,000 for a three year contract term.

BACKGROUND

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

"The Authority requires the services of an independent petroleum inspector for fuel oil deliveries for the Charles Poletti and Richard M. Flynn Power Projects. The responsibilities of the petroleum inspector are to take samples from bulk deliveries of petroleum, measure the oil in ship, barge and/or shore tanks before and after discharge or pipeline transfer, perform laboratory tests to determine oil quality and produce certificates verifying both the quantity and quality of oil delivered in any particular shipment or pipeline transfer. These certificates provide: (i) the basis for payment for oil delivered; (ii) the basis for assessing penalties for non-conforming oil; and (iii) evidence of compliance with environmental quality regulations. Since January 1, 1993, the Authority has relied upon two independent petroleum inspectors: Camin and Oiltest for all of its inspection requirements under three year term contracts.

DISCUSSION

"Pursuant to the Guidelines for Procurement Contracts, staff solicited bids for the award of new contracts for petroleum inspection services by a formal advertisement in the New York State Contract Reporter and issuance of a request for proposals for a three year term contract. Proposals were also solicited from 13 inspection companies located in the New York/New Jersey metropolitan area. A total of 7 bids was received. In evaluating the proposals, both economic and non-economic factors were taken into consideration, with the objective of awarding contracts to more than one inspection firm. Exhibit `8-A' is a tabulation of the evaluated prices for each of the bidders.

"The benefits of having more than one petroleum inspector are increased operational flexibility and enhanced competitiveness over the life of the contracts. Because of the requirements nature of the contracts, the Fuels staff has the ability to distribute the work to those inspectors who are determined to be most qualified and responsive to the Authority's needs based upon actual experience. The prices offered by the two lowest evaluated bidders who are being recommended are fixed for the full three year term of the agreements and do not commit the Authority to any minimum expenditure of funds. The staff intends to distribute the work equally between the two successful bidders, unless it proves practicable or desirable to distribute the work differently.

"It should be noted that Camin, the lowest evaluated bidder, is a certified New York State Minority Business Enterprise.

FISCAL INFORMATION

"Payment will be made from the Fuel Reserve Account (Operating Fund).

RECOMMENDATION

"The Director - Fuel Supply recommends that the Trustees approve the award of procurement contracts for independent petroleum inspection services to Camin Cargo Control, Inc. and Oiltest, Inc. for a term of three years at a total estimated cost of $24,000.

"The Vice President - Procurement & Real Estate, the General Counsel, the Senior Vice President - Power Generation, the Senior Vice President - Business Services, and I concur in the recommendation."

In response to questions from Trustees Miller and Waldbauer, Mr. Hiney explained that the use of inspectors is a standard industry practice designed to ensure that purchasers are in fact receiving the appropriate quality and quantity of product.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the Trustees hereby approve the award of contracts to Camin Cargo Control, Inc. and Oiltest, Inc. for independent petroleum inspection services for a three year period, as recommended in the foregoing report of the President, in the estimated amounts and for the purpose listed below:

O&M	Contract Approval	Projected Closing Date
Independent Petroleum Inspection Services:		
Camin Cargo Control, Inc.	**$12,000**	**12/31/98**
Oiltest, Inc.	**12,000**	**12/31/98**
Total	**$24,000**	

Exhibit `8-A'
November 28, 1995

VENDOR	TOTAL DOLLARS
CAMIN CARGO CONTROL	$ 45,869.34
OILTEST	$ 48,176.35
CALEB BRET	$ 48,893.40
SGS CONTROL SERVICES	$ 76,822.24
E.W. SAYBOLT	$ 90,770.97
ATLANTIC PETROLEUM SERVICES	$122,450.88
AMSPEC	$153,126.14

NOTES:

(1) The dollar amounts include the total costs for providing petroleum inspection services before such costs are shared with the vendor supplying petroleum product. It is typical for such costs to be equally shared between the supplier and the purchaser.

(2) The dollar amounts for each bidder were based on a mixture of delivery modes and quantities for each mode of delivery or activity based upon historical experience. The delivery modes include transfer from tankers and barges; pipelines between Con Edison and the Authority and pipelines between Port Jefferson and Holtsville, Long Island. Total dollars for each vendor reflect the various rates proposed for providing the full range of inspection services for a three (3) year period.

(3) The total cost of awarding two (2) contracts to the two lowest bidders (Camin and Oiltest), assuming an equal distribution of the cost between two (2) vendors over a three (3) year period, is estimated as follows:

$$0.5^{*} \times \frac{[\$46K + \$48K]}{2^{**}} = \$24K$$

*Equal share between supplier and purchaser.

**Equal distribution between vendors.

9. Employees' Savings Plan - Amendments To Plan

The President submitted the following report:

SUMMARY

"The Trustees are requested to amend the Employees' Savings Plan (the `Plan') to require that employees complete one year of service in order to be eligible for the employer matching contributions.

BACKGROUND

"At their meeting of February 28, 1984, the Trustees approved the implementation of the Plan. The Plan is designed to provide employees with a means of saving through a tax deferred compensation arrangement. Under the Plan, employees may elect to defer receiving part of their salary and to have this deferred compensation invested in a selection of investments. The Plan also provides for employer matching contributions and employee post-tax contributions. At present over 85% of eligible employees participate in the Plan. As of December 31, 1994, Plan assets totalled $84,323,318.

DISCUSSION

"In the current competitive environment, the Authority has sought to control the increase in benefits costs. In 1995 and 1996, $2 million in cost savings were identified. Some of those savings affected the level of benefits provided current employees. The one year waiting period for employer matching contributions would not affect current employees, but only those employees hired on or after January 1, 1996. Employees hired on or after January 1, 1996 could still become members of the Plan and make employee contributions. They would just not receive the employer matching contributions.

"This adjustment in the benefits provided to first year employees will not inhibit the Authority's ability to attract high caliber talent. A one year waiting period for both membership and matching contributions is a common feature in other employers' plans. Overall, the Authority's employee benefits package continues to be more than competitive with other employers.

FISCAL INFORMATION

"It is estimated that this the savings will amount to $126,000 in 1996. Future year's savings will vary depending upon hiring trends.

RECOMMENDATION

"The Vice President - Human Resources and the Employees' Savings Plan Committee recommend that the Trustees approve the amendment to the Plan establishing a one year waiting period for eligibility for the employer match.

"The Vice President - Corporate Finance, the General Counsel, the Senior Vice President - Business Services, and I concur in the recommendation."

November 28, 1995

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

RESOLVED, That the provision of the Power Authority of the State of New York Employees' Savings Plan specified below is amended in its entirety as follows:

Section 3.02 Employer Contributions

(a) Subject to Section 3.07, the Employer may contribute on account of any Plan Year, on behalf of each of its Members who is employed on or after January 1, 1996, who has completed one year of employment with the Authority and who makes the Deferred Cash Contribution election described in Section 3.01, an Employer Matching Contribution of 50 percent of each one percent (or fraction thereof) of Compensation contributed annually persuant to Section 3.01 up to a maximum of six percent or a greater percentage as may be fixed by the Employer from time to time. The maximum Employer Matching Contribution allowerd per member will be three percent of annual Compensation or a greater percentage as may be fixed by the Employer from time to time. All such Employer Matching Contributions shall be credited to the Member's Employer Account.

10. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, December 19, 1995**, **at the New York Office** at **10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Motion to Conduct Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session in connection with a matter leading to its employment of services of persons and corporations." Upon motion duly made and seconded, an executive session was held.

After Executive Session

"Mr. Chairman, I move that the Authority resume the meeting in open session." Upon motion duly made and seconded the meeting was reconvened in open session.

Closing

Upon motion made and seconded, the meeting was closed at 10:50 a.m.

Anne Wagner-Findeisen
Corporate Secretary

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