

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

November 26, 1996

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Minutes of the 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
Louis P. Ciminell, Trustee
Hyman M. Miller, Trustee
Robert J. Waldbauer, Trustee

Robert G. Schoenberger	President and Chief Operating Officer
William J. Cahill	Chief Nuclear Officer
Peter W. Delaney	Senior Vice President - Business Services
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
Charles M. Pratt	General Counsel
Arnold M. Bellis	Vice President - Controller
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
Charles I. Lipsky	Vice President & Chief Engineer - Power Generation
Gerard V. Loughran	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Relations
Russell J. Krauss	Chief Information Officer
Ronald W. Ciamaga	Regional Manager - Northern New York
Daniel P. Berical	Director - Intergovernmental Affairs
John W. Blake	Director - Environmental Programs
Carmine J. Clemente	Counsel
Joseph J. Brennan	Director - Internal Audits
Robert H. Meehan	Director - Compensation and Benefits
John L. Murphy	Director - Public Information
Gary Paslow	Director - Policy Development
James H. Yates	Director - Business Marketing & Economic Development
Allison Shea	Senior Attorney
George W. Collins	Treasurer
Charles F. Vacek	Federal Legislative Liaison
Anne Wagner-Findeisen	Corporate Secretary
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

Chairman Rappleyea 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 held on October 29, 1996 were approved.

The Minutes of the Special Meeting held on October 31, 1996 were also approved.

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2. Financial Report for the Ten Months Ended October 31, 1996

3. Use of Transmission Towers for Personal Communication Services - Omnipoint Communications, Inc.

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a 15 year agreement ('Agreement') with Omnipoint Communications Inc., ('Omnipoint') for the use of space on Authority transmission towers to append antennas for Personal Communication Services ('PCS')."

BACKGROUND

"The Federal Communication Commission ('FCC'), in response to world-wide demand, authorized the auction of the 2GHz microwave frequency range for PCS. PCS technology, although similar to cellular telephone technology, requires more antenna sites to compensate for the lower power levels of the telephone instrument. Omnipoint, a subsidiary of Omnipoint Corporation, successfully bid in the FCC auction and currently has a license for full geographic coverage in New York State, with the exception of Chautauqua, Allegany and Cattaraugus counties. Omnipoint has FCC licenses to service 40 million people, making it the fifth largest PCS company in the United States. Other licenses at different frequencies were authorized to providers who will service smaller areas of the State. Omnipoint plans to initiate PCS service by the end of 1996."

DISCUSSION

"In early Spring of 1996, Omnipoint contacted the Authority and indicated its interest in installing antennas on some of the Authority's transmission towers in support of Omnipoint's planned PCS system."

"The proposed Agreement is for a 15 year term. The price for the use of the space on the transmission towers during the first five years of the Agreement is \$12,000 per tower site per year, escalated for inflation after the first year. Thereafter, the price for additional structures that Omnipoint identifies will be negotiated by the parties. The transmission tower sites identified by Omnipoint must be concurred with by the Authority. Additionally, Omnipoint will obtain, at its expense, any additional land use rights associated with the installation of the PCS system, including utility services."

"The payments to be received by the Authority under the Agreement are within the market range for such use. The Authority contacted other utilities in several states and determined that the price is competitive and consistent with the fees negotiated by such other utilities. In addition, Omnipoint has other alternatives for the installation of its PCS system, including other utilities towers and poles in the general vicinity of the Authority's towers, and the use of buildings, watertowers or other structures. As Omnipoint expands its PCS system statewide, maximum use of and additional value from the Authority's tower sites can be achieved."

"The use of transmission towers to append antennas is not inconsistent with the Authority's"

transmission system. Additionally, the proposed arrangement was reviewed and found to be acceptable from an environmental perspective; however, prior to approval of any antenna installation, an environmental evaluation in accord with the State Environmental Quality Review Act will be completed.

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***“At their meeting of August 27, 1996, the Trustees approved a similar agreement with Sprint Spectrum L.P., another PCS provider. The Authority’s agreement with Sprint Spectrum L.P. and the proposed Agreement with Omnipoint do not preclude the Authority from allowing other licensed PCS companies access to Authority tower sites.*”**

FISCAL INFORMATION

***“Implementation of this Agreement will generate revenue for the Authority.*”**

RECOMMENDATION

***“The Director - Communications, the Vice President and Chief Engineer- Power Generation and the Senior Vice President - Power Generation recommend that the Trustees approve a 15 year Agreement with Omnipoint for the use of space on the Authority's transmission towers for Personal Communications Services, on substantially the terms and conditions as set forth in this memorandum.*”**

“The General Counsel, the Senior Vice President - Business Services, the Senior Vice President - Transmission, and I concur in the recommendation.”

In response to questions from Trustee Waldbauer, Mr. Lipsky confirmed that for the first five years of the 15-year term, the proposed price would be the same as the Trustees had earlier approved in connection with the Sprint agreement, and those prices will remain in effect for the term of the agreement. The price in all agreements entered into thereafter, for other locations, would be subject to negotiation. (In contrast, the Sprint price remains firm, escalated for inflation, for the entire 10-year term). Mr. Lipsky further explained that the contracts with both companies require them to obtain such insurance coverage as is required by the Authority and also hold the Authority harmless in the event of claims.

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

RESOLVED, That an agreement between the Authority and Omnipoint Communications Inc. whereby Omnipoint shall have the right to use approved Authority transmission tower sites for Omnipoint’s Personal Communication Services, on substantially the same terms and conditions as set forth in the foregoing report of the President, be approved; and be it further

RESOLVED, That the Senior Vice President - Power Generation, or his designee be, and hereby is, authorized to execute the aforesaid agreement and to execute such other documents as may be necessary or desirable to effectuate the foregoing.

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4. Authority Procedures Regarding Transfers of Previously Approved Allocations of Economic Development Power

The President submitted the following report:

SUMMARY

***“The Trustees are requested to rescind their prior authorization enabling the Chairman of the Authority to approve: 1) transfers of Economic Development Power (‘EDP’) between facilities of a recipient that have been approved by the Economic Development Power Allocation Board (‘EDPAB’); and 2) assignments of EDP contracts or changes in the ownership of facilities at which EDP is used.*”**

BACKGROUND

***“At their meeting of March 26, 1996, the Trustees authorized the Chairman to approve transfers of previously approved allocations of Economic Development Power between facilities of a recipient, as well as previously approved assignments of Economic Development Power contracts or changes in the ownership of facilities at which Economic Development Power is used. It was thought at that time that this procedure would facilitate the rapid approval of such transfers, assignments and ownership changes (‘transfers’) and would thus enhance the use of EDP as an economic development tool. In the nearly eight months that have passed since that March 26 meeting, there has been only one request by any EDP customer to transfer an allocation of power. Also since that March 26 meeting, this delegation has become the subject of litigation.*”**

DISCUSSION

***“The delegation to the Chairman of the ability to approve transfers of EDP was premised upon the fact that such delegation would greatly reduce the time needed to react to customer requests and would thus bring greater efficiency into the EDP program. While the goal is still to streamline the allocation and administration of EDP, the subject delegation to the Chairman is not likely to achieve the desired result given the limited activity to date. Staff will continue its review of EDP procedures to identify ways to meet the economic development needs of the State in the most efficient manner consistent with legal requirements.*”**

RECOMMENDATION

***“The Director - Business Marketing and Economic Development recommends that the Trustees rescind their prior authorization to the Chairman of the Authority to approve transfers of and ownership changes relating to Economic Development Power as recommended herein.*”**

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

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

RESOLVED, That the resolution adopted on March 26, 1996 authorizing the

Chairman to approve 1) transfers of previously approved allocations of Economic Development Power between facilities of a recipient, and 2) assignments of previously approved Economic Development Power contracts or changes in the ownership of facilities at which Economic Development Power is utilized be, and hereby is, rescinded.

5. ***Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters; and Non-Nuclear Facilities - Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling***

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '5-A' for the Indian Point 3 (IP3) and James A. FitzPatrick (JAF) Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of fifteen procurement contracts with five companies (Energy Services Group, HEPCO Inc., PTS Technical Services, Sun Technical Services, and Volt Viewtech Inc.) to \$18,000,000 from the previously authorized ceiling of \$12,907,015 for temporary field engineering personnel to support both nuclear plants. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

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

DISCUSSION

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

"Although the firms identified in Exhibit '5-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

"These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract extensions will be correspondingly

reduced.

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“Extension of each of the contracts identified in Exhibit ‘5-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to the IP3 Continuous Improvement Program as well as preparation for Refuel Outage 9 (RO9).

Contracts in Support of the Nuclear Plants:

“The 15 contracts with Energy Services Group (3 PO #'s); HEPCO (3 PO #'s); PTS Technical Services (3 PO #'s); Sun Technical Services (3 PO #'s); and Volt Technical Services (3 PO #'s) provide for temporary field engineering personnel to support both nuclear plants. The five headquarters-issued contracts became effective on December 5, 1994, and were approved through December 31, 1996 by the Trustees at their meeting of October 25, 1994, in the total combined amount of \$10,000,000. For administrative and efficient cost tracking purposes, two additional contracts per vendor (i.e., five per plant) were subsequently issued by JAF and IP3, referencing the terms and conditions and pricing established in the original headquarters contracts. The field engineering contracts support the site engineering organizations. Within the past few months, the Authority's needs have required an extensive amount of field engineers to meet commitments to the Nuclear Regulatory Commission (NRC) to reduce backlogs prior to RO9, as well as to perform engineering services in preparation for RO9. The areas of work involve plant modifications, Design Basis Documents, engineering backlog reduction, and engineering packages in support of preparation for the upcoming RO9 at IP3. Given the size of the backlogs and the magnitude of RO9, the Authority does not have the staffing to handle this volume of work. This work does not represent normal baseload activity, and it would not be cost-effective to hire permanent staff to perform these services. A one-year extension is requested in order to exercise the option in the contracts to extend services for one additional year. It is not prudent to rebid these services at this time for the following reasons: it is anticipated that better rates could not be currently achieved through rebidding, and the possible loss of trained and experienced staff would be disruptive to the current plant outage at JAF as well as to the preparation of the 1997 refueling outage at IP3. The current contract amount for each of the 15 contracts is listed in Exhibit ‘5-A’; the combined total committed is \$12,907,015, as authorized by the Authority's Expenditure Authorization Procedures. It is anticipated that an additional \$5,000,000 will be required for the extended term. Mark-up rates will remain firm for the extended term. Trustees' approval is requested to extend the subject contracts through December 31, 1997 and to approve the additional funding, thus increasing the revised compensation ceiling to \$18,000,000.

“The contract with Chem Nuclear (C95-I6628) provides for low-level radwaste disposal services for IP3. The contract commenced on December 1, 1995. Since Chem Nuclear operates the only licensed low-level radioactive waste management burial facility accepting shipments at this time (and located near Barnwell, S. Carolina), this award was made on a sole source basis; for the same reason, it would not be prudent to attempt to rebid these services. Approval is now sought to extend the term of this contract for two additional years, so that such disposal services may be continued. The current contract amount is \$300,000. It is anticipated that an additional \$600,000 will be required for the extended term. Trustees' approval is requested to extend the subject contract through December 31, 1998, and to

approve the additional funding.

“The contract with AAR Environmental Services (C94-Z0021), a New York State certified Minority Business Enterprise (‘MBE’), provides for asbestos abatement services for JAF. These specialized services are provided mainly during outages, on an ‘as required’ basis; they require special training of personnel in asbestos

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removal techniques. The contract commenced on October 1, 1994. At their meeting of October 25, 1994, the Trustees approved the subject contract through December 31, 1996, in the amount of \$500,000. Approval is now sought to exercise the option to extend the term of this contract for one additional year, so that services may be continued. The current contract amount is \$160,000. Rates will be set in accordance with the prevailing wage rates established by the New York State Department of Labor. Trustees' approval is requested to extend the subject contract through December 31, 1997 with no additional funding requested.

“The contracts with Corrosion Services (S94-65838) and Duke Engineering & Services (formerly Vectra Technologies; S94-66192), provide for evaluation of the erosion/corrosion program in support of IP3 and JAF. The contracts commenced on November 1, 1994. At their meeting of October 25, 1994, the Trustees approved the subject contracts through December 31, 1996, in the total combined amount of \$380,000. At the time of previous Trustees' approval, Staff had intended to use Corrosion Services as the primary vendor for such services, and Duke as the backup. After some consideration, it was decided to bid the individual tasks among the two firms. While the combined total amount for both contracts, previously approved by the Trustees, is not expected to be exceeded, dollars will be re-allocated according to the results of bidding on each task. Approval is now sought to exercise the option in the contracts to extend their terms for one additional year. It would not be prudent to rebid these contracts at this time due to the ongoing outage at JAF and the forthcoming outage preparation for IP3. The current contract amounts are \$175,000 and \$60,000, respectively. Trustees' approval is requested to extend the subject contracts through December 31, 1997 with no anticipated additional funding requested.

Contracts in Support of Headquarters and Non-nuclear facilities:

“The contract with A. R. Bacon Architecture, P.C. (S95-76957) provides for architectural and interior design services, on an ‘as required’ basis, as well as additional services relating to leasing space in the Authority's White Plains Office (‘WPO’) building. Professional services may include programming and design development services (phase 1), construction documents (phase 2), and construction management (phase 3). This agreement became effective on December 5, 1995 for a term of one year in the amount of \$75,000, with an option to extend services for up to one additional year. When this contract was initiated in late 1995, the allocated funding was based on leasing a portion of the 7th and 8th floors of the WPO. Currently the leasing program has been expanded to include the 6th floor as well. Due mostly to market conditions, leasing activity in late 1995 and the first three quarters of 1996 has been moderate, keeping the use of architectural services to a minimum and, in addition to delayed billing, accounts for the low amount expended to date. More recently, a firm candidate for nearly 11,000 square feet has been identified, and there are a number of other prospects at various stages of development. Assuming that all of the space currently being marketed will be leased, it is estimated that additional funding totaling \$40,000 will be required for the extended term of the contract. A one-year extension is now requested in order to exercise the option and continue the original work scope.

The current contract amount is \$75,000. Trustees' approval is requested to extend the subject contract through December 31, 1997 and to approve the additional funding.

“The contract with Commercial Building Maintenance Corp. (C95-H0755) provides for daily cleaning/janitorial and other related services as required for the Richard M. Flynn Power Project. The original award was issued on October 1, 1995 for a term of one year. Interim approval was obtained to extend services through December 31, 1996 in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A two-year extension is requested to exercise the option to extend services. The current contract amount is \$13,290; it is estimated that an additional \$26,580 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to

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ratify the interim approval, to extend this contract through September 30, 1998, and to approve the additional funding.

"The contract with H. R. Beene Inc. (S95-75774), which became effective on October 27, 1995, provides for renovation work (phase 3) to be performed at the Authority's Frederick R. Clark Energy Center. This includes furnishing and installing all architectural, civil and structural, mechanical, and electrical demolition and construction work for the Control Room, Communication Room, new UPS room, new computer room, and new office area. The progress of work on new monitors and associated cable installation to be performed by Authority personnel has been delayed due to other staff commitments, such as unit overhaul work at the Blenheim-Gilboa Project and switchyard work at Clark. A five-month extension is therefore requested. Interim approval was obtained to extend services through December 31, 1996 in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The current contract amount is \$515,934. The Trustees' approval is requested to ratify the interim approval and to extend this contract through March 31, 1997 with no additional funding requested.

"The contract with Christine Siegel, d/b/a Printing Xpressions (S95-75569) provides for the printing of the Authority's business cards. The original award, which became effective on October 1, 1995, was awarded for a term of one year, in the amount of \$12,000, with the option to extend services for up to one year. A one-year extension is now requested to exercise this option. The current contract amount is \$12,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend this contract through September 30, 1997, with no additional funding requested.

FISCAL INFORMATION

"Funds required to support contract services for various non-nuclear Headquarters departments/Business Units, JAF, and IP3 have been included in the 1996 Approved O&M Budget and will be included in the 1997 O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate Nuclear Improvement Fund.

RECOMMENDATION

"The Plant Manager - James A. FitzPatrick Nuclear Power Plant, the Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, and the Senior Vice President - Power Generation, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '5-A' and of an extension and increase in compensation ceiling of the contracts with Energy Services Group; HEPCO Inc.; PTS Technical Services; Sun Technical Services; and Volt Viewtech, Inc., as set forth above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "5-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Energy Services Group; HEPCO Inc.; PTS Technical Services; Sun Technical Services; and Volt Viewtech, Inc. be, and hereby is, approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide Temporary Field Engineering Personnel to support the nuclear plants:		
Energy Services Group HEPCO Inc. PTS Technical Services Sun Technical Services Volt Viewtech Services (3 contracts per vendor, as listed in Exhibit "5-A")	\$ 5,000,000	12/31/97
Previously Approved Compensation Ceiling	<u>10,000,000</u>	
Change Order Limit authorized by the Expenditure Authorization Procedures	3,000,000	
TOTAL REVISED COMPENSATION CEILING	<u>\$18,000,000</u>	

6. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters; and Non-Nuclear Facilities - Awards

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '6-A' for the James A. FitzPatrick (JAF) and Indian Point 3 (IP3) Nuclear Power Plants, headquarters, and the non-nuclear facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are listed in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$8,250 to \$13,000,000.

"These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract awards will be correspondingly reduced.

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

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Headquarters-issued multiple awards/ General Services Agreements' in support of Headquarters and both nuclear plants:

"Competitive bids for multi-year services contracts were solicited by Headquarters' procurement staff for temporary engineering/design personnel in several specialized areas to support one or both of the Authority's nuclear power plants. Commercial and technical evaluations of the respective proposals determined that, in most cases, multiple awards known as 'General Services Agreements' (GSAs) to several lowest or most technically qualified bidders in each category of services would be most efficient and cost-effective to the Authority. Some tasks will be assigned on a sole source basis to the firm with a specific specialty or which can meet compressed schedule requirements. For most tasks, however, the selected firms in each category will competitively bid against each other for services, as tasks are identified to be performed, by submitting their qualifications, corresponding costs, and appropriate level of staffing to meet the required schedule for each task. The awards, to be released through change orders, will be made on a lump sum or time and materials basis, as appropriate, and will ensure the best possible services and price for the Authority, meeting schedule requirements. Commitments will be made to the individual contracts as tasks are assigned to the successful bidder(s) within the group; commitments and expenditures for all contracts within each grouping will also be tracked against the approved total for that category.

"The seven contracts with Proto Power Corp.; Stone & Webster Engineering Corp.; Raytheon Engineers & Constructors; Yankee Atomic Electric Company; Burns & Roe Enterprises, Inc.; Cataract, Inc.; and Sargent & Lundy (C96-Z0050 - C96-Z0056) commenced on October 15, 1996, with the President's approval, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, subject to the Trustees' ratification and approval. The purpose of these contracts is to provide temporary engineering personnel to perform Type 1 design changes and modifications, on an 'as required' basis, in support of both nuclear plants. (Type 1 involves small changes or modifications, required when a part in the plant breaks, for example, the replacement part is unavailable, and some engineering effort is required for justification of substitution of a part, etc. to complete repairs.) Immediate award of these contracts was required to ensure completion of the modification packages prior to the start of the 1997 refueling outage at IP3, and for any emergent work that may arise during the current outage at JAF. The areas of specialized tasks include, but are not limited to, upgrades or replacement of various piping, valves, flanges, etc. Use of such outside consultants is necessary when certain engineering tasks cannot be performed by Authority engineering staff due to the volume of tasks, schedule constraints, NRC regulatory issues, and/or the nature of specialized services.

"Fifteen bids were received in response to the Authority's request for proposals (in addition to eleven non-responding vendors and notice in the Contract Reporter). They were assessed according to the following weighted criteria: nuclear power plant experience; qualifications of personnel; full service/broad range; and past performance on Authority projects. Due to the nature of the work to be performed under these agreements, it is vital to have the most technically qualified vendors performing this work. Past experience in the nuclear field and with Authority modification procedures are the most critical components of a successful bid. Based on these commercial and technical evaluations, as well as past experience with this approach, it was determined that multiple awards to several most technically qualified bidders would be most efficient and cost-effective to the Authority. The final ranking of the seven most technically qualified bidders, based on the summation of the weighted attributes, follows: Proto Power Corp., Stone & Webster, Raytheon, Yankee, Burns & Roe, Cataract,

and Sargent & Lundy. This spectrum of consultants will ensure that high quality technical skills are available to meet the Authority's diverse technical needs at its nuclear plants. This will ensure the best possible product/services and prices for the Authority.

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"The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. The President authorized up to \$1,300,000 (\$1,100,000 for IP3 and \$200,000 for JAF) for the initial award. Approval is also requested for \$13,000,000, the total amount expected to be expended for the three-year term of the contracts. Commitments will be made to the individual contracts as tasks are assigned or bid; commitments and expenditures for all seven contracts will be tracked against the approved total.

Headquarters-issued contracts in support of the nuclear plants:

"The contract with Nichols Oxygen Service, Inc. (C96-I6855) commenced on October 1, 1996, with the President's interim approval in order to provide uninterrupted service, subject to the Trustees' approval. The purpose of this contract is to perform fire alarm system testing, repair, and emergency service for ten buildings at IP3, in compliance with the NYS Uniform Fire Prevention and Building Code and NML Fire Insurance Regulations. This includes monitoring, annual and semi-annual testing and service and allowance for hourly rates and parts for emergency repairs, on an 'as required' basis, by factory-trained, qualified, and certified technicians. Nichols Oxygen was the low bidder of two bids received (in addition to four non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for \$62,615, the total amount expected to be expended for the term of the contract.

"The contract with A & J Cianciulli, Inc. (Q-02-1771; PO # TBA) will commence on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide hydraulic truck crane rental services (of up to 80 tons with operator) for IP3, on an 'as required' backup basis. Such cranes would be used for emergent work and/or replacement of cranes that are out-of-service or otherwise not available. A & J Cianciulli was the sole responding bidder of three bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for \$60,000, the total amount expected to be expended for the term of the contract.

Headquarters-issued multi-plant 'system' contracts:

"Several categories of services have been selected for pilot 'system' contracts, i.e., a consolidation of common goods/services under one contract in support of multiple plants and/or operating projects. This approach was based upon achieving cost savings due to bulk procurements of certain goods or services, as well as streamlining the procurement process by eliminating multiple contracts. Cost evaluations of current individual contracts of each plant/project were compared with a consolidated, multi-year, system contract approach for multiple plants/projects. The following benefits to the Authority can be realized using the latter approach: lower unit costs than those currently paid by each plant/project under individual agreements; stabilization and uniformity of unit costs at each plant/project; unit rates remain firm for the duration of the contract; improved future negotiating position, as new needs arise; and overall reduction of O & M expenditures at plants/projects.

"The contract with ION Track Instruments (Q-02-1675; PO # TBA) will become effective on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide annual revalidation and repair services of ION Track entry scan explosive (bomb) detectors for IP3 and JAF. Revalidation, which is performed for an all-inclusive fixed lump sum price, consists of annual

inspection, maintenance, cleaning, testing and repairs. Routine and/or emergency repairs not included in the revalidation are charged on a time and material (T&M) basis. Since ION Track is the original equipment manufacturer of the subject equipment, this award is made on a sole source basis. It should be noted that a notice was also published in the Contract Reporter in an attempt to identify additional bidders; this did not prove successful. The intended term of this contract is three

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years, subject to the Trustees' approval (with the option to extend for up to two additional years, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Through bid negotiations, the vendor agreed to reduce prices further, resulting in a revised bid price that represents a net estimated savings of approximately \$500 per year. In addition, the bidder also reduced T&M rates for unscheduled or emergency repairs. Rates will remain firm for the initial three-year term of the contract. Approval is also requested for \$31,125, the total amount expected to be expended for the initial three-year term of the contract.

"The contract with O.S.P. Fire Protection, a division of Occupational Safety Products, Inc. (Q-02-1714; PO # TBA) will become effective on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide inspection, hydro/static testing, recharging, maintenance and repair services for portable fire extinguishers and accessory equipment at IP3, the Poletti Project, and the Joint News Center. O.S.P., a New York State certified Women's Business Enterprise (WBE) was the sole responding bidder (in addition to five non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval. Approval is also requested for \$81,000, the total amount expected to be expended for the term of the contract.

"The contract with Simmers Engineering & Crane Co. (Q-02-1678; PO # TBA) will become effective on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide conventional (non safety related) crane maintenance and repair services at all the Authority's plants and operating facilities. Although routine crane repairs and preventive maintenance are normally performed by Authority staff at most plants and operating facilities, these services are required in order to accommodate major crane repairs, upgrades or sudden crane breakdowns during plant outages, where plant resources are limited due to other priorities, thus requiring the backup support services, resources, and/or technical expertise of an outside contractor. Simmers was the low evaluated bidder of four bids received (in addition to one bid received after the bid due date, seven non-responding vendors, and notice in the Contract Reporter). All bids received were reviewed for technical capability, specific experience, potential cost, and responsiveness to the requirements of the Authority's request for proposals. Rates are significantly reduced. For example, IP3 previously paid \$71/hour for straight time and \$102/hour for overtime. The new rates will be \$37.50 for straight time and \$48.75 for overtime. The intended term of this contract is three years, subject to the Trustees' approval, with an option for up to two additional years, in accordance with the Expenditure Authorization Procedures. Rates will remain firm for the initial three-year term of the contract. Approval is also requested for \$370,000, the total amount expected to be expended for the initial three-year term of the contract.

"The contract with Team Environmental Services, Inc. (Q-02-1417; PO # TBA) will become effective on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide on-site leak sealing services at JAF, IP3, and the Poletti Project. These highly specialized services, with limited provider sources, are used by the plants to repair and seal (on-line) system pipe and valve leaks during normal plant operation as well as during plant start-ups, power reduction periods, and return-to-service after unscheduled emergency forced outages. These services require special training in the

process and technique used. Since this work is normally performed 'on-line', it must be performed accurately, expeditiously, and with a high degree of skill. Currently, Authority plant personnel do not have the required training or resources to perform these services. In addition, the safety related sealants and clamps used in the repair process are available and/or designed and fabricated immediately from contractor's stock. This eliminates the need for the Authority to stock and handle such items, which can be costly and impractical, since the material used is unique in size and type to the applicable plant system being repaired.

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***“Team Environmental was the lowest technically acceptable bidder of two bids received (in addition to three non-responding firms and notice in the Contract Reporter). Both bids received were reviewed for technical capability, specific experience, potential cost, response times, knowledge of Authority plants, and responsiveness to other requirements of the Authority's request for proposals. Staff recommends award to Team based on lowest evaluated cost for a typical leak sealing repair, proven past experience/quality of work, response time (geographic location to all plants), reliability/training, and material qualification (which has been approved for usage at all plants and in compliance with plant procedures and applicable technical requirements). Although Team's hourly rates are higher than those of the other bidder, Team does not charge the Authority for mobilization costs and its per diem costs are much lower than that of the other bidder. The proposed rates are significantly reduced for JAF and the Poletti Project, resulting in reductions of approximately 27% at JAF and 40% at the Poletti Project. In addition, Team has reduced by 5% to 8% the costs of commercial grade sealant material used in the leak sealing process. Projected savings over the next three years may approximate \$139,000. The intended term of this contract is three years, subject to the Trustees' approval (with an option for up to two additional years, in accordance with the Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Rates will remain firm for the initial three-year term of the contract. Approval is also requested for \$1,307,500, the total amount expected to be expended for the initial three-year term of the contract.*”**

IP3 Award:

***“The contract with Liberty Technology Center, Inc. (C97-I6855) will commence on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide off-site calibration and repair services of nuclear safety related tools (e.g., extended and mini ‘C-Clamps’) for plant maintenance at IP3. Liberty Technology, the original equipment manufacturer, was the low bidder of two bids received (in addition to three non-responsive firms and notice in the Contract Reporter). It is estimated that the majority of the work involves calibration, rather than repairs. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for \$8,250, the total amount expected to be expended for the term of the contract.*”**

JAF Award:

***“The contract with PECO Corporate Laboratories (C97-J0082) will commence on January 1, 1997, subject to subsequent Trustees' approval. The purpose of this contract is to perform off-site calibration and repair services of nuclear safety related measurement and test equipment at JAF. PECO was the low acceptable bidder of three bids received (in addition to two non-responsive bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for up to two additional years, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Rates will remain firm for the duration of the contract. Approval is also requested for \$565,083, the total amount expected to be expended for the three-year term of the contract.*”**

Contracts in support of Headquarters:

***“The contract with Bonadio & Co., LLP (Q-02-1659) will commence on February 1, 1997, subject to the Trustees' approval. The purpose of this contract is to perform annual audit services, by an independent certified public accountant, of the assets of the Authority's Section 457 deferred*”**

compensation plan, in compliance with New York State law. Bonadio was the low bidder of four bids received (in addition to eleven non-responsive firms and notice in the Contract Reporter). Based on the firm's qualifications, experience, rates, and satisfactory past performance, staff recommends award of contract to Bonadio. The intended term of this contract is three

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years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for \$12,600, the total amount expected to be expended for the three-year term of the contract.

"The contract with Corporate Counseling Associates (CCC; Q-02-1767) will commence on March 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide Employee Assistance Program (EAP) services to approximately 3,400 active Authority employees and 500 retirees and their families. EAP services consist of an off-site referral program that is designed to assess an individual's problem(s) and refer that individual for appropriate treatment. The program is comprised of core and support services. The former include preventive, management, and crisis intervention services; the latter include supervisory training workshops, educational/promotional services, referral follow-up, fitness for duty evaluations, and activity reports. In addition to enabling employees with problems to perform their jobs in a professional manner, the Authority must comply with the NRC Fitness for Duty Rule, as well as the Department of Transportation and Coast Guard Rules for employees who are icebreaker captains or engineers at the Niagara Project, which mandate the availability of an EAP. CCC was the lowest qualified bidder of three bids received (in addition to eight non-responsive firms and notice in the Contract Reporter). Based on the firm's qualifications, experience, and rates, as well as the inclusion of additional services not provided by the other two bidders, the award of a contract to Corporate Counseling Associates is recommended. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for \$465,000, the total amount expected to be expended for the three-year term of the contract.

"The contract with Jardine Group Services, Inc. (Q-02-1805) will commence on January 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide administrative services for the continuation of health care benefits for Authority employees and their eligible dependents. Provision of the opportunity to temporarily extend health coverage in certain instances, where coverage under the plan would otherwise end, is required by the federal Public Health Services Act, as amended by the Consolidated Omnibus Reconciliation Act of 1985 (COBRA). The administrative services include, but are not limited to: administration of medical, dental, EAP, flexible spending accounts, vision care, and hearing aid benefits. Jardine was the sole responding bidder (in addition to seven non-responsive firms and notice in the Contract Reporter). Based on the firm's qualifications, experience, rates, and satisfactory past performance with the Authority, staff recommends the award of a contract to Jardine. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for \$30,000, the total amount expected to be expended for the three-year term of the contract.

FISCAL INFORMATION

“Funds required to support contract services for JAF, IP3, and the Human Resources Division have been included in the 1997 submitted O&M Budget. Funds for subsequent years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate Nuclear Improvement Fund.

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RECOMMENDATION

“The Plant Manager - James A. FitzPatrick Nuclear Power Plant, the Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Human Resources, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '6-A' and as discussed above.

“The General Counsel, the Senior Vice President - Business Services, the Chief Nuclear Officer, and I concur in the recommendation.”

In response to questions from Trustee Waldbauer, Mr. Hoff confirmed that the requested funding of \$5 million will suffice to cover the cost of the 15 contracts for the provision of temporary field engineering personnel in support of both nuclear plants.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit “6-A” are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.

7. **Procurement (Services) Contract - Indian Point 3 Nuclear Power Plant - Integrated Outage Services - Westinghouse Electric Corporation - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement (services) contract to Westinghouse Electric Corporation to provide integrated outage services for the 1997, 1999 and 2001 outages at the Indian Point 3 Nuclear Power Plant ('IP3'). The estimated contract award amount of \$20 million is for integrated outage services in support of the 1997 Refuel Outage ('RO9') only. Continuation of this agreement will be based on the performance of Westinghouse during the 1997 outage. If appropriate, funding for future outages will be requested at a later date.

BACKGROUND

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

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

"The removal of a nuclear power plant from service for refueling and maintenance is the single largest contributor to the reduction in plant availability. The shutdown for refueling has the multiple effect of reducing the capacity factor while incurring a large financial expenditure for the performance of physical work and the purchase of replacement power. Utilities throughout the world are successfully performing refuel outages that are in the four week time frame.

"Over the life of the plant, the Authority has not completed a refuel outage at IP3 within the planned duration. For every day that an outage exceeds the planned duration, the Authority incurs up to \$300,000 a day in O&M expenses plus the additional purchased power expenses.

"To improve the outage performance at IP3, Westinghouse (original manufacturer ('OEM') and supplier of the nuclear steam supply system, the high pressure turbine and electrical generator) was contacted regarding a partnership agreement for integrated outage services (the Authority has a similar agreement with General Electric at the FitzPatrick plant). The primary purpose of a partnership is the integration of Westinghouse's expertise in performing outage planning and execution with the acceptance by Westinghouse of a portion of the risk associated with completing the outage within the proposed schedule. This relationship differs from the historical relationship that the Authority has had with Westinghouse as simply a service provider. Since Westinghouse is the OEM of the major nuclear and steam conversion components and the provider of many of the core outage activities, it is uniquely qualified to provide outage related services. Westinghouse is providing similar integrated outage services to many utilities, including Con Edison's Indian Point 2 plant. The use of an integrated outage approach by Westinghouse at other Pressurized Water Reactor ('PWR') plants has significantly reduced

outage duration. A notice was included in the Contract Reporter, published by the Department of Economic Development, to determine if there were any other firms interested in this work. There were no responses to the notice.

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DISCUSSION

"The proposed agreement between the Authority and Westinghouse to support the IP3 outage has two major phases. The initial phase of pre-outage planning has been authorized under an earlier agreement to expedite the process. Westinghouse is providing experienced individuals to work with the Authority's outage planning staff. The intent of this arrangement is to integrate the two organizations to take advantage of Westinghouse expertise in executing outage activities and the knowledge of the plant staff. The second phase involves extensive outage services, including both the primary (safety related) and the secondary (non-safety related) sides of the plant. The intent is to integrate the Authority and Westinghouse outage personnel to plan and manage the outage as a single entity.

"An incentive program is part of this agreement. The incentives and/or penalties can be earned for the following areas: schedule adherence, safety and procedural compliance, and radiation exposure. The potential bonus or penalty will be capped at up to five percent of the contract amount.

"Given the short time frame from the April startup to the projected end of the current fuel cycle (late Spring, 1997), this integrated outage partnership will provide essential support to the plant staff in both the planning and execution of the outage. The scope of this outage is more extensive than previous planned outages, since it also includes major plant hardware and material condition improvements (such as the generator rotor and exciter replacements, as well as stand-alone one time efforts to upgrade or replace existing hardware). To control the duration of this outage and complete it as efficiently as possible, the utilization of Westinghouse's integrated outage approach has been determined to be the most viable solution. Under this agreement Westinghouse will be placing a portion of its compensation at risk.

FISCAL INFORMATION

"Payment for this work will be made from the appropriate approved 1997 Operations and Maintenance and/or Capital accounts. This work has been included in the appropriate budget submittals for 1997.

RECOMMENDATION

"The Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Procurement and Real Estate, and the Chief Nuclear Officer recommend Trustees' approval of a contract award to Westinghouse Electric Corporation for integrated outage support services in support of RO9 at IP3.

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

In response to questions from Trustee Miller, Mr. Hoff explained that the original contract amount under negotiation had started at approximately \$20 million; however, staff had succeeded in reducing it. Mr.

Hoff added that Con Edison has used this approach very successfully in connection with its outages. In response to further questions from Trustee Miller, President Schoenberger stated that the next IP3 outage, which is driven by the necessity of refueling the reactor, is scheduled for April 1997. In response to questions

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from Trustee Waldbauer, Mr. Hoff confirmed that the agreement provides for financial incentives as well as penalties for Westinghouse, and that no payments will be made to Westinghouse for the incentives until all issues are resolved.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the procurement contract with Westinghouse Electric Corporation is hereby approved for the period of time indicated, in the amount and for the purpose listed below, as recommended in the foregoing report of the President:

<u>Capital and O&M (1997 Budget)</u>	<u>Projected Closing Date</u>	<u>Expenditure Approval</u>
Indian Point 3 Nuclear Power Plant Integrated Outage Services Westinghouse Electric Corporation	12/31/97 (with option to extend for two additional refuel outages)	<u>\$20,000,000</u>

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8. Next Meeting

The Regular meeting of the Trustees will be held on Tuesday, December 17, 1996, at the New York City Offices at 11:00 a.m., unless otherwise designated by the Chairman with the concurrence of the Trustees.

9. Motion to Conduct Executive Session

“Mr. Chairman, I make a motion to conduct an executive session with matters leading the the appointment and employment of services of particular persons or corporations”. Upon motion made and seconded, an executive session was held.”

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

WHEREAS under the terms of the employment agreement between the Authority and William Cahill the latter will cease serving as the Authority's Chief Nuclear Officer in the foreseeable future; and

WHEREAS it may be necessary and advisable to appoint a succeeding Chief Nuclear Officer,

BE IT RESOLVED, That the Chairman be, and hereby is, authorized to determine whether such an appointment is necessary and desirable in order that the Authority meet its operational obligations and to appoint a new Chief Nuclear Officer.

After Executive Session

“Mr. Chairman, I move that the Authority resume the meeting in open session”. Upon motion duly made and seconded, the meeting resumed in open session.

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Closing

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

***Anne Wagner-Findeisen
Corporate Secretary***

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