

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

August 26, 1997

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

Present: Clarence D. Rappleyea, Chairman
Thomas R. Frey, Vice Chairman
Louis P. Ciminelli, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Charles M. Pratt	General Counsel
Russell J. Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
John M. Hoff	Vice President – Procurement and Real Estate
Gerard V. Loughran	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Relations
James Ford	Regional Manager - Western, New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
Jordan Brandeis	Director - Performance Planning
Frederick E. Chase	Director - Community Relations
Carmine J. Clemente	Counsel
John L. Murphy	Director - Public Information
Gary Paslow	Director – Policy Development
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal 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 July 29, 1997 were approved”

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2. Financial Report for the Seven Months Ended July 31, 1997

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3. Report from the President and Chief Operating Officer

Mr. Knubel reported that IP3 was expected to come out of cold shutdown within the next few days and would go critical in early September. It was further reported that HAF had been designated by the WANO (World Association of Nuclear Operators) as the most improved nuclear plant in the area of outage planning.

4. Sale of Additional Power to Smith Barney, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve an increase in the allocation of power and two modifications to the terms of service to Smith Barney, Inc.

BACKGROUND

“Smith Barney, Inc. (‘Smith Barney’), a wholly owned subsidiary of Travelers Group, Inc. is the second largest securities brokerage firm in the nation. Headquartered in New York City, the firm has 28,000 employees in 450 offices in the United States and 17 overseas who provide a complete range of investment products and advisory services.

DISCUSSION

Increase in Contract Demand

“Smith Barney’s power allocation originally began in 1984 when the company was known as Shearson Lehman/American Express, Inc. The allocation amount has varied over the years and currently stands at 12 MW for use at Smith Barney’s 388 and 390 Greenwich Street buildings in lower Manhattan. Smith Barney has requested that the Authority authorize an additional 4 MW, which would raise the allocation to the original maximum of 16 MW. The additional power will be used to expand the company’s investment banking and trading floors. In consideration for a total allocation of 16 MW, Smith Barney is making a commitment to maintain 3,350 jobs, which is 850 jobs above the 2,500 jobs associated with the 12 MW allocation.

Modifications to the Terms of Service

Two modifications to the terms of service to Smith Barney are also requested:

- The first modification would establish a five year extension of the contract term to December 31, 2006.
- The second modification would require Smith Barney to provide the Authority with a two year notice of its intent to discontinue delivery service.

Savings

“Electricity represents a significant portion of Smith Barney’s budget. The savings that Smith Barney has realized over the last 13 years from purchasing power from the Authority are estimated to total over \$28 million. Additionally, the savings associated with the proposed increase in Smith Barney’s power allocation, estimated at over \$780,000 annually, would help Smith Barney to maintain its competitive position with other brokerage firms and to protect and expand its employment at the facility.

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RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that under the Authority’s agreement with Smith Barney, Inc., the contract demand be increased by 4 MW as described herein and that the terms of service for the sale of power to Smith Barney be modified in accordance with the foregoing.

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

Trustee Miller inquired whether staff has considered offering incentives to other brokerage houses. Mr.

Yates responded in the affirmative, noting that discussions are currently ongoing.

The attached resolution, as recommended by the President, was unanimously adopted.

WHEREAS, Special Provision D of the Application for Service in Contract FD-14 for the Sale, Transmission and Distribution of Power to Smith Barney, Inc. provides for an increase in the Contract Demand upon approval by the Authority;

NOW THEREFORE BE IT RESOLVED, That the Contract Demand of Contract FD-14 be, and hereby is, increased by 4 MW in accordance with the foregoing report of the President to a total of 16 MW; and be it further,

RESOLVED, That the terms of service for the Sale, Transmission and Distribution of Power to Smith Barney, Inc. be modified to extend the duration of the contract until December 31, 2006, and to require Smith Barney, Inc. to provide the Authority with a two-year notice of its intent to discontinue delivery service in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the foregoing.

5. Allocation of 2,775 kW of Replacement Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of available Replacement Power, totaling 2,775 kW to four industrial companies: E.I.DuPont de Nemours; Euro United USA Corporation; Flexo Transparent Corporation; and GM - Powertrain Group.

BACKGROUND

“Under the Replacement Power Settlement Agreement, Niagara Mohawk, with the approval of the Authority, identified and selected certain qualified industrial companies to receive delivery of Replacement Power. Qualified companies are current or future industrial customers of Niagara Mohawk who have or propose to have manufacturing facilities for the receipt of Replacement Power within 30 miles of the Authority’s Niagara switchyard. Replacement Power is the 445,000 kW of firm hydropower generated by the Authority at its Niagara Project which has been made available to Niagara Mohawk, pursuant to the Niagara Redevelopment Act.

DISCUSSION

“In accordance with the Power Authority Act, the Authority placed advertisements in three newspapers in northwestern New York seeking industrial manufacturing customers who would expand and meet the criteria to receive a Replacement Power allocation. Thirty-seven inquiries were received. Of these, 19 companies subsequently filed applications.

“The Authority and Niagara Mohawk staff both reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Four companies are being recommended to receive Replacement Power, as set forth in Exhibit ‘5-A’. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment. They are projected to result in the creation of a substantial number of jobs.

“There are 15 companies for which staff is not recommending allocations as set forth in Exhibit ‘5-B’: three companies had already started or completed construction; one cannot utilize the 250 kW minimum block; one does not meet the SIC (Standard Industrial Code) requirement for Replacement Power; two are not in compliance with existing contractual commitments; and two do not meet the Replacement Power criteria. The remaining six companies were not competitive in terms of jobs proposed.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 2,775 kW Replacement Power to: E.I.DuPont de Nemours; Euro United USA Corporation; Flexo Transparent Corporation; and GM - Powertrain Group.

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

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The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the allocation of 2,775 kW of Replacement Power to: E.I.DuPont de Nemours; Euro United USA Corporation; Flexo Transparent Corporation; and GM - Powertrain Group be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations.

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6. Allocation of FitzPatrick Economic Development Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve a five-year extension to the allocation of 4,000 kW of Economic Development Power (‘EDP’) to Oak-Mitsui, Inc. (‘Oak-Mitsui’).

BACKGROUND

“At their meeting of November 24, 1992, the Trustees approved the allocation of 4,000 kW of EDP to Oak-Mitsui to serve its copper foil manufacturing facility in Hoosick Falls for a term of five years ending December 31, 1997. The allocation was approved for business revitalization purposes based on Oak-Mitsui’s demonstration that the Hoosick Falls facility was in serious, long-term distress. The Trustees approved the allocation of 4,000 kW of EDP with a commitment by Oak-Mitsui to maintain 140 jobs at the Hoosick Falls facility.

“At its meeting of July 29, 1997, the Economic Development Power Allocation Board recommended to the Authority a five year extension to Oak-Mitsui’s current allocation of 4,000 kW, which expires December 31, 1997, based on a new demonstration that the Hoosick Falls facility meets the criteria for a revitalization allocation. Oak-Mitsui has made a commitment to maintain 140 jobs.

DISCUSSION

“Oak-Mitsui is a manufacturer of copper foil products for use in printed circuit boards in the electronic industry. The company is preparing to compete in the rapidly changing global copper foil market with its Camden, South Carolina facility which accommodates the production of 14 million pounds of copper foil annually. The efforts put forth in Oak-Mitsui’s 1992 revitalization plan and the support it has received from the Authority have enabled Oak-Mitsui to steadily improve its income position over the last five years and begin to position itself as a healthy company to compete in the future. For the year ending 1996, Oak-Mitsui posted a modest profit; however, unless key expenses continue to be reduced, price erosion will lead to a loss of profitability at the Hoosick Falls facility to the point where the company’s manufacturing capabilities will be relocated to the company’s Camden, South Carolina facility. Electric power represents 21% of the variable costs of production at the Hoosick Falls facility. To compete effectively, the company must also continue to generate enough revenue to be able to reinvest capital back into its business to not only continually improve product quality but also to develop new products to maintain its future leadership role in the copper foil business. The proposed five-year extension to the 4,000 kW allocation would preserve 140 jobs at the Hoosick Falls facility and save the company approximately \$945,000 annually over Niagara Mohawk’s standard rates.

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance recommends that the Trustees approve a five-year extension to the 4,000 kW allocation of FitzPatrick power to Oak-Mitsui, Inc.

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

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The attached resolution, as recommended by the President, was unanimously adopted.

WHEREAS, the Economic Development Power Allocation Board has recommended an allocation of Economic Development Power to Oak-Mitsui, Inc. as described in the foregoing report of the President;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves a five-year extension to the allocation of 4,000 kW of Fitzpatrick Economic Development Power to Oak-Mitsui, Inc., substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Senior Vice President – Marketing and Economic Development or her designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocation.

7. **Niagara Power Project Conveyance of
Property — Map No. NN-8001C, Parcel No. 8001**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the conveyance of approximately 3.0 acres of land located in the Town of Niagara, Niagara County, Map No. NN-8001C, Parcel No. 8001, to the Town of Niagara for the sum of \$1.00, payment waived.

BACKGROUND

“On May 20, 1997, Authority Community Relations and Real Estate personnel met with the Supervisor of the Town of Niagara to discuss the Town's proposed park. During that meeting, the Supervisor asked that the Authority consider transferring to the Town an Authority-owned parcel abutting and north of its Niagara-Adirondack Tie Line right-of-way.

“The park as proposed will contain baseball diamonds, a senior center, and other amenities, with a cost to the Town of approximately \$1.5 million. Planning will take place in 1997 and 1998, with construction scheduled for 1999.

“The Authority property sought by the Town would be utilized as green space adjacent to the area of the proposed baseball fields.

“On July 15, 1997, the Niagara Town Board passed a resolution authorizing the Supervisor to request in writing that the Authority convey the property in question to the Town for use as Town parkland.

DISCUSSION

“The Authority property requested by the Town of Niagara was purchased from the Niagara Mohawk Power Corporation in 1961 as part of a larger parcel to be utilized as right-of-way for the Niagara-Adirondack Tie Line. Although the parcel to be conveyed to the Town was not needed for the transmission line, it was purchased so there would be no uneconomic remainder. The parcel lies outside the Niagara Power Project boundary.

“The request for the 3.0 acres has been reviewed by the Regional Manager - Western New York as well as the Chief Engineer. In their opinion, the property is surplus to the Authority's operational needs and should be conveyed to the Town of Niagara for public use, provided that the Authority retains the right to cut or trim trees that have the potential to interfere with the safe operation of the Niagara-Adirondack Tie Line.

“The parcel is assessed by the Town as a part of a 19-acre parcel with a value of approximately \$3,000 per acre. However, per acre market value of the 3.0 acres is a small fraction of this amount because this triangular parcel of property is landlocked to all potential buyers with the exception of the Niagara Mohawk Power Corporation and the Town of Niagara.

FISCAL INFORMATION

“There would be no fiscal impact.

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RECOMMENDATION

“The Director - Real Estate, the Regional Manager - Western New York and the Vice President and Chief Engineer recommend that the Trustees approve the conveyance of the 3.0 acres shown and described on Map No. NN-8001C, Parcel No. 8001 to the Town of Niagara for \$1.00, payment waived, and that such conveyance be subject to the Authority's retention of the right to cut, trim and remove trees located on this property that have the potential to interfere with the safe operation of the Niagara-Adirondack Tie Line. It is further recommended that the property be conveyed conditioned upon the utilization of the land for public park and or public recreational purposes.

“The Director - Environmental Programs, the Vice President - Procurement and Real Estate, the Vice President - Public Affairs, the General Counsel, the Senior Vice President - Business Services, the Senior Vice President - Power Generation, and I concur in the recommendation.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That the Authority hereby approves the conveyance of lands in the Town of Niagara, Niagara County, New York, acquired by the Authority in its own name, substantially as shown and described on Power Authority of the State of New York Map No. NN-8001C, Parcel No. 8001, comprising approximately 3.0 acres, to the Town of Niagara, subject to the retention of certain tree cutting, trimming and removal rights, and the reversion of the property to the Authority should the property be no longer utilized as public park-land or for public recreation. The Authority hereby determines that such a conveyance by the Authority under conditions substantially as specified above is on terms beneficial to the Authority and will not result in significant adverse environmental impacts; and be it further

RESOLVED, That the Chairman is authorized to execute and deliver to the Town of Niagara on behalf of the Authority, in such form as approved by the General Counsel of the Authority, a quitclaim deed of the lands shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara County, Map No. NN-8001C; and be it further

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

8. Procurement (Services) Contract – Crescent and Vischer Ferry Projects –Fish Deterrence Systems – GEC-Marconi-Hazeltine – Extension

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve a contract extension and additional funding to GEC-Marconi-Hazeltine (‘GMH’), in the amount of \$274,000, to conduct additional fish deterrence studies at the Crescent and Vischer Ferry Projects, as required by agreement with several regulatory agencies. This contract is expected to extend to December 31, 1998.

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 limit of \$3,000,000.

“The Authority, pursuant to its Federal Energy Regulatory Commission (‘FERC’) license (issued June 26, 1984) for the Crescent and Vischer Ferry Projects was required to ‘conduct a study to evaluate the impact of the project operations on the fishery resources of the Mohawk River’. The Authority conducted a turbine passage survival study on juvenile blueback herring, the species of main concern on the Mohawk River, during the fall of 1991. This study determined that turbine passage survival was 96%. FERC, in evaluating the results of this study, accepted its findings. However, in response to additional concerns raised by the Resource Agencies (New York State Department of Environmental Conservation (‘DEC’), United States Fish and Wildlife Service (‘FWS’), and the National Marine Fisheries Service) on July 7, 1993, FERC ordered that the Authority conduct additional studies to: 1) assess the impacts of the projects on outmigrating adult blueback herring, 2) assess the impacts of gull predation on outmigrating herring and 3) determine the optimum minimum flows at the projects. In lieu of conducting these studies, the Authority reached an agreement (dated March 15, 1996) with the Resource Agencies to install and evaluate a high frequency sound system to deter juvenile and adult blueback herring from entering the hydroelectric projects. A study was conducted at the Vischer Ferry Project on juvenile blueback herring in the fall of 1996. The results of this study were very promising and suggested that greater than 75% of the outmigrating juvenile herring were diverted from the entrance to the powerhouse. The same system was tested at the Vischer Ferry Project on outmigrating adult blueback herring during this spring and early summer, and preliminary results are likewise very promising.

“Following a meeting in May 1997, the Resource Agencies had differing views as to how the Authority should proceed with studies at the projects. The DEC wanted additional studies of the sound deterrence system at the Vischer Ferry Project while the FWS wanted a full sound deterrence system and associated monitoring at the Crescent Project while still studying the effectiveness of a system at Vischer Ferry. The Resource Agencies agreed in early July to a plan negotiated by Environmental Division staff. The plan calls for the operation of the deterrence system with no additional monitoring at the Vischer Ferry Project while at the same time installing and studying the effectiveness of a similar system at the Crescent Project.

DISCUSSION

“The installation of the sound deterrence system and the study of its effectiveness are currently being conducted by GMH under the terms of Contract No. C-96-Z0037. This was a competitively bid contract in which 13 firms were asked to bid. Because of the technical and “state of the art” nature of this work, only two firms responded with bids. GMH's bid was 40% less than that of the other bidder, and was determined to be technically acceptable. To date, Authority staff has been highly satisfied with GMH's work on the existing contract. Additionally, GMH has installed a permanent sound deterrence system at the Fitzpatrick Nuclear Power Plant.

“At the Authority's request, GMH has provided an additional cost proposal to implement the agreement with the Resource Agencies within the short time frame allowed to assess the outmigrating juveniles in the fall of 1997. This effort will involve installing and evaluating a system at the Crescent Project while operating the existing deterrent system only (without additional monitoring) at the Vischer Ferry Project. Using GMH for this work will allow the Authority to meet the schedule imposed by the Resource Agencies as part of the March 1996 agreement.

“The cost proposal provided by GMH is within the same cost range as its competitive bid last year, utilizes the same staff and technical support personnel, and allows GMH to complete the work within the aggressive schedule expected by the Resource Agencies.

FISCAL INFORMATION

“Funds for this contract are available in the 1997 approved O&M budget and will be included in O&M budget submittal for 1998.

RECOMMENDATION

“The Director – Environmental Division and the Vice President – Procurement and Real Estate recommend that the Trustees approve the extension and funding of the existing procurement contract with GEC-Marconi-Hazeltine for the continuation of studies to determine the effectiveness of high frequency sound to deter fish from the Crescent and Vischer Ferry Projects in the amount of \$274,000.00.

“The General Counsel, the Senior Vice President – Business Services, the Senior Vice President – Power Generation, and I concur in the recommendation.”

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the extension of the procurement (services) contract with GEC-Marconi-Hazeltine for additional fishery studies at the Crescent and Vischer Ferry Projects is hereby approved through December 31, 1998 as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O&M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Fish Deterrence Studies at the Crescent and Vischer Ferry Projects		
GEC-Marconi-Hazeltine C-97-Z0037	12/31/98	See Exhibit “8-A”

9. **Procurement (Services) Contract – General Maintenance Services for the Indian Point 3 Nuclear Power Plant – NPS Energy Services, Inc. -Increase in Compensation Ceiling**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve additional funding for the procurement contract with NPS Energy Services, Inc. (‘NPS’) in support of the Indian Point 3 Nuclear Power Plant (‘IP3’). The Trustees’ approval will increase the compensation limit of this contract for General Maintenance Services in support of IP3 to \$47,000,000, from the previously authorized limit of \$43,000,000

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 when 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.

“Peak work periods during refueling and other outages, and the need to perform major modification work during non-outage periods to minimize outage duration, require the use of craft labor and supervision to supplement the Authority’s permanent work force. Because this work is cyclical, it would not be prudent to hire an additional cadre of full-time personnel, since there would be insufficient work to occupy them during non-peak periods.

“The contract with **NPS Energy Services, Inc. (C95-Z0040)** provides for craft and supervision, on an ‘as required’ basis, in support of General Maintenance Services for IP3. The scope of this contract consists of performing modification, maintenance, and repair work, which cannot be performed by Authority in-house personnel, during normal operations, scheduled outages, and forced outages. The following work is being performed on an ‘as required’ basis: facility maintenance; plant modification installation; corrective and preventive maintenance; outage support activities; and work package planning.

“The contract with NPS was competitively bid and became effective on July 1, 1995. The Trustees approved the initial 18-month award, in the amount of \$14,000,000, at their meeting of June 27, 1995; subsequent Trustees’ approval for a one-year extension through December 31, 1997 and an additional \$10,000,000 was given at their meeting of September 24, 1996. Since that time, additional work which was either not anticipated at all or not to the extent ultimately required, was performed by NPS. Such work included corrective maintenance backlog reduction; modifications to the weld channel system, mockup building and fire protection sprinkler system;

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structure, area and system coating and material condition upgrades; extensive RO9 outage and engineering trailer installations; phone system upgrades; and forced outage support. This resulted in an additional increase in compensation limit to \$40,000,000, which was approved by the Trustees at their meeting of May 20, 1997.

“At that time, IP3 Construction Services staff believed that this amount would provide adequate funding for the contract to perform all requisite work through the end of 1997 in support of RO9, as well as non-outage modifications and contingency maintenance support to be performed after RO9. Subsequently, however, a number of factors have contributed to the need to further increase the approved limit. These include the addition of approximately 275 new tasks to the work scope of the IP3 Maintenance Department; craft support of the Westinghouse integrated outage contract exceeding the previous projections; increase in the scope of work for modifications and corrective maintenance to be performed by IP3 Construction Services; extended outage as well as augmentation of unplanned support. In order to fund this work the plant through the outage, the President subsequently approved an additional \$3,000,000, as authorized by the Authority’s Expenditure Authorization Procedures, which increased the compensation ceiling to \$43,000,000.

“Since then, the outage has been further extended and additional emergent work has been identified, requiring additional support from NPS. As the list of RO9 modifications has grown, work plans have been revised, and NPS’s role has once again been expanded. As a result, expenditures have reached the revised compensation limit. Staff has determined that there is a need to increase the compensation limit for this contract by an estimated \$4,000,000 through the end of December 1997, to provide adequate funding for the contract, including additional RO9 support through the end of the outage, as well as support for post-outage activities through the end of the year. Such additional work includes: Reactor Coolant Pump oil collection system modifications; electrical and steamfitter support; asbestos abatement, insulation, and scaffolding support; modification scope changes for RO9; post-RO9 work which includes non-outage modifications; Control Room and Administration Building renovations; scaffolding and material condition support; and maintenance backlog reduction support.

“The Trustees' approval is therefore requested to authorize the RO9 and non-outage tasks for IP3 as outlined above, to ratify the funding previously approved by the President in the amount of \$3,000,000, and to approve the additional funding in the amount of \$4,000,000, thereby increasing the revised compensation limit to \$47,000,000.

FISCAL INFORMATION

“Funds required to support many of the aforementioned contract services have been included in the 1997 Revised Approved Operations and Maintenance Budget. 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 Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering and the Vice President – Procurement and Real Estate recommend the Trustees' approval of the additional funding and resulting increase in the compensation ceiling of the procurement contract with NPS Energy Services Inc., as set forth above.

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

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In response to questions from Trustee Ciminelli, Mr. Hoff explained that this work, which arose in connection with an increase in the outage work scope, is billed by NPS at cost-of-labor plus 1%. He further explained that new bid is for the availability of craft labor on as "as-needed" basis only. Mr. Knubel added that this type of labor is used only for tasks requiring special expertise during outage and non-outage periods.

The attached resolution, as recommended by the President, was unanimously adopted.

RESOLVED, That pursuant to the Guidelines for Procurement Services Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with NPS Energy Services, 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>
General Maintenance Services for IP3		
NPS Energy Services C95-Z0040	\$ 4,000,000	12/31/97
Previously Approved Compensation Ceiling	\$40,000,000	
Additional Funding Authorized by President	<u>\$ 3,000,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$47,000,000</u>	

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10. Next Meeting

The Regular meeting of the Trustees will be held on **Tuesday, September 30, 1997, at the Clark Energy Center at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

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Closing

Upon motion made and seconded, the meeting was closed at 10:45 a.m.

Anne Wagner-Findeisen
Corporate Secretary

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