

May 20, 1999

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

May 20, 1999

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May 20, 1999

Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John F. English	Senior Vice President – Corporate Planning
H. Kenneth Haase	Senior Vice President - Transmission
James Knubel	Senior Vice President & Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services & Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
John M. Hoff	Vice President – Procurement and Real Estate
Russell Krauss	Vice President - Chief Information Officer
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
James J. McCarthy	Regional Manager – Central New York
Arthur M. Brennan	Director – Budgets
John L. Murphy	Director – Public Information
James L. Peterson	Director – Director Power Contracts
James H. Yates	Director – Business Marketing & Economic Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Laura Badamo	Assistant Secretary
Vernadine Quan-Soon	Assistant Secretary

Chairman Rappleyea presided over the meeting. Executive Vice President, Secretary and General Counsel Blabey kept the Minutes.

May 20, 1999

1. Approval of the Minutes

The minutes of the Annual Meeting held on April 27, 1999 were approved.

May 20, 1999

2. Financial Report for the Four Months Ended April 30, 1999

Mr. Bellis explained that an ostensible budget variance of some \$6 million is reported as such in the Financial Reports because of applicable Government Accounting Standards Board ("GASB") requirements. Accordingly, governmental entities such as the Authority are required to list both realized and unrealized gains and losses on their portfolio investments. Mr. Bellis noted that the \$6 million amount does not represent actual cash and no loss may ever be realized by the Authority; the report merely complies with the GASB mandate.

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss then briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. In particular, Mr. Krauss reported that the schedule and milestones for "mission critical" systems continue to be met. He described the status measures utilized by staff in the "System Status" graph submitted to the Trustees, explaining that this graph reflects the progress for individual computer systems pending final certification of Y2K compliance (358 systems completed to date). Thus, in addition to the 158 systems shown as "remain[ing]," 33 systems are "on hold," meaning they await some minor correction, and 29 systems which require some re-work are shown as "sent back". Mr. Krauss then elucidated other graphs depicting the status of systems by their priority classification (i.e., critical, severe or high) and by monthly progression, and reported that he does not anticipate difficulties with meeting the June 30th deadline.

Turning to the status of the Independent Verification & Validation ("IV&V") Program, Mr. Krauss reported that the Authority has retained the META Group, information technology, utility and nuclear industry experts who will perform plant walkdowns as part of the Authority's processes for demonstrating readiness. Overall nuclear effort is on schedule, and Mr. Krauss then explained additional graphs submitted to the Trustees reflecting the progress flow for individual nuclear systems by site and by category.

With respect to the remaining nuclear remediation and remaining certifications, as illustrated by another accompanying graph, Mr. Knubel explained that all but two or three nuclear systems will have completed testing by early May, and the remainder by early June, for example, the IP3 security system which needs to be tested by the vendor. Mr. Knubel stated that some minor slippage at IP3 with the more complex system packages should not hinder the upcoming certification to the NRC. He added that on-site at IP3, the NRC has been running through a readiness checklist and has provided good feedback to plant management. Referring to the graph in question, Trustee Ciminelli noted that the IP3 indicators currently show that IP3 is on target, and questioned whether that may be the case in another 30 days because of the size of the remediation variance. Mr. Knubel responded that he anticipates that the potential time lag will be overcome by then. Mr. Krauss noted that there was no shortage of resources and that everything identified for remediation should be accomplished on or about June 4, 1999.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 59 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit ‘4-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The Power for Jobs program originally made available 400 MW of power; 200 provided from the Authority’s James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program was to be phased in over three years, with approximately 133 MW being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 MW of power available and have accelerated the distribution of the power. 267 MW were made available in Year 1.

“Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At nine meetings from December, 1997 through April, 1999, the Trustee’s approved allocations to 480 businesses under the Power for Jobs program.

DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 2,800 inquires have been received and over 1,400 applications have been sent to prospective customers.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Fifty-nine applications were deemed highly qualified and presented to the EDPAB for its review on May 18, 1999. All remaining applications are still under review and will be considered at a later date.

“As a result of their meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the 12 businesses, 12 small businesses and 35 not-for-profit corporations listed in Exhibit ‘4-A’. Collectively, these organizations have agreed to create or retain over 19,850 jobs in New York State in exchange

for allocations totaling 21.130 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit '4-A'. The basis for EDPAB's recommendations is also included in Exhibit '4-A'.

RECOMMENDATION

"The Director – Business Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

"The Senior Vice President – Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations and I concur in the recommendation."

Chairman Rappleyea noted that the Power for Jobs program has now exceeded the 240,000 jobs mark and continues to produce an outstanding jobs/MW impact, as evidenced in the latest group of 19,587 jobs resulting from allocations of 21.13 MWs this month, which represents a ratio of some 925 jobs/MW, far in excess of the original target of 100 jobs per MW, along with the creation of some 895 new jobs.

The Chairman underscored that the wide variety of companies benefiting from the program range from long-established New York State businesses to start-up entities, hospitals, cultural institutions and others. However, the Chairman stressed, only about 23 MWs remaining in the total Year 2 program pool, and only 50 MW for Year 3. There are already pending applications for ten times that amount of power, not to mention the numerous applications still expected to arrive, along with incoming requests from those who have already received allocations, but need more power. The Chairman expressed the hope that the Legislature would take action to enlarge the parameters of this highly successful program.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 21.130 MW of allocations of Power for Jobs power to the companies listed in Exhibit "4-A";

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit "4-A" (the "Customers"), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That a total of 21.130 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee be, and hereby is, authorized to negotiate, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to execute any and all documents necessary or desirable to effectuate the foregoing.

5. Additional Allocation of Economic Development Power – CBS, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve an increase in the allocation of power and one modification to the term of service to CBS, Inc.

BACKGROUND

“At their meeting of April 27, 1999, the Members of the Economic Development Power Allocation Board recommended a 2 MW increase in the allocation of Economic Development Power (‘EDP’) to CBS, Inc. (‘CBS’). The company’s power allocation originally began in 1993. The contract demand currently stands at 6 MW for use at CBS’s facilities in midtown Manhattan. The New York City Public Utility Service (‘NYCPUS’) requests that the Authority authorize an additional 2 MW which raises the contract demand to 8 MW.

DISCUSSION

Increase in Contract Demand

“CBS is headquartered in New York City and has extensive television production and broadcast operations at its facility on West 57th Street. As the company prepares to invest in the next generation technology known as high definition television (‘HDTV’), it has evaluated various location alternatives. CBS has been approached by several communities to relocate its operations, and out-of-state sites have been evaluated by the company. With the proposed total allocation of 8 MW, CBS will commit to retain all its existing employment in New York and to invest more than \$7 million through 2000 in the broadcast center. The company plans to spend more than \$140 million on the facility over a 20 year period to maintain it as a state-of-the-art operation. On a full-time equivalent basis, CBS will maintain 3,827 jobs citywide, including headquarters personnel, resulting in a ratio of 478 jobs per MW. The retention project will be further supported with tax incentives from the City of New York. The proposed 20 year allocation, which would expire July 1, 2019, will save CBS approximately \$1,230,000 annually over Con Edison’s standard rates for the full allocation of 8 MW. EDP will be sold to the New York City Public Utility Service (‘NYCPUS’) for resale to CBS.

Modification to the terms of service

“One modification to the term of service for the current allocation of 6 MW, which expires October 31, 2006, is also requested which would establish an extension to the contract term to July 1, 2019.

Savings

“Electricity represents a significant portion of CBS’s budget. The savings that CBS has realized over the last 5 1/2 years from purchasing power from the Authority are estimated to total over \$5 million. Additionally, the savings associated with the proposed 2 MW increase in the company’s power allocation, estimated at over \$305,000 annually, would help CBS to maintain its competitive position with other television and radio broadcasting firms and to protect its employment at the facility.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that CBS, Inc.’s. contract demand be increased as described herein and that the term of service for the sale of power to CBS, Inc. be modified in accordance with the foregoing.

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

In response to questions from Trustee Miller, Mr. Yates explained that in addition to an increase of 2 MW’s to CBS’s current allocation, the duration of the contract would be extended from 2006 to 2019. Chairman Rappleyea noted that the proposed contract modifications would enable CBS to move toward implementing significant technology innovations in television broadcasting.

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

WHEREAS, the Economic Development Power Allocation Board has recommended an increase in the allocation of Economic Development Power to CBS, Inc.; and

WHEREAS, the Economic Development Power Allocation Board has recommended that the terms of service for the Sale, Transmission and Distribution of Power to CBS, Inc. be modified in accordance with the foregoing report of the President;

NOW THEREFORE BE IT RESOLVED, That the allocation of Economic Development Power to CBS, Inc. hereby is, increased by 2 MW in accordance with the foregoing report of the President; and be it further

RESOLVED, That the term of service for the Sale, Transmission and Distribution of Power to CBS, Inc. be extended to July 1, 2019, in accordance with the foregoing report of the President; and be it further

RESOLVED, That the contract for the resale of FitzPatrick industrial power between the New York City Public Utility Service and CBS, Inc. is subject to approval by the Senior Vice President - Business Marketing and Economic Development and approval of the form thereof by the Executive Vice President, Secretary and General Counsel; 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, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

6. Additional Sale of High Load Factor Power - Encore Paper Company, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the sale of an additional 6,000 kilowatts of High Load Factor (‘HLF’) Power from the James A. FitzPatrick Power Plant (‘FitzPatrick’) to Encore Paper Company, Inc. (‘Encore’) of South Glens Falls, New York. This sale of power above the base contract amount of 14,000 kilowatts will allow Encore to expand and operate new equipment. Encore, an existing HLF customer, meets applicable product content and electric demand requirements necessary to receive an additional HLF Power allocation.

BACK GROUND

“Encore was established in March 1992 at the site of a former James River Mill facility. On January 16, 1996 the Authority entered into a contract with Encore as a ‘high-load factor manufacturer’ for the sale of a base amount of 9,000 kilowatts and a job commitment of 254 jobs. At their meeting of April 28, 1998, the Trustees approved an additional allocation of 5,000 kilowatts and Encore increased its job commitment to 300 jobs.

“The Authority is authorized to supply HLF Power to ‘manufacturers which will build new facilities in the Authority’s area of service or expand existing facilities provided such power and energy is made available to them’ (Public Authorities Law Section 1005 2nd unnumbered paragraph). Encore has requested an additional allocation of 6,000 kilowatts of HLF Power to operate new equipment as part of a proposed expansion project at the South Glens Falls facilities. The allocation would be for a term of 8½ years to October 31, 2007. This term matches the end of the existing contract between Encore and the Authority. Encore’s contract with the Authority allows for the allocation of additional HLF Power upon application to and approval by the Authority.

DISCUSSION

“Encore is the largest recycled paper producer in New York State and one of the major employers in the South Glens Falls area, with an employment level of more than 300 people. Encore has indicated that 6,000 kilowatts of additional power is required to operate the proposed new expansion, which would consist of new de-inking equipment, a paper machine, a paper converter, ancillary equipment and associated fans, pumps and motors for the boiler plant and waste treatment facility. The new equipment and supporting infrastructure is estimated to cost \$120 million and will require the construction of a new 115kV substation by the summer 2000, before the new expansion is phased into service by early 2001. The proposed sale would permit Encore to plan for stabilized production levels and increase employment by up to 66 positions. The entire project represents new electric load in New York and will not replace service provided by any other electricity supplier. This proposed expansion project thus qualifies for HLF Power under the Public Authorities Law.

“At present the Authority supplies Encore’s full requirements. The cost of HLF Power and an Empire State Development Corporation grant of \$500,000 to purchase new paper converter equipment are Encore’s primary considerations in deciding to expand its South Glens Falls operation. If HLF Power is not made available, expansion of the plant to an out-of-state location will become an option to Encore. The proposed 8½-year allocation of 6,000 kilowatts of HLF Power from the FitzPatrick Plant would allow Encore to plan for a continuing orderly expansion of the plant and jobs. This allocation is in accordance with New York State’s and

the Authority's economic development goals. The amount of FitzPatrick power is available for the term requested.

"Delivery to Encore will be made pursuant to existing contract arrangements with Niagara Mohawk Power Corporation.

RECOMMENDATION:

"The Director – Business Marketing and Economic Development recommends that the Trustees approve the allocation to Encore Paper Company, Inc. of an additional 6,000 kilowatts of High Load Factor Power for a term of 8½ years as described herein.

"The Senior Vice President – Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation."

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

RESOLVED, That the proposed additional allocation of 6,000 kilowatts of FitzPatrick High Load Factor Power to Encore Paper Company, Inc as recommended in the foregoing report of the President be, and hereby is approved; 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 and desirable to effectuate the above allocation, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

7. Allocation of 1,990 kW Expansion Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of available Expansion Power, totaling nineteen hundred ninety (1,990) kW, to American Axle & Manufacturing, Inc.; Sherwood Taylor-Wharton Gas Equipment, Division of Harsco Corp.; Lakeside Warehouse Corporation; and Valeo Engine Cooling-Truck USA, four industrial companies.

BACKGROUND

“Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 MW of firm hydroelectric power as ‘Expansion Power’ to businesses within the state located within 30 miles of the Niagara Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

“Each application for an Expansion Power allocation must be evaluated under criteria which shall include, but need not be limited to, those set forth in PAL Section 1005 (13) (a).

DISCUSSION

“In accordance with the terms of the Power Authority Act, the Authority placed advertisements in three western New York newspapers seeking industrial customers who would expand and meet the criteria to receive an Expansion Power allocation. Eleven inquiries were received. Six companies subsequently filed applications.

“Authority staff reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Four companies have been selected to be recommended to receive Expansion Power allocations.

“Staff recommends that the available Expansion Power be allocated among four companies, as set forth in Exhibit ‘7-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. Each of these four recommended companies has a Jobs/MW ratio of 100 or over and as a group, averages 184 Jobs/MW.

“There are two companies for which staff is not recommending allocations. One company was not competitive in terms of jobs proposed and the other company requires the requested amount of power to accomplish the project it would commit to.

RECOMMENDATION

“The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of nineteen hundred ninety (1,990) kW of Expansion Power to: American Axle & Manufacturing,

Inc.; Sherwood Taylor-Wharton Gas Equipment, Div. of Harsco Corp.; Lakeside Warehouse Corporation, and Valeo Engine Cooling-Truck USA, as set forth above.

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

Trustee Ciminelli stated that he would abstain from voting on that portion of the proposed resolution as pertains to the American Axle Company with whom his firm has an existing business relationship.

The attached resolution, as recommended by the President, was adopted 4 to 1 with Trustee Ciminelli abstaining.

RESOLVED, That the allocation of nineteen hundred ninety (1,990) kW of Expansion Power to: American Axle & Manufacturing, Inc.; Sherwood Taylor-Wharton Gas Equipment, Div. of Harsco Corp.; Lakeside Warehouse Corporation; and Valeo Engine Cooling-Truck USA, be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Director - Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

**SUMMARY OF APPLICATIONS FOR
AVAILABLE EXPANSION POWER**

Recommended Companies

American Axle & Manufacturing, Inc. - Tonawanda

Business: Forged products are: rod caps, pinion and ring gears, spindles and hubs, net shape differential gears, steering linkages and suspension components for automobiles.

Proposal: Building acquisition at a cost of \$5.0 million. They are also planning to spend \$32.0 million for the purchase and installation of new machinery and equipment.

Job Commitment: 120 new jobs in the Cheektowaga plant to an existing 781 in the Tonawanda plant. Based on the recommended 250 kW of Expansion Power, the Job/MW ratio equates to 480

Recommendation: 250 kW of Expansion Power.

Sherwood Taylor-Wharton Gas Equipment, Div. of Harsco Corp. - Lockport

Business: Manufacturer of gas control product lines of compressed gas, propane, refrigerant gas, scuba diving and life support equipment.

Proposal: A plan to purchase and install fabrication equipment (screw machines, assembly equipment) and support equipment (air compressors, etc...) at a cost of \$7.8 million is proposed.

Job Commitment: 25 new jobs to an existing 543. This recommendation for 240 kW of Expansion Power would equate the Jobs/MW ratio to be 104.

Recommendation: 240 kW allocation of Expansion Power.

Lakeside Warehouse Corporation - Dunkirk

Business: Lakeside is a division of Red Wing Company located in Chautauqua County. Lakeside owns a building which primarily warehouses raw material and finished goods for Red Wing Company. A syrup production line has recently been added to its operation.

Proposal: A plan to purchase and install equipment at a cost of **\$1.6** million.

Job Commitment: 72 new jobs to an existing 127. This recommendation for 500 kW of Expansion Power, would equate the Jobs/MW ratio to be 144.

Recommendation: 500 kW allocation of Expansion Power.

Valeo Engine Cooling – Truck USA - Jamestown

Business: A supplier and R&D company to the automotive/Truck industry. The company manufactures radiators, charge-air coolers, and condensers.

Proposal: A plan to acquire additional property for parking (cost is being negotiated). Also included, is a plan to purchase and install equipment at a cost of \$4.0 million.

Job Commitment: 150 new jobs to an existing 350. This recommendation for 1 MW of Expansion Power, would equate the Jobs/MW ratio to be 150.

Recommendation: 1 MW allocation of Expansion Power.

May 20, 1999

8. Approval of Rider B To Service Tariff No. 39A (Firm Hydroelectric Wholesale Power Service) and Rider C To Service Tariff No. 39B (Firm Nuclear Wholesale Power Service) – Notice Of Adoption

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve Rider B to Service Tariff No. 39A (Firm Hydroelectric Wholesale Power Service) pursuant to which participating partial requirements municipal electric system customers (‘Partials’) would purchase capacity under that tariff on an as-used basis rather than on a monthly contract demand basis. The Trustees are also requested to approve Rider C to Service Tariff No. 39B (Firm Nuclear Wholesale Power Service) pursuant to which Partials participating in the Authority’s Municipal Industrial Economic Development Program (‘the Program’) would purchase capacity under that tariff on an as-used basis rather than on a contract demand basis. Both riders would be given retrospective effect to July 1, 1998. The Trustees are also requested to authorize the Executive Vice President, Secretary and General Counsel to file with the Secretary of State a Notice of Adoption for these riders for publication in the State Register.

BACKGROUND

“In 1998, 30 of the Authority’s 47 in-state municipal electric system customers transferred from full to partial requirements service. Two additional municipal systems are scheduled to similarly transfer in 1999.

“As full requirements customers of the Authority, municipal systems purchase Niagara power and incremental power on an as-used basis. The Niagara tariff applicable to Partials requires these systems to pay for Niagara power on a contract demand basis. The recently transferred and the transferring Partials have requested that the Authority implement arrangements to modify the demand billing provisions of Service Tariff No. 39A so that these provisions are similar to the ones that those systems enjoyed as full requirements customers.

“Attached is a copy of Rider B (Exhibit ‘8-A’) to Service Tariff No. 39A which provides that the monthly Niagara billing demand applicable to participating Partials would be based on the lesser of the Partial’s monthly peak or its Niagara contract demand. Rider B also provides for the insertion of the revised billing demand in a formula in the tariff used to compute the Partial’s monthly energy entitlement. This adjustment produces a reduction in the amount of Niagara energy to which the Partial could otherwise be entitled during months in which its contract demand exceeds the demand actually used.

“Partials that participate in the Program have requested that the Authority implement arrangements to effect a change in the billing demand under Service Tariff No. 39B consistent with the foregoing modification described for Service Tariff No. 39A. Such a modification, which is incorporated in the attached Rider C (Exhibit ‘8-B’) to Service Tariff No. 39B, would allow these Partials to realize economic benefits similar to those produced by the Program under full requirements status.

DISCUSSION

“Pursuant to the approved procedures, the Executive Vice President, Secretary and General Counsel filed notice for publication in the State Register of proposed Riders B and C. Such notice was published on March 24, 1999 and no comments concerning the proposed riders have been received.

FISCAL INFORMATION

“If all Partials execute Rider B, the Authority’s hydropower revenues would be reduced by approximately \$500,000. Application of Rider C would reduce annual incremental revenues by about \$400,000. These revenue reductions are more than offset by the costs to which the Authority could potentially be subject absent the change in the Niagara energy entitlement formula accomplished by Rider B.

RECOMMENDATION

“The Director-Power Contracts and Billing recommends that the attached Rider B to Service Tariff No. 39A and Rider C to Service Tariff No. 39B be approved with retrospective effect to July 1, 1998 and that the Senior Vice President – Marketing and Economic Development be authorized to execute such riders with participating municipal systems.

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

“The Vice President – Controller, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Chief Financial Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

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

RESOLVED, That proposed Rider B to Service Tariff No. 39A and Rider C to Service Tariff No. 39B are hereby approved; and be it further

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

RESOLVED, That the Senior Vice President – Marketing and Economic Development or her designee be, and hereby is, authorized to execute Rider B and Rider C on behalf of the Authority, and provide refunds through billing credits, retroactive to July 1, 1998, to those municipal systems that execute such riders.

POWER AUTHORITY OF THE STATE OF NEW YORK
RIDER B TO SERVICE TARIFF NO. 39A

This Rider B shall modify Service Tariff ("ST") No. 39A (Firm Hydroelectric Wholesale Power Service) as set forth below.

A. EXISTING CONTRACT

The supply of service under this Rider B is subject to all provisions of the Customer's 1986 power supply contract with the Authority as modified by a 1991 amendment. Such contract as amended shall be referred to herein as "the Contract."

In the event of any inconsistency, conflict or difference between the provisions of this Rider B and ST No. 39A, or a successor tariff, the provisions of this Rider B shall govern.

B. TERM OF SERVICE

Subject to execution by the Authority and the Customer, this Rider B shall become effective on the date specified below and shall remain in effect with respect to service to the Customer for the unexpired term of the Contract unless the Contract is terminated by the Authority or the Customer pursuant to the provisions incorporated therein or unless the Authority and the Customer mutually agree to terminate service hereunder.

C. HYDROELECTRIC CONTRACT DEMAND

The Hydroelectric Contract Demand shall be the maximum amount of hydroelectric kilowatts contracted for in the Application for Electric Service, as such amount may be modified from time to time pursuant to the terms of the Contract, as measured at Authority's generating station switchyards.

C. BILLING DEMAND

The Billing Demand shall be the lesser of (a) the Hydroelectric Contract Demand, or (b) Customer's highest 30-minute integrated demand measured during the billing period, adjusted for losses.

E. ALLOCATION OF ENERGY

The kilowatt-hours allocated to the Customer under this Service Tariff during a billing period shall be the amount scheduled for the billing period up to a maximum of the product of (a) the Billing Demand, (b) the number of hours in the billing period and (c) the Customer's system load factor for the corresponding billing period in the previous year.

F. ENERGY SCHEDULING

Subject to the provisions of NYPA Partial Requirement Scheduling and Dispatch Procedures ("the Procedures"), which are incorporated herein as if set forth at length and which may be modified by the Authority from time to time upon thirty (30) days' prior written notice, Customer may schedule during billing period an amount of energy equaling up to the product of (a) the Hydroelectric Contract Demand, (b) the number of hours in the billing period and (c) Customer's system load factor for the corresponding billing period in the previous year. Customer reserves the right to challenge any modification of the Procedures by the Authority.

Customer will use Good Utility Practices (as defined in Paragraph G herein) to ensure that it does not schedule in any hour more energy than the lesser of Customer's load in such hour, adjusted for losses, or the Customer's Hydroelectric Contract Demand. Over the course of a billing period, Customer will use Good Utility Practices to ensure that it does not schedule more energy than the lesser of the Customers total monthly energy requirements, adjusted for losses, or the Customer's energy entitlement for the billing period as determined in the foregoing Paragraph E entitled "Allocation of Energy".

Effective Date: July 1, 1998

In the event that the amount of energy scheduled by Customer in any hour during the billing period exceeds the "highest 30-minute integrated demand" referenced in the foregoing Paragraph D entitled "Billing Demand", then for purposes of computing the Billing Demand, the highest hourly schedule submitted by Customer for the billing period shall be deemed to be the highest 30-minute integrated demand measured during the billing period, adjusted for losses. Over-scheduled energy shall be reconciled in accordance with the Procedures.

G. GOOD UTILITY PRACTICES

For the purposes of this Rider B, "Good Utility Practices" shall mean any of the practices, methods and acts engaged in or accepted by the New York Power Pool ("NYPP") or its successor, the Northeast Power Coordinating Council ("NPCC") and a significant portion of the electric utility industry ("Industry") at the time the decision was made, which would have been expected to accomplish the desired result at a reasonable cost given the circumstances, consistent with the NYPP's, the NPCC's and the Industry's standards and practices for economy, reliability, safety and expedition with due regard for the protection of the environment. Good Utility Practices are not intended to be limited to the optimum practices, methods or acts to the exclusion of all others, but rather to a spectrum of possible practices, methods or acts engaged in or accepted by the NYPP, NPCC and Industry at the time the decision was made. Should there be conflicts between the practices, methods and acts of the NYPP and NPCC versus the Industry, the NYPP, NPCC standards and practices shall prevail.

H. NO UNILATERAL AMENDMENT

This Rider B shall be subject to amendment by the Authority only upon the written concurrence of all customers receiving service hereunder.

Effective Date: July 1, 1998

IN WITNESS WHEREOF, the parties have cause this Rider B to be executed by their proper officers there unto duly authorized as of the date written below:

POWER AUTHORITY OF THE STATE OF NEW YORK

BY: _____

TITLE: _____

DATE: _____

CUSTOMER

BY: _____

TITLE: _____

SYSTEM: _____

DATE: _____

Effective Date: July 1, 1998

POWER AUTHORITY OF THE STATE OF NEW YORK
RIDER C TO SERVICE TARIFF NO. 39B

This Rider C shall modify Service Tariff ("ST") No. 39B (Firm Nuclear Wholesale Power Service) as set forth below.

A. APPLICABILITY

To partial requirements municipal and rural electric cooperative systems in New York (individually referred to herein as "the Customer") participating in the Authority's Municipal Industrial Economic Development Program ("the Program").

B. EXISTING CONTRACT

The supply of service under this Rider C is subject to all provisions of the Customer's 1986 power supply contract with the Authority as modified by a 1991 amendment. Such contract as amended shall be referred to herein as "the Contract."

In the event of any inconsistency, conflict or difference between the provisions of this Rider C and ST No. 39B, or a successor tariff, the provisions of this Rider C shall govern.

C. TERM OF SERVICE

Subject to execution by the Authority and the Customer, this Rider C shall become effective on the date specified below and shall remain in effect with respect to service to the Customer for the unexpired term of the Contract unless the Contract is terminated by the Authority or the Customer pursuant to the

Effective Date: July 1, 1998

provisions incorporated therein or unless the Authority and the Customer mutually agree to terminate service hereunder.

D. CAPACITY RATE

The Capacity Rate applicable to service provided pursuant to the Program shall be the Capacity Rate applicable under ST No. 38B.

E. NUCLEAR CONTRACT DEMAND

Solely with respect to the Program, this provision shall be eliminated from ST No. 39B.

F. BILLING DEMAND

Solely with respect to the Program, the Billing Demand under ST 39B for any billing period shall be the lesser of (i) the aggregate amount of incremental power (as determined pursuant to the Contract) made available by the Authority to the Customer under the Program, or (ii) the amount by which the Customer's highest 30 minute integrated demand during the billing period exceeds the Customer's Hydroelectric Contract Demand under the Contract, both (i) and (ii) as measured at the Authority's generating station switchyards. In no event will the Billing Demand be less than zero.

G. ALLOCATION OF ENERGY

Solely with respect to the Program, the term "Billing Demand" shall be substituted for "Nuclear Contract Demand" under the Allocation of Energy provision of ST 39B.

H. NO UNILATERAL AMENDMENT

Effective Date: July 1, 1998

This Rider C shall be subject to amendment by the Authority only upon the written concurrence of all Customers receiving service hereunder.

IN WITNESS WHEREOF, the parties have caused this Rider C to be executed by their proper officers thereunto duly authorized as of the dates written below:

POWER AUTHORITY OF THE STATE OF NEW YORK

By: _____

Title: Senior Vice President-Marketing and Economic Development

Date: _____

CUSTOMER

By: _____

Title: _____

System: _____

Date: _____

Effective Date: July 1, 1998

**9. Amendment to Authority's Rules and Regulations
Part 454.6(a) – Billings – Notice of Adoption**

The President submitted the following report:

SUMMARY

“The Trustees are requested to adopt as a final action the proposed amendment to the Authority's Rules and Regulations Part 454.6(a) to provide that the Authority will submit bills on or before the tenth business day of every month, and that the Executive Vice President, Secretary and General Counsel of the Authority be authorized to file with the Secretary of State a Notice of Adoption for publication in the State Register.

BACKGROUND

“At their meeting of January 26, 1999, the Trustees authorized the Executive Vice President, Secretary and General Counsel to file notice of the proposed modification amending Part 454.6(a) of the Authority's Rules and Regulations, to provide that the Authority will submit bills to customers on or before the tenth business day of the billing period. The proposed modification to Section 454.6(a) as provided in the proposed action, submitted to the Trustees on January 26, 1999, is set forth hereto as Exhibit '9-A'.

DISCUSSION

“Pursuant to the authorization given at the January 26, 1999 meeting, the notice of proposed action was published in the State Register on March 24, 1999. No comments concerning the proposed action have been received by the Secretary's office in response to the publication.

RECOMMENDATION

“The Director – Power Contracts and Billing recommends that Section 454.6(a) of the Authority's Regulations amendment proposed on January 26, 1999 to provide that the Authority will submit bills to customers on or before the tenth business day of the billing period set forth hereto as Exhibit '9-A' be adopted as final.

“It is also recommended that the Trustees authorize the Executive Vice President, Secretary and General Counsel of the Authority to file Notice of Adoption with the Secretary of State for publication in the New York State Register and to file such other notice as may be required by statute or regulation.

“The Senior Vice President – Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

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

RESOLVED, That the proposed amendment to Part 454.6(a) of Chapter X Title 21 of the Official Compilation of Codes, Rules and Regulations of the State of New York

(21 NYCRR 454.6(1995)), as a practice bearing on the Authority's rates be adopted as a final action, and take effect as soon as accepted for filing by the State Register as recommended in the foregoing report of the President; and be it further

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

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President - Marketing and Economic Development, and the Director - Power Contracts and Billing are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further documents or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effectuate the intent of the foregoing resolutions.

Chapter X Title 21 of the Official Compilation of Codes,
Rules and Regulations of the State of New York

[] = Deletions

___ = New Material

Part 454.6

Billings and Payments.

(a.) Billings. Except as otherwise provided in the accepted application for electric service, the applicable service tariff or other contract documents, authority will submit bills to customer on or before the 10th business day of each billing period for electric service furnished during the preceding billing period, and payments will be due and payable by customer on the first day of the billing period immediately succeeding the date each bill is submitted. For the purposes of the preceding sentence, the term "business day" shall mean a day other than Saturday, Sunday, or banking holiday in the State of New York.

10. Banking Resolution – Management of Banking Relationships

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the attached Banking Resolution (‘Resolution’) which amends the resolution adopted on March 26, 1996, to reflect the elimination of the Senior Vice President – Business Services position.

BACKGROUND

“The proposed resolution recognizes the elimination of the Senior Vice President – Business Services position and assigns responsibilities of this authorizing officer to the Senior Vice President and Chief Financial Officer.

“The resolution establishes procedures and names those individuals by title who may establish bank accounts, sign checks, invest Authority funds and execute agreements and other documents on behalf of the Authority. The resolution also establishes who may authorize other individuals within the Authority to sign checks, deposit money, transfer and invest funds on behalf of the Authority. This represents no change from the authorizations and procedures contained in the existing resolution.

“The attached resolution will provide ongoing flexibility to update bank records and documents, while assuring appropriate controls that are consistent with the Authority’s policies and procedures. The resolution has been reviewed by and meets with the approval of the Authority’s Vice President - Controller and the Director - Internal Audit.

RECOMMENDATION

“The Treasurer recommends that the Trustees approve the amended Corporate Banking Resolution.

“The Executive Vice President, Secretary and General Counsel, and I concur in the recommendation.”

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

RESOLVED, That the resolution adopted by the Trustees on March 26, 1999 relative to the Management of Authority Banking Relationships is hereby amended as indicated below; and be it further

RESOLVED, That the following authorizations are established with respect to the national or state banks (hereinafter referred to individually as the ‘Bank’) that may be designated as a depository of this corporation and the execution of account - related agreements or documents on behalf of the Authority:

- 1. The establishment, maintenance or closing of bank accounts, including depository and custody accounts, for and in the name of the Authority with any Bank or Trust Company shall be authorized by the Treasurer or the Deputy Treasurer with concurrence by one of the following: the Chairman & Chief Executive Officer, the President & Chief Operating**

Officer, or the Senior Vice President and Chief Financial Officer;

- 2. The Senior Vice President and Chief Financial Officer, the Treasurer or the Deputy Treasurer, or such other individual(s) as may be designated by the Treasurer with the concurrence of the Senior Vice President and Chief Financial Officer, are hereby authorized to: (i) sign checks, drafts, and other items for withdrawal or deposit of monies for and on behalf of the Authority, and (ii) initiate the transfer of monies by wire or otherwise for the payment or withdrawal of funds, for and on behalf of the Authority;**
- 3. The Senior Vice President and Chief Financial Officer or the Treasurer are hereby authorized to sign checks with a facsimile signature for the withdrawal of monies from Authority accounts;**
- 4. The Senior Vice President and Chief Financial Officer, the Treasurer or the Deputy Treasurer, or such other individuals as may be designated by the Treasurer, are authorized to invest and reinvest monies in the account for, and on behalf of the Authority; and**
- 5. Execution of agreements, certificates, indemnities, and other documents related to conducting business with the Bank may be authorized by the Treasurer or Deputy Treasurer with the concurrence of one of the following: the Chairman & Chief Executive Officer, the President & Chief Operating Officer, or the Senior Vice President and Chief Financial Officer.**

11. 1998 Annual Report of Procurement Contracts and Annual Review of Open Procurement Contracts

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the 1998 Annual Report of Procurement Contracts (Exhibit ‘11-A-1’), and the Guidelines for Procurement Contracts (Exhibit ‘11-A-2’), and to review open service contracts exceeding a year as detailed in the Annual Report (Exhibit ‘11-A-3’). An Executive Summary is set forth in Exhibit ‘11-A’.

BACKGROUND

“Section 2879 of the Public Authorities Law (‘PAL’) governs the administration and award of procurement contracts equal to or greater than \$5,000. Section 2879 of the PAL requires public authorities to adopt comprehensive guidelines detailing their operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts. The Authority’s current Guidelines were approved by the Trustees at their meeting of October 31, 1989 and, were implemented as of January 1, 1990.

“Section 2879 of the PAL also requires authorities to review and approve such guidelines annually and to file a report regarding procurement contracts with the Division of the Budget; the Department of Audit and Control; the Department of Economic Development; the Senate Finance Committee; and the Assembly Ways and Means Committee. The annual report must include a copy of the Authority’s current Guidelines, details concerning any changes to the Guidelines during the year and particular information concerning procurement contracts. For each procurement contract included in the report the following information must be identified:

[A] listing of all procurement contracts entered into [by the Authority], all contracts entered into with New York State business enterprises and the subject matter and value thereof, all contracts entered into with foreign business enterprises, and the subject matter and value thereof, the selection process used to select such contractors, all procurement contracts which were exempt from the publication requirements of article four-C of the economic development law, the basis for any such exemption and the status of existing procurement contracts.

“Lastly, Section 2879 of the PAL requires an annual review by the Trustees of open service contracts exceeding one year. Those long-term service contracts exceeding a year and awarded after January 1, 1990, are also included in the Annual Report. Open service contracts awarded prior to January 1, 1990, are listed in Exhibit ‘11-A-3’.

DISCUSSION

“The 1998 Annual Report of Procurement Contracts is attached for review and approval by the Trustees (Exhibit ‘11-A-1’). This report reflects activity for all procurement contracts equal to or greater than \$5,000, as identified by the Authority’s PARIS computer system, that were open, closed, or awarded in 1998, including contracts awarded in 1990 through 1997 that were completed in 1998, or were extended into 1999. All

additional information required by the statute is also included. The Trustees are requested to approve the attached Annual Report pursuant to Section 2879 of the PAL prior to submittal thereof to the Division of the Budget; the Department of Audit and Control; the Department of Economic Development; the Senate Finance Committee; and the Assembly Ways and Means Committee.

“A copy of the Guidelines for Procurement Contracts, effective April 27, 1999 (Exhibit ‘11-A-2’), is attached to the Report. These Guidelines are substantively the same as the version approved last year. This year’s Guidelines include a requirement that an Appendix ‘I’, which addresses the New York State Y2K warranty standard, be included with contract documents.

RECOMMENDATION

“The Vice President - Procurement and Real Estate recommends that the Trustees approve the 1998 Annual Report of Procurement Contracts, the Guidelines for Procurement Contracts, and review of open service contracts as attached hereto in Exhibits ‘11-A-1’ through ‘11-A-3.’

“The Senior Vice President – Chief Financial Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

Trustee McCullough commended Mr. Hoff and staff members on a very good report. President Zeltmann added that staff has been especially aggressive in seeking new compensation formats for large vendors, such as Westinghouse, whereby the latter are motivated to ensure more successful collaboration in nuclear outages by the prospect of a monetary share in successful results. Trustee Miller inquired whether the report includes any contracts that have not required Trustee authorization under the Guidelines. Mr. Hoff responded in the negative.

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

RESOLVED, That pursuant to Section 2879 of the Public Authorities Law and the Authority's Procurement Guidelines, the Annual Report of Procurement Contracts, as listed in Exhibit “11-A-1”, and the Guidelines for the use, awarding, monitoring and reporting of Procurement Contracts (Exhibit “11-A-2”) be, and hereby are, approved; and be it further

RESOLVED, That the open service contracts exceeding a year be, and hereby are, reviewed.

NEW YORK POWER AUTHORITY
ANNUAL REPORT OF PROCUREMENT CONTRACTS

EXECUTIVE SUMMARY

The New York Power Authority ("Authority") is a diversified energy corporation committed to meeting the electrical needs and challenges of New York State by providing lower cost electricity as well as being a leader in conservation, energy efficiency, electro-technologies and small scale renewable. A nonprofit, public-benefit energy corporation, the Authority does not use tax revenues or State funds or credit. It finances construction of its projects through bond sales to private investors and repays the bondholders with proceeds from operations.

In 1998, the Authority provided 26% percent of all electricity used in New York State. The Authority's total amount sold was 41.8 billion kWh of electricity from its twelve generating facilities and from power purchased from other sources. 10% percent of this energy was produced from oil and natural gas, 28% from nuclear and, 62% from hydro generation.

The Authority has also undertaken a major effort to install new efficient lighting fixtures and ballasts in State and city facilities, public schools throughout the State, and municipal and local governments in N.Y. State. This program, called HELP (High Efficiency Lighting Program) is expected to approach \$400,000,000.

Other Energy Efficiency efforts include an Electrotechnologies Program for public customers in Southeastern New York to use alternative fueled energy technologies; a Coal Conversion Program for New York City Schools and Buffalo Public Schools to replace obsolete coal boilers with modern boilers using optimized dual-fuel (gas or oil) technology; a program for supplying super-efficient refrigerators for certain Authority Public Housing customers; and an Electric Vehicle Program promoting the use of electric vehicles (cars, pick-ups and buses) throughout N.Y. State: and installation of Photovoltaic (PV) Systems on several facilities throughout New York State .

In the course of constructing and operating its facilities, the Authority requires the services of outside firms for accounting, engineering, legal, public relations, surveying, and other work of a consulting, professional or technical nature to supplement its own staff, as well as to furnish varied goods and services, and perform construction work. Many of these contracts are associated with the construction, maintenance and operation of the Authority's electric generating facilities and transmission lines, and support of the Energy Efficiency Projects noted above.

PROCUREMENT GUIDELINES

In compliance with the applicable provisions of Section 2879 of the Public Authorities Law, as amended by the laws of 1988, the Authority has established comprehensive guidelines detailing its operative policy and instructions concerning the use, awarding, monitoring, and reporting of procurement contracts.

A copy of the Authority's current Guidelines for Procurement Contracts governing solicitations and evaluation of proposals for procurement contracts is attached hereto. These Guidelines, approved by the Authority's Trustees, were implemented as of January 1, 1990, and have been amended annually as necessary. There are no additional amendments recommended to be made at this time. The Guidelines describe the Authority's process for soliciting proposals and awarding contracts. Topics detailed in the Guidelines include solicitation requirements, evaluation criteria, contract award process, contract provisions, change orders, M/WBE requirements, employment of former officers and reporting requirements. The Guidelines have been designed to be self-explanatory.

ACCOMPLISHMENTS

Major procurement efforts in 1998 included purchase of goods, services and construction work, in support of the Authority's operating projects, support of the JAF refueling outage, the High Efficiency Lighting Program ("HELP") and the Refrigerator Program for the New York City Housing Authority. Procurement is continuing efforts to streamline the procurement process and, supporting the requirements of our operating and capital projects, and headquarters operations.

(1) Major efforts to streamline the Procurement Process continued in 1998. These efforts included:

(i) Expansion of the Authority's Credit Card Procurement System (CCPS)

At the end of 1998, there were approximately 282 cardholders at headquarters and operating facilities. Credit card use averaged nearly 2100 transactions, valued over \$1,250,000, monthly. The total number of transactions, as noted in Attachments I and IA, grew to over 25,400 in 1998, from 23,900 in 1997, 22,500 in 1996, and almost 17,000 in 1995. At the same time, the number of formal purchase orders ranged from almost 18,000 in 1994, 13,000 in 1995, 11,000 in 1996, 12,000 in 1997, to approximately 11,000 in 1998 resulting with a corresponding reduction in paperwork associated with purchase order issuance, invoice processing and check disbursement.

(ii) Blanket Orders and System Contracts

Efforts continued to bid, negotiate and award multi-year contracts for goods and services, wherever possible, to obtain better pricing and to make the procurement process more efficient. Over 70 continuous service agreements, approved by the Trustees, have been awarded to provide engineering and support services for the Authority's nuclear operations. These included service agreements including fire

protection, and Appendix "R" work, electrical engineering support, licensing engineering support, Instrumentation and Control ("I&C") engineering, mechanical engineering, Probabilistic Risk Assessment, training services, Design Basis Documentation ("DBD"), and temporary engineering support services. Similar agreements also exist to support engineering needs for our other facilities.

A similar effort began in 1995 to bid and award multi-year "system" blanket contracts for goods and other services in support of the operating facilities. To date, over 58 such contracts have been awarded, resulting in estimated savings of \$2 million over life of these contracts.

(iii) Negotiated Savings Program

The procurement staff at the Authority established a goal of achieving \$5,100,000 of additional savings through negotiation of improved pricing and other commercial terms with low recommended bidders and the resolution of back charges and claims with our outside Vendors and Contractors. In 1998, the estimated value of such savings was \$5,600,000, ranging from improved pricing terms for Integrated Outage Contract at JAF, contracts in support of HELP and Energy Efficiency and, our nuclear operation and Niagara expansion.

(iv) Supplier Diversity Program (SDP)

In 1998, the Power Authority continued to optimize the utilization of Minority/Women Business Enterprises providing goods and services in support of the Authority operations. As noted in Attachment II, the Authority awarded over \$22,000,000 for goods and services in 1998 to M/WBE firms. This included direct procurements of office supplies, computer equipment, temporary engineering and instrumentation and control personnel, and design and construction work (including electrical work in support of the HELP Program).

Our M/WBE goal in 1998 was and remains 6% of the total reportable procurement expenditures. The actual percentage attained for calendar 1998 was 9.9%. Bulk reporting of M/WBE expenditures from a prime contractor and increased gas purchases from a minority owned business directly contributed to the increased percentage attained.

The Authority includes subcontracting goals to M/WBE firms in non-construction procurements over \$25,000 and construction procurements over \$100,000. This has been and will continue to be a major focus for the HELP and other construction contracts, and resulted in major subcontracts to M/WBE firms for electrical work including installation of ballasts and fixtures.

The Authority's 9th annual Vendor Fair, co-sponsored with the National Minority Business Council ("NMBC"), was held in June 1998 and was attended by approximately 200 M/WBE entrepreneurs. This was an opportunity for these firms to meet with procurement personnel at the various Authority facilities, many fortune 500 companies, as well as with representatives of our major vendors. A similar vendor fair will be held in 1999 as it continues to be successful.

The Authority has also focused on increasing opportunities for M/WBE firms to participate in investment banking activities, including Treasury bill investments, as well as including an M/WBE firm as a co-manager in the Tax Exempt Commercial Paper Program. In fact, M/WBE investment banking firms handled nearly \$578,000,000 in transactions for the Authority in 1998.

Procurement representatives also worked closely with, and were members of, the NMBC, the Association of Minority Enterprises of N.Y. ("AMENY"), the New York/New Jersey and Westchester Minority Purchasing Council, and the Westchester and Long Island Hispanic Chamber of Commerce.

ANNUAL REPORT - 1998 PROCUREMENT CONTRACTS

The Annual Report includes specific details of procurements of \$5,000 or greater, awarded since January 1, 1990 and which were active in 1998. There were 3,387 such contracts with an estimated value exceeding \$2,316,000,000, which also includes fossil, and nuclear fuel expenditures.

Total procurement expenditures in 1998 exceeded \$403,000,000. This included over \$88,000,000 for the purchase of fossil fuels, and \$41,000,000 for the purchase of nuclear fuels and related nuclear services. Approximately 61% of the contracts active in 1998 were closed out last year.

As noted in Attachment III, approximately 3% of these contracts were for construction work, over 59% were for the purchase of equipment and commodities, over 9% were for consulting contracts (e.g., engineering, design, specialized analysis), with the remaining 29% for other services, such as technician work and contracted personnel. It should also be noted that while approximately 49% of the 1998 non-fuel contracts covered by the Report exceeded \$25,000, the total value of those contracts were approximately 97% of the total non-fuel expenditures.

Attachment IV indicates that based upon the total value of the contracts included in the Annual Report, approximately 91% of the total dollars expended (including fuels) were for contracts, which were competitively bid. In terms of the numbers of contracts processed (Attachment V), approximately 64% were competitively bid and 36% were sole source awards. Major reasons for the sole source awards included the purchase of spare parts and services from original equipment manufacturers, and to procure services on an emergency basis and from proprietary sources in support of the nuclear operations.

Attachment VI provides a breakdown of total expenditures in 1998 by the Authority's various facilities for those contracts covered by the Report.

**THIS SPACE RESERVED FOR
EXHIBIT '11-A-1'
"ANNUAL REPORT ON
PROCUREMENT CONTRACTS"**

GUIDELINES FOR PROCUREMENT CONTRACTS

I. **PURPOSE**

The purpose of these Guidelines for Procurement Contracts ("Guidelines"), which comply with the applicable provisions of Article 4-C of the Economic Development Law and § 2879 of the Public Authorities Law, is to establish the basis for soliciting and evaluating proposals from individuals and/or firms providing goods and/or services as defined below in section II. Consistent with these Guidelines individual facilities or headquarters departments may establish specific supplementary guidelines based on their own needs.

II. **DEFINITIONS**

“Procurement Contracts” are all contracts for the acquisition of goods and/or services in the actual or estimated amount of five thousand dollars (\$5,000.00) or more. Such goods and/or services shall consist of all those necessary to support the Authority's Headquarters Facilities, Operating and Capital Construction Projects, including but not limited to: goods, such as office supplies, major electrical equipment, and nuclear-grade equipment; construction and maintenance work; and services as more fully described in section II.B below. Procurement Contracts shall not include memberships in various industry groups, professional societies, and similar cooperative associations, nor any cooperative projects and procurement activities, conducted or sponsored by such organizations, in which the Authority participates; advertising agreements with radio, television, and print media shall also be excluded.

- A. “Services Contracts “are Procurement Contracts for services of a consulting, professional or technical nature provided by outside consultants/contractors (individuals, partnerships or firms not officers or employees of the Authority) for a fee or other compensation. Services Contracts are comprised of three specific types: Personal Services, Non-Personal Services, and Construction. Personal Services include, but are not limited to: accounting, architectural, engineering, investment banking, legal, public relations, planning, management consulting, surveying, training (when provided on Authority property and/or exclusively for Authority employees), and construction management. Non-Personal Services include, but are not limited to: skilled or unskilled temporary personnel, including clerical office staff, technicians or engineers working under Authority supervision; maintenance; repairs; and printing services. Construction includes Procurement Contracts involving craft labor.

Note: Use of such services may be appropriate (1) when a consultant/contractor possesses special experience, background or expertise; (2) when there is

insufficient Authority staff and retention of a consultant/contractor is more appropriate or economical than hiring additional permanent staff; (3) to provide independent external review or a second opinion; (4) to meet unusual schedule requirements or emergencies; or (5) for a combination of these factors.

“Goods” include equipment, material and supplies of every kind.

III. SOLICITATION REQUIREMENTS

- A. Solicitation of proposals for Procurement Contracts is the joint responsibility of the Procurement Division at the Headquarters offices, or the Procurement Departments at the facilities, and the initiating unit. Except as otherwise authorized by these guidelines, a request for proposal ("RFP") shall be sought from a minimum of three providers and/or firms (if available) for purchases valued under \$25,000 and a minimum of five providers and/or firms (if available) for purchases valued at \$25,000 and greater commensurate with the magnitude and nature of the goods and/or services, and the schedule for performance. It is preferable that more than five proposals be requested whenever possible and practicable.
- B. Pre-qualification of prospective bidders may be employed for Procurement Contracts to be bid by invitation. In such cases, proposals will be requested only from those providers and/or firms whose pre-qualification submittals show sufficient ability and competence to supply the particular goods and/or perform the particular services required.
- C. The Authority shall, in order to promote the use of minority and women-owned business enterprises, ("M/WBE's") solicit offers from minority and women-owned business enterprises known to have experience in the area of the goods and/or services to be provided, regardless of the type of contract. For the purpose of these Guidelines, a minority or women-owned business enterprise shall be any business enterprise at least 51 percent owned by Blacks, Hispanics, Native Americans ("Indians"), Asians, Pacific Islanders, and Women, and as further described in the Authority's Minority and Women-Owned Business Enterprise Policy and Procedures, and Executive Law Article 15-A.
- D. In order to foster increased utilization of M/WBE's, a single proposal can be sought, negotiated, and accepted for purchases of goods or services not exceeding \$5,000 from an M/WBE certified by New York State offering a reasonable price for such items or services (not exceeding \$5,000).

E. Pursuant to Public Authorities Law § 2879, it is the policy of New York State to promote the participation of and maximize the opportunities for New York State business enterprises and New York State residents in Procurement Contracts. The Authority shall use its best efforts to promote such participation and shall comply with the applicable provisions of the Act.

1. For the purpose of this section III, a New York State business enterprise shall mean a business enterprise, including a sole proprietorship, partnership, or corporation which offers for sale or lease or other form of exchange, goods which are sought by the Authority and which are substantially manufactured, produced or assembled in New York State or services which are sought by the Authority and which are substantially performed within New York State and as further described in Public Authorities Law § 2879.
2. For the purpose of this section III, a New York State resident means a natural person who maintains a fixed, permanent and principal home located within New York State and to which such person, whenever temporarily located, always intends to return and as further described in Public Authorities Law § 2879.
3. For the purpose of this section III, a foreign business enterprise shall mean a business enterprise, including a sole proprietorship, partnership or corporation, which offers for sale, lease or other form of exchange, goods sought by the Authority and which are substantially produced outside New York State, or services sought by the Authority and which are substantially performed outside New York State, and as further described in Public Authorities Law § 2879.

F. Pursuant to the Public Authorities Law § 2879, the Authority shall, where feasible, make use of the stock item specification forms of New York State manufacturers, producers and/or assemblers for any Procurement Contract for the purchase of goods when preparing a request for proposals, purchase order, price inquiry, technical specifications and the like. The Headquarters Procurement Group will develop a system for collecting such data and disseminating a listing of such New York State manufacturers for consultation by Authority employees preparing a specification or bill of materials for goods.

- G. Goods may be procured pursuant to Procurement Contracts let by any department, agency, officer, political subdivision or instrumentality of the state or any city or municipality where the Procurement Division at the Headquarters offices, or the Procurement Departments at the facilities, and the initiating unit determine that a reasonable potential exists for the savings of costs or other benefit to the Authority and have approved the specifications and proposed terms and conditions of such contract.
- H. An RFP will include a scope of work which defines the goods required and/or the services to be performed, the required completion of any "milestone" dates, the Authority's M/WBE Program requirements, if applicable, all other applicable Authority requirements, and any special methods or limitations which the Authority wishes to govern the work. Telephone solicitation, usually for those procurements valued at \$25,000 or less, may be used where time constraints do not permit issuance of an RFP, where issuance of an RFP is otherwise impracticable, or for goods which are catalog items or do not require a detailed bill of materials or specification.
- I. For all Procurement Contracts (except for those contracts noted below) the Authority shall, prior to solicitation of proposals, submit the following information to the Commissioner of Economic Development to be included in a weekly Contract Reporter published by that department (unless such publication would serve no useful purpose): (1) the Authority's name and address; (2) the contract identification number; (3) a brief description of the goods and/or services sought, the location where goods are to be delivered and/or services provided and the contract term; (4) the address where bids or proposals are to be submitted; (5) the date when bids or proposals are due; (6) a description of any eligibility or qualification requirement or preference; (7) a statement as to whether the contract requirements may be fulfilled by a subcontracting, joint venture, or co-production arrangement; (8) any other information deemed useful to potential contractors; (9) the name, address, and telephone number of the person to be contacted for additional information; and (10) a statement as to whether the goods or services sought had, in the immediately preceding three year period, been supplied by a foreign business enterprise. Such information shall be submitted to the Commissioner of Economic Development in accordance with the schedule set forth by the Department of Economic Development, in order that the pertinent information may be published in the Procurement Opportunities Newsletter (also referred to as the "New York State Contract Reporter"). A minimum of fifteen business days shall be allowed between the publication of such notice by the Commissioner of Economic Development and the due date of the bid or proposal.

This provision shall not apply to Procurement Contracts awarded on an emergency basis as described below in section III.L; Procurement Contracts being re-bid or re-solicited for substantially the same goods or services, within 45 business days after the date bids or proposals were originally due; Procurement Contracts awarded to not-for-profit providers of human services.

- J. Proposals for certain Services Contracts may also be solicited by competitive search, as follows:

For contracts where the scope of work cannot be well defined or quantified, or where selection requires evaluation of factors such as breadth and depth of experience in a unique or highly specialized field and suitability as an Authority representative, a "competitive search" shall be conducted to determine which consultants are most qualified, for reasonable compensation terms, to perform the work. Depending upon market conditions, at least five (5) potential sources should be evaluated. If there are less than five sources, all sources shall be evaluated. The Procurement Division shall interface with the initiating unit to gather information from potential sources, which should include a description of the qualifications of the consultant or firm, resumes of key personnel, past experience and proposed billing rates.

- K. A Procurement Contract may be awarded on a sole source basis where:

1. The compatibility of equipment, accessories, or spare or replacement parts is the paramount consideration.
2. Services are required to extend or complement a prior procurement and it is impracticable or uneconomic to have a source other than the original source continue the work.
3. A sole supplier's item is needed for trial use or testing, or a proprietary item is sought for which there is only one source.
4. Other circumstances or work requirements exist that cause only one source to be available to supply the required goods or services.
5. Award to certified M/WBE firms for purchases not exceeding \$5,000, pursuant to section III.D.

- L. A Procurement Contract may be awarded without following the solicitation requirements that would ordinarily apply (but using such competitive selection procedures as are practicable under the circumstances) where emergency conditions exist, such as:

1. A threat to the health or safety of the public or Authority employees or workers.
2. The proper functioning of the Authority's offices or construction or operating projects require adherence to a schedule that does not permit the time for ordinary procurement solicitation.

M. Whenever an initiating unit determines that a Procurement Contract should be awarded on either a sole source or emergency basis, the head of the unit shall provide to the Procurement Division at Headquarters or Procurement Departments at the Facilities, a written statement explaining the reasons therefor.

IV. EVALUATION OF PROPOSALS

- A. Evaluation of proposals shall be made by a fair and equitable comparison of all aspects of the proposals against the specifics of the RFP and against each other, including an analytic study of each offer considering: the quality of the goods and/or the competence of the bidder, the technical merit of the proposals, and the price for which the goods and/or services are to be supplied.
- B. In the event that the price submitted by the bidder recommended to be awarded a contract exceeds the cost estimated on the contract requisition at the time of bidding, the initiating department shall prepare an explanation of any reasons why the initial cost estimate was incorrect or should be revised.

This will be reviewed by the Procurement Division at Headquarters and/or Procurement staffs at the Facilities and appropriate management levels for approval as stipulated in the Expenditure Authorization Procedures. Consideration will be given at that time for: 1) rejecting bids, re-soliciting proposals, and/or possibly modifying the scope of work; or 2) revising the cost estimate, and proceeding with the award of contract; or 3) negotiating with the low bidder(s), as determined by the Vice President - Procurement and Real Estate, to reduce the price quoted. Factors to be considered in reaching the proper course of action will include, but not be limited to, the effects (both schedule and cost) of a delay to the specific capital construction project or outage at an operating facility, the magnitude of the contract, available bidders, the ability to attract additional competition if proposals are re-solicited, and the accuracy of the original cost estimate. The recommended course of action and the reasons therefor will be fully documented in a memorandum for consideration by the appropriate level of management prior to approval.

- C. Important items to be considered in evaluating the goods to be supplied and/or competence of the bidder are: previous experience (including applicable experience within New York State and evaluations from other clients to whom the bidder has provided goods and/or services); the abilities and experience of the personnel to be assigned to the Authority's work; and the ability to provide any needed advanced techniques such as simulation and modeling. The approach proposed in meeting the exact requirements of the scope of work will be given consideration in evaluating the technical merit of proposals, together with a well-organized task structure, the ability to timely supply the goods and/or perform the proposed services, and the ability to meet M/WBE goals, if any. The need to purchase the goods from and the need to subcontract performance of services to others will be evaluated as to effect on cost, as well as quality, schedule, and overall performance.
- D. For Services Contracts, the technical merits of the proposals and the experience and capabilities of the bidders will be the primary factors in determining the individual or firm to be awarded the contract, provided that the price for performing such work is reasonable and competitive.
- E. For Procurement Contracts other than Personal Services (as defined in section II B of these Guidelines), award should usually be made to the bidder which is the lowest priced firm submitting a proposal which meets the commercial and technical requirements of the bid documents.
- F. Award to "other than low bidder" can be made only with the approval of the appropriate management level as stipulated in the Authority's Expenditure Authorization Procedures, and should be based upon such a proposal providing a clear advantage to the Authority over that of the lower-priced proposal. Such factors justifying an "other than low bidder" award may include, but are not necessarily limited to, improved delivery schedules which will reduce outages, longer warranty periods, improved efficiency over life of equipment use, reduced maintenance costs, financial resources of the bidders, or ability to meet or exceed M/WBE goals.

V. RECOMMENDATION OF AWARD

- A. A recommendation for approval of a proposed award of a Procurement Contract will usually be prepared by the unit requiring the goods and/or services in the form of a memorandum. The recommendation will include an evaluation of proposals as specified in section IV, above, as well as proposed compensation terms which are specific and provide a clear breakdown of cost factors and methods of calculation including, as applicable:

1. Lump sum and/or unit prices for equipment and construction work.
2. Hourly or daily rates for personnel.
3. Markups for payroll taxes, fringe benefits, overhead and fees if the proposal is based on reimbursement of actual payroll costs.
4. Terms for reimbursement of direct out-of-pocket expenses, such as travel and living costs, telephone charges, services of others and computer services.
5. Provisions, if any, for bonus/penalty arrangements based on target man-hours and/or target schedule.

B. The recommendation shall also review any substantive exceptions to commercial and technical requirements of a price inquiry, RFP, or bidding documents, including, but not limited to payment terms, warranties, and bonds (if any) requirements.

VI. AWARD OF CONTRACT

A. .

1. Services Contracts to be performed over a period in excess of 12 months shall be approved and reviewed annually by the Trustees. Services Contracts covering less than a 12-month period shall be approved by authorized designees in accordance with existing Expenditure Authorization Procedures. The extension beyond 12 months of a contract for services with an initial duration of less than 12 months shall be approved by the Trustees at the request of the initiating department and shall be reviewed by the Trustees annually. The extension for a cumulative term exceeding 12 months of a contract for services, which has previously been approved by the Trustees requires further Trustees' approval.

2. A contract or contract task shall be deemed to be for services in excess of 12 months where it does not specify a definite term and the work will not be completed within 12 months, and any "continuing services" type contract with no fixed term which provides for the periodic assignment of specific tasks or particular requests for services. This would include contracts for architect/engineering services with the original engineers of operating facilities, as well as the original supplier of Nuclear Steam Supply Systems or Boilers and Turbine Generating equipment, which have been approved by the Trustees. Each task authorized under such contracts (which may be referred to as a "Change Order", "Purchase Order" or Task Number) will be considered a separate commitment and will be separately approved in accordance with the Expenditure Authorization Procedures.
 3. Where time constraints or emergency conditions require immediate commencement of services to be performed over a period in excess of one year, and if the total estimated contract value does not exceed \$250,000, the Business unit Head, with the prior concurrence of the Vice President - Procurement and Real Estate, may authorize the commencement/performance of such services, subject to Trustees' ratification of such as soon as practicable.
 4. Where time constraints or emergency conditions require the extension beyond a year of an existing contract with an initial duration of less than a year, and if the incremental value of the short-term extension does not exceed \$100,000, the Business Unit Head, with the prior concurrence of the Vice President - Procurement and Real Estate, may authorize the extension of such contracts, subject to Trustees' ratification of such action as soon as practicable.
 5. In cases where the total estimated contract value or the value of the extension exceeds the aforementioned amounts, the President's interim approval will be required subject to Trustees' ratification of such as soon as practicable.
- B. The Procurement Division at the Headquarters offices, or the Procurement Departments at the project sites, will prepare the contract for execution by the Authority and the successful bidder to be awarded the purchase order/contract. No work shall commence by the selected contractor until the contract is executed by both parties, except that mutually signed letters of award or intent may initiate work prior to formal execution. The Authority signatories of such letters must be authorized to approve

contract awards pursuant to existing Expenditure Authorization Procedures.

- C. Pursuant to Public Authorities Law § 2879, the Authority shall notify the Commissioner of Economic Development of the award of any Procurement Contract for the purchase of goods or services from a foreign business enterprise (as defined in section III.E.3 of these Guidelines) in an amount equal to or greater than one million dollars (\$1,000,000) simultaneously with notifying the successful bidder therefor. The Authority shall not enter into the Procurement Contract for said goods until at least fifteen (15) days have elapsed, except for a Procurement Contract awarded on an emergency or critical basis. The notification to the Commissioner shall include the name, address, telephone and facsimile number of the foreign business enterprise, the amount of the proposed Procurement Contract, and the name of the individual at the foreign business enterprise or acting on behalf of the same who is principally responsible for the proposed Procurement Contract.

VII. CONTRACT PROVISIONS

- A. Standard forms of contracts currently in use are available from the Procurement Division. They generally include: purchase order format for standard procurements of goods or services; furnish and deliver format for major equipment purchases; Letter Agreements and Agreement formats for consulting work; and contract work orders (for construction work of small magnitude), construction contracts (for major construction work), and furnish, deliver, and install contracts (for specialized major procurements where single responsibility is required for procurement and installation). These contract forms are intended to govern the purchase of goods and/or performance of the services. Authority units proposing to initiate a Procurement Contract should review these forms to suggest any modifications and additions, which may be required for the particular goods and/or services. Under no circumstances should contract forms be shown to proposed bidders without prior approval of the Procurement Division, which, along with Procurement Departments at operating facilities, is solely responsible for requesting proposals.
- B. The following types of provisions setting forth the responsibilities of contractors are to be contained in the standard forms of Procurement Contracts except that any of the provisions listed below which are inapplicable or unnecessary because of the nature or duration of the work to be performed, the location or locations where they are to be performed or the type of compensation being paid therefore need not be included. Other provisions may be added as the particular needs of the Authority may require.
 - 1. Schedule of Services or Specifications
 - 2. Time of Completion

3. Compensation or Itemized Proposals
4. Relationship of Parties
5. Delays
6. Termination
7. Changes in the Work
8. Claims and Disputes
9. Warranty
10. Insurance
11. Records, Accounts, Inspection and Audit
12. Assignment
13. Notices
14. Indemnification
15. Governing Law
16. Proprietary Nature of Work
17. Testimony
18. Entire Agreement
19. Minority and Women-Owned Business Enterprise Program Requirements
20. Omnibus Procurement Act of 1992 Requirements

Contract Attachments

1. Compensation Schedule
2. Schedule of Services or Specifications
3. Appendix "A" (miscellaneous statutory provisions)
4. Appendix "B" (Prompt Payment Provisions)
5. Appendix "C" (Minority and Women-Owned Business Enterprises provisions)
6. Appendix "D" (Personnel Requirements for New York Power Authority Indian Point 3 (IP-3) and James A. Fitzpatrick (JAF) Nuclear Power Plants)
7. Appendix "E" (Omnibus Procurement Act of 1992 Requirements)
8. Appendix "F" (CADD Design Drawing Requirements for New York Power Authority Indian Point 3 (IP3) and James A. Fitzpatrick (JAF) Nuclear Power Plants.
9. Appendix "G" (EEO Requirements)
10. Appendix "I" (New York State Year 2000 Warranty Standard)

VIII. CHANGE ORDERS

A. Change Orders to existing contracts are justified in the following cases:

1. To incorporate additional work related to the original scope, to delete work or otherwise modify original work scope

2. To exercise options previously included in the original contract to perform additional work or to extend the contract term
 3. Emergency conditions, defined in section III L which requires the immediate performance of work by a firm already under contract;
 4. Re-bidding would not be practical or in the best interests of the Authority's customers; and
 5. Meet the Authority's M/WBE goals in accordance with Executive Law Article 15-A.
- B. All Change Orders must be approved in accordance with the Authority's Expenditure Authorization Procedures, and should include specific schedules for completion of work at the earliest possible time.

IX. EMPLOYMENT OF FORMER OFFICERS AND EMPLOYEES

- A. Former Authority officers and employees are eligible to be considered for employment as contractors and/or consultants, provided that: they meet all criteria for contractors and/or consultants generally as specified in these Guidelines; their employment is not barred by N.Y. Public Officers Law § 73 (8); if requested, they obtain an opinion by the state Ethics Commission that such employment is permissible; and upon the approval of the President.
- B. Pursuant to the provisions of N.Y. Public Officers Law § 73 (8):
1. No Authority officer or employee is eligible, within a period of two years after the termination of Authority service, to appear or practice before the Authority or receive compensation for any services rendered on behalf of any person, firm, corporation or association, in relation to any case, proceeding or application or other matter before the Authority.
 2. No Authority officer or employee is eligible, at any time after the termination of Authority service to appear, practice, communicate or otherwise render services before the Authority or any other state agency or receive compensation for any such services rendered on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction with respect to which such person was directly concerned and personally

participated in during the period of service, or which was under his or her active consideration.

X. MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISE (M/WBE) REQUIREMENTS

It is the objective of the Authority to continue to foster the development of business opportunities on Authority contracts for M/WBE firms. Article 15-A of the Executive Law established a state-wide office of M/WBE development which is responsible for developing rules and regulations for implementation of this new statute, certification of M/WBE firms, reviewing and monitoring goal plans, compliance reports, as well as contract provisions to be included in all non-construction contracts over \$25,000 and construction contracts over \$100,000. The definition of an M/WBE firm is included in section III.C of these Guidelines. It is the Authority's objective to solicit proposals from certified M/WBE firms, which are qualified to perform the required work. In addition, specific goals may be included in certain contracts for consulting work, construction and procurement of goods and other services requiring the contractor/vendor to sub-contract a portion of the work to certified M/WBE firms, as required by law. Bidders' proposals shall include Preliminary Subcontracting Plans as part of their proposal, where required, for M/WBE firms and failure of such bidders to meet these requirements may be grounds for rejection of the proposal, or cancellation of the contract if a contractor did not make a good faith effort to meet its goals after contract award.

XI. REPORTING REQUIREMENTS

A. At the Headquarters offices, the Procurement Division shall maintain records of such Procurement Contracts including bidder's names, the selection processes used, and the status of existing contracts including goods provided and/or services performed and fees earned, billed and paid. At the project sites, such records shall be kept by the Procurement Departments. After the end of each calendar year, the Vice President - Procurement and Real Estate shall prepare and submit to the Trustees for their approval an annual report which shall include: 1. a copy of the Guidelines, 2. an explanation of the Guidelines and any amendments thereto since the last annual report, 3. a list of all Procurement Contracts entered into since the last annual report, including all contracts entered into with New York State business enterprises and the subject matter and value thereof and all contracts entered into with foreign business enterprises, and the subject matter and value thereof, 4. a list of fees, commissions or other charges paid and 5. a description of work performed, the date of the contract and its duration, the total amount of the contract, the amount spent on the contract during the reporting period and for the term of the contract to date and the status of the existing Procurement Contracts, 6. method of awarding the contract (e.g., competitive bidding, sole source or competitive search), and 7. reasons why any procurements over \$5,000 were not noticed in the Contract Reporter.

- B. Such annual report, as approved by the Trustees, shall be submitted to the Division of Budget within one hundred twenty (120) days after the end of such calendar year and copies shall be distributed to the Department of Audit and Control, the Department of Economic Development, the Senate Finance Committee, and the Assembly Ways and Means Committee. Copies shall be made available to the public upon reasonable written request therefor.

XII . THIRD PARTY RIGHTS: VALIDITY OF CONTRACTS

- A. These Guidelines are intended for the guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason, of any requirement or provision hereof.
- B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract or agreement made or entered into in violation of, or without compliance with, the provisions of these Guidelines.

**THIS SPACE IS RESERVED FOR
EXHIBIT '11-A-3'
"OPEN SERVICE CONTRACTS AWARDED"**

Exhibit '11-A-4'
(1998 Annual Report of Procurement Contracts)
is distributed under separate cover.

12. Use of Transmission Towers and Other Structures for Specialized Mobile Radio Usage – Agreement with Nextel Communications

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve a 15 year agreement (‘Agreement’) with Nextel of New York, Inc., doing business as Nextel Communications (‘Nextel’), for the use of space on Authority transmission towers and other Authority structures to append antennas for Specialized Mobile Radio (‘SMR’) usage.

BACKGROUND

“In December 1997, the Federal Communication Commission (‘FCC’), in response to world-wide demand, auctioned the 800 MHz spectrum for Specialized Mobile Radio (‘SMR’) use. At that time, Nextel Communications, Inc. the parent company of Nextel of New York, Inc., successfully bid in the auction and acquired licenses in 475 areas covering all 50 states. Previous to that period, Nextel has operated its network under earlier FCC SMR licenses in all five New York City boroughs and the counties of Nassau, Suffolk, Westchester, Putnam, Rockland and Orange. Those licenses provided Nextel and its affiliates with the right to operate both their digital ‘iDEN’ network and an earlier analog SMR network throughout most of the State of New York.

DISCUSSION

“In early summer of 1998, Nextel contacted the Authority and indicated its interest in installing antennas on some of the Authority’s transmission towers and other structures in support of Nextel’s planned SMR 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. The price for other structures will be determined when the structure is requested for use by Nextel. After the first five years of the Agreement, the price for the use of additional transmission towers and structures identified by Nextel will be negotiated by the parties. Any sites and structures identified by Nextel must be concurred with by the Authority. Additionally, Nextel will be required to obtain, at its expense, any land use rights associated with the use of the Authority’s transmission towers and structures, including utility services.

“The payments to be received by the Authority under the Agreement for the transmission towers are within the market range for such use. The Authority contacted other utilities in several states and has determined that the price is competitive and consistent with the fee negotiated by such other utilities. The price for use of other Authority structures has not yet been determined. In addition, Nextel has other alternatives for the installation of its SMR system including other utilities’ towers and poles in the general vicinity of the Authority’s towers, as well as the use of buildings, watertowers or other structures. As Nextel expands its SMR system statewide, maximum use of and additional value from the Authority’s transmission tower and other sites can be achieved.

“The use of transmission towers to append antennas is not inconsistent with the operation and maintenance of 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 specific antenna installation, an environmental evaluation in accord with the State Environmental Quality Review Act will be completed.

“At their meetings of August 27, 1996, November 26, 1996 and September 28, 1998, the Trustees approved similar agreements with Sprint Spectrum L.P., Omnipoint Communications Inc. and Cellular Telephone Company (CTC), other personal communication systems providers. The agreements with Sprint Spectrum L.P., Omnipoint and CTC and the proposed Agreement with Nextel do not bar the Authority from allowing other licensed 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 recommend that the Trustees approve a 15 year Agreement with Nextel to use space on the Authority’s transmission towers for Specialized Mobile Radio Usage on substantially the terms and conditions as set forth in this memorandum.

“The Senior Vice President – Transmission, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

Trustee McCullough inquired whether the burden of obtaining applicable regulatory approvals lies with Nextel. Mr. Krauss responded in the affirmative and explained that Nextel will also pay for Authority staff to perform the necessary construction and engineering work. Trustee Miller asked whether indemnification provisions have been agreed upon. Mr. Hoff responded in the affirmative.

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

RESOLVED, That an agreement between the Authority and Nextel of New York, Inc. (“Nextel”) whereby Nextel shall have the right to use approved Authority transmission tower and other sites for Nextel’s Specialized Mobile Radio Usage 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 Executive Vice President – Project Operations, 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, subject to approval of the agreement and such other documents by the Executive Vice President, Secretary and General Counsel.

May 20, 1999

13. Next Meeting

“The Regular meeting of the Trustees will be held on Tuesday, **June 29, 1999, at the James A. FitzPatrick Nuclear Power Plant, Administration Building, located at 268 Lake Road East, Lycoming, NY** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

May 20, 1999

Closing Remarks of Chairman Rappleyea and President Zeltmann

The Chairman expressed thanks to the Transmission Department and other staff members who had been instrumental in making the ground breaking for the Convertible Static Compensator (“CSC”), a power-electronics control system at Marcy, a success. He also noted that the event had been international in nature with representatives from EPRI and Siemens and that it had shed light on the cutting-edge technology involved in the device which will improve the overall reliability and resiliency of the New York State grid.

President Zeltmann welcomed everyone to the Authority’s new offices in Albany, and commended Mr. Tscherne and other members of the Energy Efficiency Department for the installation of energy-efficient lighting fixtures throughout.

May 20, 1999

Closing

Upon closing made and seconded, the meeting was closed at 11:40 a.m.

David E. Blabey
Executive Vice President,
Secretary and General Counsel

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