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

January 28, 1997

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

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

Robert G. Schoenberger	President and Chief Operating Officer
William J. Cahill	Chief Nuclear Officer
Peter W. Delaney	Senior Vice President - Business Services
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Energy Efficiency & Technology
Robert L. Tscherne	Senior Vice President
Charles M. Pratt	General Counsel
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President - Project Management
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
Russell J. Krauss	Chief Information Officer
Charles I. Lipsky	Vice President & Chief Engineer - Power Generation
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Relations
Ronald W. Ciamaga	Regional Manager - Northern New York
James L. Ford	Regional Manager - Western
Richard E. Kuntz	Regional Manager - SENY Southeast New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
John R. Bopp	Director - Employee and Labor Relations
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Director - Internal Audits
Edgar K. Byham	Principal Attorney I
Carmine J. Clemente	Counsel
Richard H. Lauman	Director - Nuclear Business Operations
John L. Murphy	Director - Public Information
Gary Paslow	Director - Policy Development
John J. Suloway	Director - Licensing
James H. Yates	Director - Business Marketing & Economic Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Corporate Secretary
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on December 17, 1996 were approved.

2. Financial Report for the Year Ended December 31, 1996

3. Village of Lake Placid - Increase in Retail Rates - Notice of Adoption

The President submitted the following report:

SUMMARY

The Trustees are requested to approve revisions in the base retail rates of each customer service classification for the Village of Lake Placid, New York. These revisions will result in additional total annual revenues of $418,184 or 10.2%.

BACKGROUND

The proposed rate increase is required to provide adequate revenues to meet the electric department's additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since September 30, 1992, when the Trustees approved a service class rate redistribution, without changing the total system revenue. The Village received an 8.0% system revenue decrease in 1988.

The electric department has planned capital additions and replacements of about $924,400 through fiscal year 1997. These include reconductoring of distribution circuits, purchase of transportation equipment, line transformers and installation of a load management system. The Village plans to debt finance $487,000 and fund the remainder through the revenue increase.

The proposed rate revisions are based upon a cost of service study prepared by Authority staff, working closely with the Village's staff throughout all stages of the project.

DISCUSSION

Pursuant to the Authority's Administrative Procedures, the Senior Vice President - Marketing and Economic Development authorized the Secretary to file notice for publication in the State Register of the proposed revisions in retail rates. Such notice was published on July 31, 1996. A public hearing was held by the Village's Board on November 4, 1996. No objections were raised to the proposal.

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

Comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits "3-A" and "3-B", respectively.

RECOMMENDATION

The Manager - Municipal and Cooperative Regulation recommends that the attached schedule of rates for the Village of Lake Placid, New York, be approved to take effect beginning with the first full billing period following this date.

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

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

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

RESOLVED, That the proposed rates for electric service for the Village of Lake Placid, New York be, and hereby are, approved, to take effect with the first full billing period following this date, as recommended in the foregoing report of the President; and be it further

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

4. Request to Permanently Assign DuPont's NIACHLOR Replacement Power Allocation to Olin Corporation

The President submitted the following report:

SUMMARY

E.I.du Pont de Nemours and Company (DuPont) and Olin Corporation (Olin) have entered into an agreement in principle to transfer the NIACHLOR assets to Olin. The Trustees are requested to approve the permanent assignment of 15 MW of DuPont Replacement Power allocation to Olin Corporation to enable Olin to continue to operate the NIACHLOR facility in Niagara Falls.

BACKGROUND

In 1984, DuPont and Olin formed a partnership to own and operate a chlorine and caustic soda facility in Niagara Falls adjoining both of their then-existing facilities. The venture is known as NIACHLOR. Both companies agreed to make some of their Authority allocations available to NIACHLOR for its use as their agent, reserving the ownership and title to their allocations for themselves.

DuPont and Olin have entered into an agreement in principle to transfer the NIACHLOR assets to Olin. It is anticipated that DuPont will lease the facility to Olin and simultaneously sell the improvements and related assets. Following the divestiture, DuPont would continue to operate its sodium facility independently, and Olin would operate the NIACHLOR facility and the Olin facility which is now leased to NIACHLOR. The NIACHLOR entity will cease to exist, except as a product line for the Olin Corporation.

DuPont is requesting the Trustees approve the permanent assignment to Olin of 15,000 kW of its Replacement Power allocation that the NIACHLOR facility utilizes in its operations. This was originally part of a 46,700 kW Replacement Power allocation made to DuPont, which then subsequently made it available to NIACHLOR. Trustee approval is required on any partial transfer of an allocation of power.

DISCUSSION

When the 15,000 kW allocation was made available to the NIACHLOR operation, DuPont had committed to maintain 135 jobs at the facility. If the assignment is approved, Olin will commit to maintain 160 jobs related to this allocation, an increase of almost 20%. Olin will also agree to be subject to a pro-rata reduction of the 15,000 kW allocation if employment falls below 90% of its job commitment, an increase from the current 80% threshold.

It should be noted that the NIACHLOR facility today uses 83,450 kW of Authority power, allocated at various times to both Olin and DuPont, which then subsequently made it available to NIACHLOR. (See Exhibit 4-A) DuPont will also be permanently transferring its remaining allocation. In accordance with the Replacement Power contract, Trustee approval is not required for this transfer as the entire allocation is being transferred. It should also be noted that all other job commitments related to the various allocations will be maintained.

RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the Trustees approve DuPont's request to permanently assign 15,000 kW of Replacement Power from its 46,700 kW allocation to Olin for utilization at NIACHLOR at Buffalo Ave. and Chemical Rd., Niagara Falls, NY, and to modify the appropriate job commitments as discussed above. It is further recommended that the Senior Vice President - Marketing and Economic Development, or her designee, be authorized to execute any and all documents necessary or desirable to effectuate the above allocation.

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

Vice Chairman Frey questioned whether the proposed assignment exemplifies a situation where the 15 MW of power, were it to revert to the Authority rather than be assigned to Olin, could be utilized to create additional jobs. Mr. Yates responded that in connection with future power contract negotiations this position could be taken by the Authority. Messrs. Schoenberger and Carline explained that in this particular case, the allocation of power to Niachlor as a joint venture had been authorized by the Trustees on the basis that new jobs were being created at that time, and that Olin would henceforth maintain 25 positions in addition to the original 135 jobs, for a total of 160 jobs. The Vice Chairman noted that, in general, there may arise sales and/or mergers of companies receiving replacement power which are ultimately detrimental rather than beneficial to the local economy and urged that the Authority endeavor, in future agreements, to ensure that the power would flow back to the Authority for re-allocation in conjunction with stimulating new job creation.

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

RESOLVED, That 15,000 kW of DuPont's 46,700 kW Replacement Power allocation at Buffalo Ave., Niagara Falls, New York be permanently assigned to Olin for use at the NIACHLOR facility at Buffalo Ave. and Chemical Rd., Niagara Falls, NY, upon purchase of the business by Olin, and that such transfer be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

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

5. Participation of the Power Authority in Establishment of Independent System Operator for the Statewide Transmission System

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize the signing of four agreements associated with the implementation of an Independent System Operator (ISO) for the New York transmission system: the Independent System Operator Agreement; the New York State Reliability Council Agreement; the New York Power Exchange Agreement; and the Agreement Between the New York Transmission Providers, including the Authority, and the Independent System Operator.

These agreements, together with the associated tariffs, will be submitted to the Federal Energy Regulatory Commission (FERC) later this month. If approved by FERC, these agreements will contribute to the establishment of a competitive market for electricity in New York and the continuation of fully open, non-discriminatory access to the bulk transmission system established in the filings with FERC of the Authority and the other members of the New York Power Pool (NYPP) in 1996. The proposed tariffs will implement Locational Based Marginal Pricing (LBMP) for the pricing of transmission of the Authority and the other utilities. The seven investor-owned electric utilities and the Authority have worked for almost two years in developing the proposed structure for encouraging greater competition in the electric utility industry. There has been extensive consultation with PSC and FERC staff and environmental, trade, and consumer groups.

BACKGROUND

On July 3, 1996, Chairman Rappleyea sent a letter to FERC indicating the Authority's intention to join with the other NYPP members in a statewide transmission pricing plan. This intention was reiterated in two reports of the Power Pool members issued on October 1 and December 19, 1996, respectively. At their meeting of December 17, 1996, the Trustees approved a new open access transmission tariff, which was submitted to FERC on December 27, 1996. If approved by FERC, the ISO tariff which is discussed in this memorandum will supersede the Authority's December 1996 tariff. The December 19, 1996 report, New York Power Pool Member Systems Report on Proposed Market Structure describes the proposed transformation of the Power Pool and is attached as Exhibit 5-A.

The NYPP Member Systems, including the Authority, submitted a revised NYPP Agreement to the FERC, together with a Service Agreement in lieu of a tariff, on December 30, 1996. While these agreements provided for open membership of the NYPP, the Service Agreement addressed only the split savings methodology currently used for economy sales transactions. This filing was intended to be followed by the filing of agreements establishing an ISO tariff on January 31, 1997, and the FERC was so informed before the December 30, 1996 filing was submitted.

DISCUSSION

As was discussed with regard to the Authority's open access tariff, the FERC has been vigorously encouraging open access to the entire transmission system in the United States in order to encourage competition in the generation sector of the electric industry. To this end, FERC issued Order 888, pursuant to which the Authority has enacted the tariff approved at the December 1996 meeting which should assure reciprocal access to

the facilities of others, and Order 889, pursuant to which the Authority has joined with the other members of NYPP to establish a state-wide open access same-time information system (OASIS).

Order 888 contained another significant requirement -- that Tight Power Pools, i.e., NYPP and three others, were required to file a joint pool-wide Final Rule pro forma tariff no later than December 31, 1996, together with a reformed power pool agreements [with] open, non-discriminatory membership provisions (including establishment of an ISO, if that is a pool's preferred method of remedying undue discrimination) and modify any provisions that are unduly discriminatory or preferential. The membership provision must allow any bulk power market participant to join, regardless of the type of entity, affiliation, or geographic location. The proposed filings which are presented for approval in this memorandum would respond to this requirement.

The proposed ISO and associated pricing formula would fundamentally change the way the transmission system in New York is operated. It would not, however, modify the Authority's control of the maintenance and direct operation of its transmission facilities. While the pricing as seen by new customers would be radically different, a large portion of Authority transmission revenues would come as a result of existing contracts from existing customers.

The structure proposed to be created by the agreements submitted to the Trustees consists of three elements. The first is the ISO, a not-for-profit corporation which would control access to the interconnected bulk power transmission system, bill for usage, and perform a number of coordination functions similar to those now performed by the NYPP. Maintenance and basic operation of the system would remain the responsibility of the transmission owners. The ISO would be governed by a 28-member board consisting of eight representatives of New York State transmission owners, eight representatives of wholesale buyers within the state, eight representatives of sellers in the wholesale market in the state, and four representatives of New York environmental and consumer groups. No entity could participate in more than one class. The vote of 17 of the 28 members will be required to pass any measure. The ISO would be subject to FERC jurisdiction.

The ISO would be responsible for second-by-second balancing load and generation for reliability purposes, utilizing security-constrained economic dispatch, balancing load and generation on a day-ahead basis and determining the price to paid to generation which voluntarily participates in its dispatch (which prices are also used to determine transmission charges). It would also do all the billing for such transactions, obtain ancillary services, and coordinate operating and planning studies as NYPP does today. A complete list of ISO functions is found on pages 18-20 of Exhibit 5-A . The agreement forming the ISO is attached as Exhibit 5-B . The agreement between the ISO and the New York Transmission Providers, including the Authority, which sets forth the ISO's obligations and responsibilities with respect to the Authority's transmission system is attached as Exhibit 5-E .

The second entity created will be the New York State Reliability Council, a voluntary unincorporated association. It will have the responsibility to promulgate reliability standards specifically for New York, which would be in addition to and consistent with those of the North American Electric Reliability Council, the Northeast Power Coordination Council, the Nuclear Regulatory Commission, and the Public Service Commission. It will be governed by an eleven-member board: eight transmission owners, and one representative each of sellers, buyers and environmental/consumer groups. A vote of nine members will be required to approve a resolution. The agreement forming the New York State Reliability Council is attached as Exhibit 5-C .

The third element of the new structure is the New York Power Exchange (PE). As envisioned, there may be numerous power exchanges, functioning as commodity markets, supplying the needs for power and energy enunciated by the ISO. Under the agreements to be filed, the transmission owners would establish one such PE. It is not certain that the Authority will be able to be a member of the PE, but that would not inhibit participating

in the market the PE will oversee. Governance would be based on the level of participation of buying and selling through the PE. The agreement forming the PE is attached as Exhibit 5-D .

The entire proposal is based on the transmission pricing concept of Locational Based Marginal Pricing (LBMP). LBMP would work such that all customers (i.e., loads) would pay a transmission service charge that recovers the fixed costs of transmission for the utility in whose area the customer is located. The owner of electric energy transferring the electricity within one of the eleven transmission areas in the state area would pay nothing. The owner of electric energy transferring it from one area to another would also pay nothing if the transmission interfaces crossed are not constrained. If, however, any transmission interface is constrained, the owner pays the difference between the marginal price of electricity in the zone in which the generator is located and the zone where the load is located. Revenues go to the owners of the constrained interface(s) traversed -- or to the holder of financial instruments called Transmission Congestion Contracts (TCCs) -- which may be the seller or buyer of the energy. TCCs are auctioned with proceeds going to the interface owners. TCCs are not rights and the holder cannot prevent optimal use of the interface for transfers. Transfers across interfaces to existing customers will be grandfathered, which will serve as a protection against rate shock to Authority customers.

The pricing of generation is more complex. It is important to note, however, that the Authority will not be required to make any of its generation available for dispatch by the ISO. If it does so, it will be fully compensated. Bilateral contracts of the kind now common in New York will not be precluded. However, if the LBMP model meets its goal of lowering power and energy cost to those who fully participate in it, bilateral contracts will become less common.

It is not anticipated that the new structure could be implemented, even in partial form, earlier than mid-1997. FERC approval is required and software must be developed. Full implementation is anticipated for mid-1998.

The Authority expects to submit a request to the Internal Revenue Service (IRS) for a ruling from the IRS concerning how the proposed changes to the Authority's revenue sources might affect the tax exempt status of Authority bonds. All the documents proposed to be filed pursuant to this memorandum are contingent on receiving a favorable ruling from the IRS.

The investor-owned utilities have indicated that a mechanism for recovery of strandable costs is a prerequisite to the expansion of the new market structure to retail sales. The Authority has indicated that it does not join in this prerequisite.

FISCAL INFORMATION

The agreements and associated tariffs provide a pricing structure which will result in the Authority recovering each year its full annual revenue requirement associated with its transmission facilities, with the Authority committing to seek periodic approval of its revenue requirement methodology from FERC. The mechanism for this would be a NYPA Transmission Adjustment Charge imposed on statewide load, wheel-throughs and exports. This arrangement is contingent upon the New York Public Service Commission allowing the investor-owned utilities to recover in retail rates any NYPA Transmission Adjustment Charges collected by the utilities. If such recovery is not allowed, the guarantee is voided and the Authority would have the option to withdraw from the arrangement.

Implementation of the proposed transmission pricing formula would result in approximately the same revenues for the Authority as projected under the Authority's December 1996 tariff.

RECOMMENDATION

The Senior Vice President - Transmission recommends that the Trustees authorize the signing of the four agreements required to implement an Independent System Operator substantially in the forms attached.

Based on the benefits to be derived from the proposed ISO arrangement, it is requested that the Trustees authorize the filing of the Certificate required by Section 607 of the Authority's General Purpose Bond Resolution, with the Trustee under such resolution.

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

Mr. Byham described the four agreements associated with the proposed action, noting that the major issues will be the subject of further discussion before FERC. Mr. Byham stressed that the Authority will recover its entire transmission revenue requirement as a result of the Transmission Adjustment Charge mechanism, and that the Authority would retain the right to withdraw from the arrangement on 90 days' notice. President Schoenberger added that the Authority had insisted from the outset of negotiations that its participation was predicated on the Authority's transmission revenue requirement being met and there being no disproportionate impact on Authority customers. The President mentioned that the filing with FERC is conditioned upon reasonable recovery by the IOUs of their stranded costs.

In response to questions from Trustee Miller, Mr. Byham explained that the ISO would replace the N.Y. Power Pool, and would ensure the general availability of transmission services, while lowering the cost of generation over time. Authority customers, who already pay low transmission charges, would not be greatly impacted, but the ISO could help other consumers in the State save money. In response to questions from Trustee Ciminelli, Messrs. Schoenberger and Byham explained that the Authority's participation is conditional upon a determination by the IRS that NYPA's tax-exempt status will not be affected. In response to further questions

from Trustee Ciminelli concerning the Authority's earlier proposal to serve as the ISO, the President explained that it is still pending and that the current proposed action is in effect a parallel track. In response to questions from Trustee Waldbauer, the President explained that if LIPA were to take over LILCO, LIPA would presumably stand in LILCO's shoes as a transmission service provider vis-a-vis the ISO.

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In response to questions from the Vice Chairman concerning the Reliability Council, President Schoenberger underscored that the ISO would not be assuming liability as such and that each transmission line owner would continue be responsible therefor.

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

BE IT RESOLVED, That the Authority enter into the Independent System Operator (ISO) arrangement described in the foregoing report of the President; and be it further

RESOLVED, That the Chairman, President, and Senior Vice President - Transmission are, and each hereby is, authorized to execute, on behalf of the Authority, the ISO Agreement, the New York State Reliability Council Agreement, and the Power Exchange Agreement in substantially the form attached hereto as Exhibits 5-B , 5-C and 5-D with such changes, insertions, deletions, amendments and supplements as shall be approved as necessary or desirable by the officer executing such Agreement, such approval to be evidenced conclusively by such execution; and be it further

RESOLVED, That the Chairman, President, and Senior Vice President - Transmission are, and each hereby is, authorized to execute, on behalf of the Authority, any agreements and other documentation necessary or desirable for the creation and functioning of the Independent System Operator; and be it further

RESOLVED, That the Chairman, President, and Senior Vice President - Transmission are, and each hereby is, authorized to execute, on behalf of the Authority, the agreement between the Independent System Operator and the New York Transmission Providers, including the, Authority in substantially the form attached hereto as Exhibit 5-E , with such changes, insertions, deletions, amendments and supplements as shall be approved as necessary or desirable by the officer executing such Agreement, such approval to be evidenced conclusively by such execution; and be it further

RESOLVED, That the Chairman, President, Senior Vice President - Transmission, Senior Vice President - Business Services, and Treasurer 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, waivers, approvals, orders, applications, agreements, certificates, supplements, including those relating to

the filing of tariffs by the Independent System Operator and the Power Exchange, and further assurances or other communications or actions of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions or to comply with the requirements of, or exercise the Authority's rights under, the agreements referenced in the foregoing resolutions; and be it further

RESOLVED, That the President is authorized to file with the Trustee under the General Purpose Bond Resolution, as amended and supplemented, the Certificate required by Section 607 of such Resolution relating to the proposed ISO arrangements.

6. Lease of Office Space - Centroplex Building - Benefit Technologies, Inc. - Seventh Floor

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize the execution of a lease totaling approximately 17,000 square feet of office space on the 7th floor of the Centroplex Building, White Plains, New York by the Authority as landlord to Benefit Technologies, Inc. as tenant. The proposed lease to Benefit Technologies, Inc. is for a term of ten years and three months at an average annual fixed rent of $23.40 per square foot plus adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit 6-A attached hereto.

BACKGROUND

The Authority acquired the Centroplex Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. Due to staff reductions, relocation of employees within the building and limited relocation of engineering staff to the nuclear sites, and expiration of leases with Travelers Insurance Company and the National Economic Research Association over the past few years, the Authority no longer has a need to occupy the 6th, 7th, and 8th floors. In July 1995, the Authority engaged the real estate brokerage services of Rostenberg-Doern Company to solicit offers for leasing all or portions of this space.

DISCUSSION

Benefit Technologies, Inc. is a White Plains company which is requesting that the Authority lease to it approximately 17,000 square feet of office space on the 7th floor to accommodate expansion needs. The company was formed in 1994 for the purpose of creating a distribution system to market and sell a broad array of insurance products of multiple insurance carriers to small and mid-sized employers throughout the United States. These products include group and individual life, health and disability insurance, savings/retirement programs and certain property/casualty products. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit 6-A . A review of local market conditions indicates that this transaction compares favorably to other deals recently completed in downtown White Plains.

FISCAL INFORMATION

Payment for standard brokerage commissions, tenant improvements, and architectural and engineering fees as set forth in Exhibit 6-A will be made from the Operating Fund.

RECOMMENDATION

The Director - Corporate Support Services, the Director - Real Estate, and the Vice President - Procurement and Real Estate recommend that the Trustees approve entering into a lease agreement with Benefit Technologies, Inc. for commercial office space in the Centroplex Building on terms substantially in accordance with the foregoing and Exhibit 6-A .

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

In response to questions from Trustee Waldbauer, Mr. Hoff stated that some 10,000 sq. ft. of space would remain available for leasing on the 7th floor, and that Benefit Technologies will have a right of first refusal should the Authority wish to lease to another tenant. In response to questions from Vice Chairman Frey, President Schoenberger explained that in lieu of consolidating the Authority's New York City offices with its White Plains offices, staff would seek to maximize existing space in New York by subletting portions of the premises.

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

RESOLVED, That the President, the Senior Vice President - Business Services, or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease agreement for office space in the Centroplex Building with Benefit Technologies, Inc. on substantially the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President - Business Services, the Vice President - Procurement and Real Estate, or the Director - Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing.

Exhibit 6-A
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BASIC LEASE TERMS

Authority to Benefit Technologies, Inc.

Premises:	Approximately 17,000 square feet on the 7th floor of the Centroplex Building.
Initial Term:	Ten years and three months, rent to commence six months after delivery of all the demised space improved in accordance with the lease terms.
Fixed Rent:	For the first two years at $378,250 annually or $22.25 per square foot, for years three through five, $386,750 annually or $22.75 per square foot, and for years six through ten, $429,250 annually or $25.25 per square foot. The fixed rent includes an electric inclusion factor of $2.25 per square foot.
Renewal Option:	One five-year renewal term at 95% of fair market value. In no case shall the rent be less than the then-escalated rent.
Operating Escalation:	Pro-rata share of increases in operating expenses over a base year of 1997.
Real Estate Tax Escalation:	Pro-rata share of increases in real estate taxes over a weighted average base year of 1997.
Parking:	Tenant to be entitled to 26 parking spaces.
Tenant Improvement Allowance:	Work letter of $30.00 per square foot (total $510,000). Should tenant require up to $5.00 per square foot of additional Tenant Improvements, it will be provided by NYPA subject to an additional rent charge amortized at 10% interest over the last eight years of the term. Fixed rent would increase up to $ .85 per square foot. All additional tenant improvement costs will be paid by tenant.
Additional Space:	Tenant shall have a one-time right of first offer on all contiguous space on the 7th floor.

7. Procurement (Services) Contract - Robert Moses Niagara Power Plant Upgrade - Construction Services Contract - Mollenberg-Betz, Inc. - Award

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the award of a construction services contract in the amount of $5,644,700 to Mollenberg-Betz, Inc. of Buffalo, New York to construct cooling modifications to the existing power tunnels at the Robert Moses Niagara Power Plant (RMNPP) in support of the Upgrade Program.

Funding for this work is within the $50.7 million authorized by the Trustees at their meeting of August 29, 1995 for the RMNPP upgrade.

BACKGROUND

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

The RMNPP upgrade program includes replacement and modification of the turbine, generator, and other components needed to increase the generating capacity of each of the thirteen units from 175 to 200 megawatts. Further, operating efficiency of the upgraded units is increased which will provide approximately 20 million kilowatt hours per year of additional generation per unit using the same water flows. Another significant benefit of the upgrade is continued reliable operation and life extension of the RMNPP units. After 35 years of operation, the condition of the units has deteriorated. A major overhaul of each unit is included as a central part of the upgrade program.

The upgrade is currently proceeding at a rate of one unit per year. All thirteen units are scheduled to be upgraded by the year 2006. To date, three units have been completed. Work on the fourth unit upgrade is in progress.

Power generated at the RMNPP is transmitted from the powerhouse to the switchyard by 230kV and 115kV high pressure oil filled pipe type cable circuits installed in underground tunnels. To ensure that the maximum allowable cable temperature is not exceeded, the power tunnels are cooled and ventilated. Currently each tunnel is divided into three sections for cooling and ventilation purposes. Cooling and ventilation equipment for each section of the tunnel is installed in the powerhouse, control building, and switchyard.

The increase in power generation produced by upgrade of the RMNPP units results in more heat generated in the power tunnels that must be removed to avoid overheating the cables. To remove the additional heat, the Authority must modify and expand the existing cooling and ventilation system. The modifications include replacing existing chillers, fans and pumps with larger sizes, and installation of a new tunnel ventilation building which will house additional air handling equipment.

DISCUSSION

In July, 1996, the request for proposals for construction services for the tunnel ventilation building and power tunnels cooling modifications at RMNPP was publicly advertised in the New York State Contract Reporter.

On August 27, 1996, proposals were received from two companies as follows:

BIDDER	BID AMOUNT
Mollenberg-Betz, Inc. - Buffalo, N.Y.	$5,640,000
John W. Danforth Co. - Buffalo, N.Y.	$6,100,000

The two proposals were evaluated by the Authority's evaluation team with assistance from Parsons Main, which is the design engineer for the work. Both proposals were found to be technically acceptable and were evaluated for such items as cost, completeness, balanced prices, ability to meet the schedule, related experience, quality controls, subcontractors, claim experience, safety record, exceptions and qualifications to the bid documents, and adherence to the Authority's Minority and Women-Owned Business Enterprise goals.

As part of the proposals' evaluation, both bidders were required to provide written clarifications of their proposals. In addition, post-bid meetings were individually held with the two bidders to clarify pricing, schedule and the scope of work. As a result of these discussions, the following adjustments to the bid prices were provided by the two bidders:

- Due to building code requirements, a design change providing for a second egress to the subgrade tunnel ventilation building was issued as post bid. Mollenberg-Betz and John W. Danforth quoted prices of $104,000 and $109,000, respectively for the additional work.
- Mollenberg-Betz's bid price was adjusted for various material and equipment substitutions. The net change in the price is $700. John W. Danforth's proposal did not include painting of piping insulation and duct work as required by the bid documents. The increase in price for this work is $34,000.
- The evaluation team requested both bidders to review their prices for the tunnel ventilation building in certain areas where costs exceeded the Engineer's estimate. Mollenberg-Betz offered a $100,000 reduction in the bid price. John W. Danforth did not offer a price reduction.

The final adjusted prices of the two bidders and the Engineer's estimate are as follows:

ITEM	MOLLENBERG-BETZ	JOHN W. DANFORTH	ENGINEER'S ESTIMATE
Bid Price	$5,640,000	$6,100,000	$5,944,000
Added Scope of Work	$ 104,000	$ 109,000	$ 77,900
Adjustment to Bid Price	$ 700	$ 34,000	Included
Negotiated Price Adjustment	(100,000)	-0-	N/A
TOTAL EVALUATED PRICE	$5,644,700	$6,243,000	$6,021,900

FISCAL INFORMATION

Payments for the above-described work will be made from the Authority's General Reserve Account, as authorized by the Trustees at their meeting of August 29, 1995.

RECOMMENDATION

The Project Manager, the Regional Manager - Western New York, the Vice President-Procurement and Real Estate, and the Vice President - Project Management recommend that the Trustees authorize the award of a contract to Mollenberg-Betz, Inc. in the amount of $5,644,700 for construction services of power tunnels cooling modifications and a tunnel ventilation building at the Robert Moses Niagara Power Plant.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is granted to award a contract to Mollenberg-Betz, Inc. for the construction of the power tunnels cooling modifications at the Robert Moses Niagara Power Plant in the amount and for the purpose listed below:

Capital	**Contract Approval**	**Projected Expiration Date**
Niagara Upgrade Construction Services	**$5,644,700**	**08/31/98**
Mollenberg-Betz, Inc.		

8. Procurement (Services) Contract - St. Lawrence/FDR Power Project Relicensing - Cooperative Consultation Process and Technical Subcommittees Meetings Facilitation - Gomez & Sullivan - Award

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the award of a multi-year procurement (services) contract to Gomez and Sullivan (G&S) for facilitating the Cooperative Consultation Process (CCP) Team meetings and technical subcommittees' meetings in support of the St. Lawrence/F. D. Roosevelt Power Project (St. Lawrence/FDR Project) relicensing effort.

BACKGROUND

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

The Authority's existing Federal Energy Regulatory Commission (FERC) license for the Project expires in October 2003. In accordance with FERC regulations, the Authority's application for a new license must be filed by October 2001. Before filing this application, the Authority must consult with the public and regulatory agencies concerning issues to be addressed in the license application and associated studies conducted in advance of the application. The Authority, working with FERC and New York Department of Environmental Conservation (DEC), has developed the CCP to relicense the St. Lawrence/FDR Project. This approach allows agencies and interested members of the public to participate in a process of identifying issues, planning and reviewing studies, and considering potential Project enhancements and other necessary measures.

DISCUSSION

The CCP differs from the process that would otherwise be required by FERC regulations in that it accelerates the National Environmental Policy Act (NEPA) analysis and combines it with license application preparation. This approach ensures that all interested parties are afforded an opportunity to participate in the activities that will form the basis for the Authority's application for a new license. Authority staff expects that with agency and public participation in the definition of the issues and the scoping and performance of the NEPA studies, the Authority will realize an overall reduction in the amount of time and resources that would otherwise be needed to relicense the St. Lawrence/FDR Project. In addition to the numerous individuals who meet as part of the CCP, four technical subcommittees have been created to deal with land use/recreation, ecological, socio-economic and engineering-related issues.

G&S was awarded Contract No. S9456945, which was competitively bid, on February 18, 1994 for its participation in the Authority's Panel of Experts providing advice on dealing with FERC, emerging hydro licensing trends and other similar services including facilitating meetings. This contract has subsequently been extended by the Trustees. To date $174,655 has been expended.

Since the establishment of the CCP in early 1996, G&S staff has assisted the Authority with facilitating the meetings. This assistance initially involved providing interested parties with background information on

similar proceedings and facilitating discussions among interested parties which led to the successful formation of the CCP. In leading these discussions, G&S staff has demonstrated a unique ability to allow all voices to be heard and to draw the various opinions into a single position which the Team endorses. The excellent rapport between G&S staff and the CCP Team reflects an unqualified trust of G&S personnel by the CCP Team. In light of this ability to lead productive discussions of this diverse group of 50 to 60 individuals who represent up to 40 different parties including the FERC, DEC, other federal and state agencies, local governments, Authority customers, non-governmental organizations, the Mohawk community, and the public, the Authority has continued to use G&S staff to lead and facilitate discussions at the CCP meetings. CCP Team members working on subcommittees have requested assistance in these technical meetings with G&S staff acting as facilitators.

Due to G&S's changed role, it is considered appropriate to issue a new contract with a new schedule of services detailing the work to be done with the CCP Team. It is anticipated that CCP Team meetings will be held quarterly (four per year), while technical subcommittees will meet up to eight times per year in 1997. Quarterly CCP Team meetings should continue through 1999, although the frequency of subcommittee meetings should decrease in 1998 and 1999. The contract would include facilitation of and preparation for these meetings.

Existing Contract No. S9456945 will be terminated effective January 31, 1997. The new contract with G&S would commence on February 1, 1997, with the term of the contract through December 31, 1999, subject to Trustees' approval, which is hereby requested. Due to the outstanding performance of the G&S staff in facilitating the CCP Team and technical subcommittees meetings, and the rapport they have developed with the Team, this contract would be awarded on a sole source basis.

FISCAL INFORMATION

Funds required for 1997 have been included in the 1997 St. Lawrence/FDR Project budget. Funds through 2003 will be included in future budget submittals. Payments will be made from the Authority's General Reserve Account.

RECOMMENDATION

The Director - Licensing, and the Vice President - Procurement and Real Estate recommend that the Trustees approve the award of a sole source contract to G&S for $450,000 for facilitating the CCP and technical subcommittees meetings through December 31, 1999 in support of the St. Lawrence/FDR Project relicensing effort.

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

In response to questions from Trustee Miller, Mr. Suloway stated that all components of the relicensing project are on schedule and that the greatest challenge in the process to date arose in connection with land-use guideline issues during the spring of 1996.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of a sole source contract to Gomez and Sullivan for the facilitation of Cooperative Consultation Process and technical subcommittees meetings in support the relicensing of St. Lawrence/FDR Project, is hereby approved through December 31, 1999 in the amount of $450,000; and be it further

RESOLVED, That it is hereby authorized that up to $450,000 of General Reserve Account monies be withdrawn from such account and utilized for making the payments under a contract between the Authority and Gomez & Sullivan, as described in the foregoing report of the President; and be it further

RESOLVED, That such amounts to be withdrawn from the General Reserve Account are not required for any of the purposes specified in Paragraphs (1) - (4) of Section 512 of the General Purpose Bond Resolution adopted on November 26, 1974, as amended and supplemented.

Capital	Expenditure Approval	Contract Award	Projected Expiration Date
St. Lawrence/FDR Project Relicensing			
Gomez & Sullivan	**$450,000**	**$450,000**	**12/31/99**

9. <u>Report from the President and Chief Operating Officer</u>

President Schoenberger expressed thanks to Mr. William Cahill for his wide-ranging accomplishments during his tenure as the Authority's Chief Nuclear Officer. Chairman Rappleyea underscored the Trustees' appreciation of Mr. Cahill's expertise and oversight of the improved performance of the nuclear plants and wished Mr. Cahill success in his new endeavors.

President Schoenberger then reported the principal accomplishments in pursuit of the Authority's strategic mission, as exemplified by the power allocation to GM Massena/Tonawanda which protected more than 700 jobs. The President highlighted the results of the 1996 Performance Measures, reporting that last year witnessed some of the best financial results ever experienced by the Authority and the creation/support of a cumulative total of 148,000 jobs in New York State. He then reported on the major aspects of the 1997 Performance Measures, including a target of 2.68 cents/kWh and 7,000 additional jobs (over the 1996 total) to be supported in the new calendar year. President Schoenberger also outlined the three main projected uses of Authority resources: the reduction of outstanding debt, which will lower the cost of power and stranded investment; the investment in improvements to the plants where fiscally warranted; and investment in new technologies such as hybrid electric buses, fuel cells, and solar power.

The Business Unit Heads then reported on their respective 1996 Performance Measures and outlined their targets under the 1997 Measures. Chairman Rappleyea commended staff for the successes of 1996. Trustee Miller stated that each of the presentations served to illustrate the dynamism and dedication of staff in their respective areas of responsibility. In response to questions from Trustee Miller, Mr. Delaney indicated that the Authority has a vital role to play in the State's overall energy strategy. Vice Chairman Frey stated that the ISO proposal for New York State is viable, and that ultimately the cost of power can make a critical difference in attracting and keeping businesses within the State.

10. Next Meeting

The next regular meeting of the Trustees will be held on Tuesday, February 25, 1997, at the Charles Poletti Power Project, Astoria, New York at 11:00 a.m., unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was closed at 1:10 p.m.

Anne Wagner-Findeisen
Corporate Secretary