

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

January 25, 1994

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

Present: Richard M. Flynn, Chairman
Linda P. Duch, Trustee
Thomas R. Frey, Trustee
Hyman M. Miller, Trustee
Robert T. Waldbauer, Trustee

Robert G. Schoenberger	President
John F. English	Executive Vice President - System Operations
Robert A. Hiney	Executive Vice President - Marketing and Development
William A. Josiger	Acting Executive Vice President - Nuclear Generation
Robert L. Tscherne	Executive Vice President - Finance and Administration
James M. Cunningham	Senior Vice President - Public Affairs
Robert J. Deasy	Senior Vice President - Power Contracts
Charles M. Pratt	Senior Vice President and General Counsel
Alvin I. Becker	Vice President and Chief Accounting Officer
Arnold M. Bellis	Vice President - Facilities Controller
William Berliner	Acting head - Human Resources
Woodrow W. Crouch	Vice President - Project Management - System Operations
Vincent Eckdahl	Vice President - Corporate Controller
Kenneth H. Haase	Vice President - System Planning
Leslie M. Hill, Jr.	Vice President - Appraisal and Compliance Services
John M. Hoff	Vice President - Procurement and Real Estate
Sally L. Irving	Vice President - Corporate Finance
John L. Lenney	Vice President - Public Affairs
Charles I. Lipsky	Vice President and Chief Engineer - System Operations
Angel J. Martin	Vice President - New Business
Phillip J. Pellegrino	Vice President - Power Sales and Rates
Vincent J. Tobin	Vice President - Government and Public Policy Affairs
Michael F. Woods	Vice President - Industrial Economic Development
John F. Duffy	First Assistant General Counsel
Ronald W. Ciamaga	Resident Manager - St. Lawrence/FDR Power Project
James Ford	Resident Manager - Niagara Power Project
John H. Garrity	Resident Manager - Indian Point 3 Nuclear Power Plant
Richard E. Kuntz	Resident Manager - Charles Poletti Power Project
James J. McCarthy	Resident Manager - Blenheim-Gilboa Power Project
Harry P. Salmon, Jr.	Resident Manager - James F. FitzPatrick Nuclear Power Plant
John W. Blake	Director - Environmental Programs
Arthur M. Brennan	Director - Facility Planning and Budgets
Joseph J. Brennan	Director - Internal Affairs
Jules G. Franko	Director - Nuclear Operations
Thomas R. Mahoney	Director - Real Estate
Stephen P. Shoenholz	Director - Public Relations

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Laura M. Badamo
Vernadine E. Quan-Soon
Anne Wagner-Findeisen

Assistant Secretary - Legal Affairs
Assistant Secretary - Corporate Affairs
Corporate Secretary

Chairman Flynn presided and Secretary Wagner-Findeisen kept the Minutes.

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1. Approval of the Minutes

The minutes of the Regular Meeting of December 16, 1993 were approved by the Trustees.

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2. Municipal Electric Utilities Association Award to Chairman Flynn

Lawrence Kilburn, President of the Municipal Electric Utilities Association of New York State ("MEUA"), presented Chairman Flynn with a plaque commemorating the Chairman's strong leadership as a public power advocate and awarding him honorary life membership in the organization. In making the presentation, Mr. Kilburn expressed the MEUA's appreciation for the level of cooperation and communication that the Chairman had established with the MEUA.

Chairman Flynn expressed his surprise and gratitude to Mr. Kilburn and to Robert Mullane, Executive Director of the MEUA, for this very considerate action, and declared his great satisfaction with the high degree of understanding and cooperation that had been attained between the Authority and MEUA during the years of his chairmanship.

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3. Designation of Richard M. Flynn Power Plant

Trustee Waldbauer offered the following resolution:

WHEREAS, Richard M. Flynn has served the New York Power Authority and the citizens of this state with distinction as a Trustee for 18 years, the last 8 1/2 years as Chairman and Chief Executive Officer; and

WHEREAS, he succeeded in his efforts to benefit all parts of New York State, resolving longstanding power allocation controversies in a manner that protected upstate hydroelectric supplies while ensuring that downstate consumers had access to lower-cost energy; and

WHEREAS, as Power Authority Chairman and as Chairman of the state's Economic Development Power Allocation Board, he developed and implemented a highly effective "Power for Jobs" program that uses Power Authority electricity as a strong economic development tool; and

WHEREAS, he created a multi-faceted, nationally honored energy conservation program that will save state government, school districts, public agencies and municipalities millions of dollars every year on their electric bills; and

WHEREAS, he supervised successful completion of two major construction projects--the Marcy-South and Long Island Sound Cable transmission lines--that strengthen New York State's transmission grid and help the Power Authority meet its mandate to provide lower-cost electricity statewide; and

WHEREAS, he was a national leader in the electric utility industry, especially in working for increased competition and expanded transmission access; and

WHEREAS, it was at Richard Flynn's initiative that the Power Authority itself entered this competitive era by bidding to supply new generating capacity to the Long Island Lighting Company; and

WHEREAS, it was through his leadership and direct involvement that the Power Authority won this competition and the right to build a 150-megawatt combined cycle generating plant, now nearing completion, at Holtsville on Long Island; and

WHEREAS, he brought total commitment to the office of Power Authority Chairman at considerable personal and financial sacrifice; now therefore be it

RESOLVED, That the Trustees of the New York Power Authority express their sincere gratitude for the exemplary public service and leadership that marked Richard M. Flynn's years as Chairman and Chief Executive Officer; and be it further

RESOLVED, That the Trustees extend their hope for his success as he takes on his vital new responsibilities as Chairman of the Northeast Corridor Initiative and add their best wishes to him and Betsy for long, healthy and happy lives; and be it further

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RESOLVED, That in recognition of his many contributions--and specifically his efforts to create a competitive electric utility industry and to ensure a prominent place for the Power Authority in that industry--the Trustees hereby designate the Power Authority's new generating plant at Holtsville, the Richard M. Flynn Power Plant.

Chairman Flynn expressed his gratitude to the Trustees for their generous tribute and for so effectively applying their varied areas of expertise to the complex work they carry out on behalf of the Authority. He also thanked the staff of the Authority, commending their dedication, professionalism and competence, and stressing that the Authority's human resources are its greatest assets.

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4. Financial Reports - December 31, 1993

Ms. Irving reported that detailed financial results for 1993 will be presented at the February meeting by which time the year end closing and external audit will have been completed.

Strong operations in 1993 resulted in a replenishment of cash reserves with the Operating Fund growing \$118.5 million to close the year with \$487.7 million - a balance sufficient to meet the Authority's working capital and other long-term operating reserve requirements.

The General Reserve closed with a balance of \$174.5 million, with \$24.7 million having been spent during the year on various capital improvements to Authority facilities including the Niagara Upgrade and Poletti's condenser tube replacement programs.

At year end, the Authority's aggregate portfolio totaled \$1.23 Billion with a yield of 6.7%, down only 60 basis points from the prior year. Its current yield of 6.6% compares favorably with the 30-year Treasury Bond now yielding 6.3%.

The municipal market was stable during the month with Authority Series CC bonds due 2018 trading at a price of 99 to yield 5.33%, down 3 basis points from last month. Rates also remained stable on the short end with the \$130 million master note borrowing paying interest at 2.48%, up 5 basis points from last month.

The Executive Vice President - Finance and Administration submitted the following report:

5. Service Tariff No. 31 - Interruptible Transmission Service - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve, as a final action, a revision to Service Tariff No. 31 ('ST-31'), for interruptible transmission service using the Authority's facilities.

BACKGROUND

"At their meeting of October 26, 1993, the Trustees authorized the Secretary to file notice for publication in the State Register of the Authority's proposed action to amend the interruptible transmission rate set forth in ST-31 and to file such other notice as is required by statute or regulation.

DISCUSSION

"Submitted herewith as Exhibit '5-A' is the pertinent portion of the minutes of the October 26th meeting. Notice of the proposed action was published in the State Register on November 17, 1993. No comments have been received by the Authority.

FISCAL INFORMATION

"It is estimated that additional revenues associated with this proposed revision to ST-31 will be approximately \$25,000 per year.

RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the Trustees approve the proposed amendment to Service Tariff No. 31.

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

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

WHEREAS, at their meeting of October 26, 1993 the Trustees authorized the Secretary to file notice of proposed action for publication in the State Register of the Authority's intention to revise the transmission rate for Service Tariff No. 31 for interruptible transmission service; and

WHEREAS, such notice was duly published in the State Register on November 17, 1993 and more than forty-five (45) days have elapsed since publication;

NOW THEREFORE BE IT RESOLVED, That the revision to the rate for Service Tariff No. 31 for interruptible transmission as recommended in the foregoing report of the President, is hereby approved effective December 1, 1993; and be it further

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

6. Service Tariff No. 52 - Firm Transmission Service on the Authority's Upstate Transmission Facilities - Proposed Action to Adopt a Rate for Such Tariff

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Secretary to file notice for publication in the State Register of proposed action to adopt a new firm transmission Service Tariff No. 52 ('ST-52') (attached hereto as Exhibit '6-A'), for prospective customers which have requested firm transmission service using the Authority's Upstate Transmission Facilities. The tariff incorporates the existing rate for firm transmission service over the Facilities.

BACKGROUND

"The Authority's Upstate Transmission Facilities ('Facilities') consist of the 345-kV Niagara-Edic/Marcy double circuit line; the 230-kV St. Lawrence/FDR-Plattsburgh double circuit line; and the St. Lawrence/FDR-Adirondack double circuit line.

"The Facilities are used by the Authority and the Authority's customers under specific transmission contracts and in conjunction with Authority power sales.

"The Authority has received inquiries concerning transmission service over the Facilities from independent power producers and utilities. More specifically, New York State Electric and Gas Corporation ('NYSEG') has requested service over the Facilities for the delivery of its purchase from the Falcon Seaboard project in Plattsburgh, New York expected to commence in the second quarter of 1994.

DISCUSSION

"The Facilities are used to provide firm transmission service to municipal, cooperative, investor-owned utility and industrial customers under either power purchase contracts or separate transmission agreements. It is recommended that a new Service Tariff, ST-52, be approved in order to provide service to other entities which request such service utilizing the Facilities, or in conjunction with the use of other Authority transmission facilities.

"The ST-52 tariff rate would be the current \$1.30 per kW-month applicable to the Facilities and would be subject to change whenever the rate applicable to the Facilities is changed. Under the terms of this tariff, which is subject to future revisions by the Authority, use of transmission in conjunction with service under the existing transmission service tariffs would result in a rate not to exceed \$2.19/kW-month. The proposed new ST-52 will be published for comment in the State Register in accordance with the Authority's administrative procedures. (21 NYCRR 455 (1988)).

FISCAL INFORMATION

"The anticipated net revenue effect of use of this Service Tariff in conjunction with the use of the Marcy South project under tariff ST-45 will be about \$4.3 million per year for a period of 15 years.

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RECOMMENDATION

"The Senior Vice President - Power Contracts recommends that the Trustees authorize the Secretary to file notice with the Secretary of State for publication in the State Register of proposed Authority action to promulgate Service Tariff No. 52.

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

Responding to questions from Trustee Frey, Mr. Deasy explained that the Authority has intervened in opposition to NYSEG's economic development power delivery rate filing process before the PSC, and that NYSEG's use of the Authority's transmission facilities can generate substantial revenues.

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

RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice with the Secretary of State for publication in the State Register of the Authority's proposed action to adopt Service Tariff No. 52 for firm transmission service on the Authority's upstate Transmission Facilities, as set forth in the foregoing report from the President, and to submit such other notice as may be required by statute or regulation.

Service Tariff No. 52
Firm Transmission Service

Effective May 1, 1994

Applicable

To firm use of the Authority's Upstate Transmission Facilities.

Character of Service

Alternating current; 60-hertz; 3 phase

Rate

\$1.30 per kilowatt of Contract Demand per month provided that the total monthly charge per kilowatt for service under an accepted application for firm transmission service incorporating this tariff and any other Authority tariff(s) for firm transmission service shall not exceed an amount per kilowatt calculated by multiplying the maximum rate in mills per kilowatt-hour set forth for interruptible service under Service Tariff No. 31 by 730 hours.

Transmission rates are subject to revision upon notice as provided in the provision entitled `Adjustment of Charges'.

The Transmission charges specified in this Service Tariff shall apply to the billing demand hereunder.

Billing Demand

The Billing Demand shall be the Contract Demand in effect during the billing period.

Contract Demand

The Contract Demand shall be the amount(s) of capacity specified in Customer's accepted Application for Firm Transmission Service.

Losses

Quantities accepted by the Authority at the point(s) of receipt identified in the Application for Service after reductions to account for transmission losses will be delivered to the point(s) of delivery identified in the Application. Such losses shall be determined by Authority and reviewed by Customer.

Adjustment of Charges

If Authority determined that the rates for firm transmission service hereunder should be revised pursuant to the Authority's Rules and Regulations for Power Service, it will notify Customer in writing of the revised charges not less than thirty (30) days in advance of the effective date thereof.

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7. **Suffolk County Electrical Agency - Allocation of FitzPatrick Power to Sage Enterprises, Inc.**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 400 kW of FitzPatrick power to Suffolk County Electrical Agency ('Suffolk County') for resale to Sage Enterprises, Inc. ('Sage').

BACKGROUND

"The Authority has reserved approximately 5,000 kW of FitzPatrick industrial power for sale to Suffolk County, which resells this power to industrial consumers designated by Suffolk County and approved by the Authority. Suffolk County has fully allocated 5,000 kW of FitzPatrick power to four companies. Grumman Corporation's Great River facility receives 2,000 kW, one-half of which is withdrawable by Suffolk County for reallocation to other companies. The 400 kW requested for Sage would be withdrawn from Grumman Corporation.

DISCUSSION

"Sage, located in Hauppauge, is a privately held firm that provides in-flight refrigerated food products to most of the commercial airports in the northeastern United States. High electrical demand results from Sage's frozen food storage facility. Twenty percent of overhead costs are associated with energy costs. Relocation to a facility in New Jersey would result in significant savings on energy and transportation costs. The company currently employs 37 people. The proposed allocation would produce a ratio of 92 jobs per MW. Sage's facility has been designed for energy efficiency with high intensity discharge lighting, air curtains, an energy management system and super-insulation of the refrigerated storage space. The proposed five-year allocation would save an estimated \$70,000 annually over LILCO's standard rates.

"The proposed allocation has been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts)(21 NYCRR 460 (1988)). The contract between Sage and Suffolk County (Exhibit `7-A' hereto) provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by Suffolk county as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contract between the Authority and Suffolk County.

RECOMMENDATION

"The Vice President - Industrial Economic Development recommends that the Trustees approve the allocation of 400 kW of FitzPatrick power to Suffolk County for resale to Sage on substantially the terms set forth in Exhibit `7-A'.

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

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In response to questions from Trustee Waldbauer, Mr. Woods explained that Sage, along with other power recipients, will submit annual reports to the Authority detailing its power usage and employment levels.

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

RESOLVED, That the Authority hereby approves the allocation of 400 kW of FitzPatrick power to the Suffolk County Electrical Agency for resale to Sage Enterprises, Inc. substantially in accordance with the terms set forth in Exhibit "7-A" attached hereto; and be it further

RESOLVED, That the contract for the resale of FitzPatrick industrial power between the Suffolk County Electrical Agency and Sage Enterprises, Inc. is subject to approval by the Vice President - Industrial Economic Development; and be it further

RESOLVED, That the Senior Vice President - Power Contracts or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocation.

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8. Allocations of Expansion Power

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of Expansion Power totaling 17,150 kW to five companies that are proposing to invest over \$168 million.

BACKGROUND

"The Power Authority Act, as amended by Chapter 32 of the Laws of 1987, provides for allocation of 250 MW of Expansion Power to businesses in New York within 30 miles of the Niagara Power Project and Chautauqua County. Of the 250 MW, 19,732 kW are set aside for allocation in Chautauqua County. There are currently more than 33,000 kW of Expansion Power available for reallocation to industry, of which 30,200 kW are available to businesses located within the 30 mile radius, and 3,200 kW are available to businesses in Chautauqua County.

"At their meeting of November 30, 1993, the Trustees approved prospective allocations to Cliffstar Corporation (1,000 kW), and Nabisco, Inc. (1,500 kW), subject to the solicitation and consideration of competing proposals. The minutes of such meeting are attached as Exhibit `8-A'. Notice of the proposed allocations was published in the Buffalo News, Jamestown Post Journal and the Niagara Falls Gazette on December 3, 1993. Applications detailing the competing proposals were due to the Authority by January 3, 1994. Four proposals were received in response to the Authority's notice.

DISCUSSION

"The first proposal, submitted by American Axle and Manufacturing, Inc. (`American Axle'), involves the purchase of the General Motors Corporation-Saginaw Division Forge and Axle plants. The second proposal, submitted by Buffalo Newspress, Inc. (`Buffalo Newspress'), is for a 12,000 square feet expansion of the company's existing facility. The third proposal details the retooling of two engine production lines at the General Motors Corporation-Tonawanda Engine (`GM-Tonawanda') plant and the fourth and last proposal, submitted by Niagara Resin and Recycling (`Niagara Resin'), is for the restarting of a plastic recycling operation. The American Axle proposal is still under discussion and will be submitted to the Trustees at a future meeting. The remaining three applications are discussed below in greater detail:

Buffalo Newspress, Inc.

"Buffalo Newspress, a Buffalo based printer, prints publications such as business journals, school newspapers and four-color newspaper inserts. The company is planning to construct a 12,000 square feet addition as part of its plan to meet the growing needs of existing customers and is also attempting to increase its customer base through increased production capacity. The total project cost is estimated to be about \$3 million. The company currently employs 175 people and will commit to add 25 new jobs for a total job commitment of 200. The company has recently installed high efficiency lighting and uses variable speed drives for its air compressor. The company has requested 250 kW for this expansion. A recommended allocation of 250 kW is estimated to save the company \$76,000 annually. The company is working with the Erie County Industrial Development Agency to pursue

applicable financial incentives.

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General Motors Corporation - Tonawanda Engine Plant

"GM-Tonawanda, one of the largest engine production facilities in the world, is in the process of converting two of its four engine production lines and is gearing up for the production of two new pistons. Overall, the company is planning four separate projects. Two of the projects involve major modifications to its 2.2 Liter and 3.1 Liter engine production lines. The retooling of these engine lines would be necessary if this facility is to produce the next generation of engines. The third project entails replacing its existing 4.3 Liter piston, which has become obsolete, with a new 4.3 liter V6 piston. The company is also planning to produce a V8 piston which has never before been produced by General Motors. The company plans to increase production on the engine lines by over 1,000 engines per day.

"In the process of evaluating the long term viability of each plant, the company has determined that the Tonawanda engine plant, given its size and possible energy cost advantage, would be a good location for a conversion to the next generation of engines. The potential for energy cost savings played a significant role in the Tonawanda facility's success in attracting additional business from General Motors plants in Michigan and Canada. The company plans to add 585 jobs to its existing employment of 3,121 for a total job commitment of 3,706. The total capital investment is projected to be over \$120 million of which \$116 million will be used for the purchase and modification of machinery and equipment.

"The total electric load at this facility is about 32 MW. The company has requested 13,800 kW for this project. Given the competitive environment in today's automobile industry, a recommended allocation of 13,800 kW, which is estimated to save the company about \$3.5 million annually, should give the facility a competitive advantage and will help to secure employment in the long term.

"Energy conservation efforts include the conversion of mercury and fluorescent lighting to high pressure sodium lighting, a computerized compressed air control system, and the formation of energy conservation teams. The Western New York Economic Development Corporation strongly supports this application.

Niagara Resin and Recycling, Inc.

"Niagara Resin is a privately held corporation which was formed in October 1993, to restart the former Optiplas Films recycling operations in Niagara Falls. The company will recycle plastic into plastic resin pellets and plans to expand its initial product line into trash bags and plastic film. The total project cost of about \$620,000 will be used to purchase both new and used machinery and equipment. The company, which will lease its facility, plans to immediately rehire 25 former employees of Optiplas Films and will commit to create an additional 35 jobs for a total job commitment of 60. The company has requested 600 kW for this project. A recommended allocation of 600 kW is projected to save the company \$165,000 annually.

"The applications of these companies were reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority's Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR 460 (1988)).

RECOMMENDATION

"The Vice President - Industrial Economic Development recommends that the allocations of Expansion Power as summarized in Exhibit `8-B' be approved.

"The Senior Vice President - Power Contracts, the Senior Vice President and General Counsel, the Executive

Vice President - Marketing and Development, and I concur in the recommendation."

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Trustee Duch stated for the record that, as regards the proposed allocation to GM, she serves on the Board of the Western New York Economic Development Corporation. In response to her questions concerning staff's plans for the remaining economic development power, Mr. Woods described current marketing efforts which include advertisements in industrial publications and mass mailing campaigns.

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

RESOLVED, That the allocations of Expansion Power summarized in Exhibit "8-B" be, and hereby are, approved in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Senior Vice President - Power Contracts or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations.

<u>Company Name</u>	<u>Recommended Allocation</u>	<u>Total Jobs</u>	<u>New Jobs</u>	<u>Existing Jobs</u>	<u>Projected Investment</u>	<u>Estimated Savings</u>
Buffalo Newspress Inc.	250 kW	200	25	175	\$ 3,000,000	\$ 76,000
Cliffstar Corporation	1,000 kW	455	100	355	\$ 9,000,000	\$ 295,000
General Motors Corporation - Tonawanda Engine Plant	13,800 kW	3,706	585	3,121	\$120,000,000	\$3,500,000
Nabisco Inc.	1,500 kW	203	88	115	\$ 35,000,000	\$ 385,000
Niagara Resin and Recycling	<u>600 kW</u>	60	60	0	\$ 620,000	\$ 165,000
Total	<u><u>17,150 kW</u></u>					

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9. Motion to Conduct Executive Session

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

Motion to Resume Meeting in Open Session

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

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10. Election of Thomas R. Frey as Vice Chairman

Chairman Flynn nominated Trustee Thomas R. Frey to be Vice Chairman of the Authority.

Mr. Frey was appointed as Trustee in July of 1993 and previously served as Senior Vice President and General Counsel of the Authority from 1979 to 1982. From 1988 through 1991, Mr. Frey was County Executive of Monroe County, New York, and from 1983 to 1988, served on the State Board of Regents. He was also a member of the New York State Assembly from 1973 to 1978.

I believe Mr. Frey is eminently qualified to fill this position.

Chairman Flynn offered the following resolution:

RESOLVED, That Thomas R. Frey be elected Vice Chairman of the Authority.

11. Southeast New York Public ("SENY") Customer Rates - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to adopt, as a final action, a program that will maintain base production rates at current levels through the end of 1996 for the sale of firm power to the Authority's SENY customers. The program further includes (i) deferring collection of the monthly Energy Charge Adjustment ('ECA') applicable to SENY customers, (ii) eventual elimination of the public customers' prepayment balance held by the Authority, and (iii) including in the ECA demand side management expenses that are not recovered in the existing base rates.

BACKGROUND

"At their meeting of October 26, 1993, the Trustees adopted the rate stabilization program on an emergency basis and authorized the Vice President - Power Sales and Rates to issue written notification to the affected customers including the conforming tariff modifications shown in Exhibit '11-A'. Submitted herewith as Exhibit '11-B' is the pertinent portion of minutes of the October 26, 1993 meeting.

DISCUSSION

"Pursuant to the Authority's Administrative Procedures, the Secretary was authorized to file notice for publication in the State Register of the emergency adoption and of proposed Authority action to permanently adopt the provisions of the measure. Such notice was published in the State Register on November 17, 1993, and no comments concerning the proposed action were received by the Secretary.

FISCAL INFORMATION

"The proposal to maintain the current base rates and to defer collection of the ECA will reduce the overall level of rates and charges previously anticipated for the SENY customers by approximately \$110 million through 1996. Through this same period, the Authority will offset lost energy revenues from the proposed action by reducing its outstanding prepayment liability to the SENY customers. The entire prepayment, or approximately \$60 million, is expected to be eliminated in 1994 as a result of higher fuel and purchased power expenses associated with the on-going Indian Point 3 outage.

RECOMMENDATION

"The Vice President - Power Sales and Rates recommends that the rate stabilization and conforming tariff modifications adopted on October 26, 1993 as an emergency action be adopted as a final action.

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

"The Senior Vice President and General Counsel, the Executive Vice President - Marketing and Development,

the Executive Vice President - Finance and Administration, and I concur in the recommendation."

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

RESOLVED, That the proposed rate stabilization program for the sale of firm power and energy to the SENY customers including the conforming tariff modifications be, and hereby is, adopted as a final action 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 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 Vice President - Power Sales and Rates be, and hereby is, authorized to do such other and further things as may be necessary or desirable to effectuate the foregoing.

12. Addition to 1994 Nuclear Generation O & M Expenses - Indian Point 3 Nuclear Power Plant and James A. FitzPatrick Nuclear Power Plant

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve additions of \$28,622,000 to the Indian Point 3 Nuclear Power Plant ('IP3') Operation and Maintenance ('O&M') expenses for 1994, and \$12,978,000 to the James A. FitzPatrick Nuclear Power Plant ('JAF') Operation and Maintenance ('O&M') expenses for 1994.

BACKGROUND

"IP3 began an outage on February 26, 1993. Since the start of the extended outage, the original scope and timing of work has changed resulting in the identification of additional modifications as well as the deferral of some work efforts into 1994. The 1994 O&M budget approved in December did not include funding to support a planned outage.

"JAF had a 21 day maintenance outage planned for 1994. The refuel outage originally scheduled to begin January 7, 1995 has been re-scheduled to begin November 29, 1994. The 1994 O&M budget approved in December included \$2.3 million for preparation and training of contractors for the planned 1995 refuel outage.

DISCUSSION

Indian Point 3

"The 1993 O&M budget was increased by \$17.1 million to a total revised budget of \$120.5 million. It is projected that the end of year expenses will be \$117.5 million, an underrun of approximately \$3.0 million. This underrun is partially a result of outage tasks being deferred into 1994.

"The 1994 O&M Budget was prepared with the assumption that IP3 would be in operation by January 1st and there would be no planned outage in 1994. It now appears likely that the plant will not return to service until the fall of this year. The major emphasis is still to improve the overall plant performance by improving management control, and by identifying and reducing the number of plant deficiencies. This will include reduction of the engineering and work request backlog.

"The estimated additional cost to return IP3 to service, assuming an early fall return to service is \$28,622,000. This request for additional funding as itemized in Exhibit '12-A' reflects those actions necessary to meet this commitment.

James A. FitzPatrick

"The original 1994 budget approved for JAF included a 21 day spring maintenance outage and no scheduled refuel outage. The refuel outage originally scheduled for January 7, 1995 has been re-scheduled to begin November 29, 1994 to mitigate revenue losses associated with a projected coast down. The 1994 O&M Budget approved in December included approximately \$2.3 million for the refuel outage, chiefly for preparation work and contractor

training. Due to the reschedule of this outage, it is estimated that an additional \$9 million will be required in 1994.

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This increase in 1994 will result in a corresponding decrease in the 1995 projected expenses as reflected in the long-term financial forecast for JAF.

"It has also been determined that a special inspection of reactor components (shroud inspection) and possible modification/repair will be required to be performed during this refuel outage. This item was not in the original 1995 outage forecast. The cost of this inspection is \$5 million. If a modification/repair is required the estimated cost is an additional \$1.5 million. An additional \$4 million will be required in 1994 to support this effort with the remaining \$2.5 million representing an increase to the 1995 forecast if required.

"This request for additional funding in 1994 is necessary to address both of these issues.

"Condenser tubes evaluations have shown that tube corrosion has increased significantly. This problem is presently being evaluated and no funding is being requested in this trustee item. After all the engineering evaluations are complete, a solution will be recommended to the Trustees by mid-year. (Potential 1994 O&M impact is in the \$3 million range.)

FISCAL INFORMATION

"The expenditures listed were neither anticipated nor included in the original 1994 Operating and Maintenance budget. The increase of \$41.6 million to the Nuclear Generation 1994 O&M budget is expected to be partially offset from company wide savings (including Nuclear Generation) of \$20 million which will result in a net increase of \$21.6 million in operating expenses. The revised 1994 Operating Budget will be \$487.5 million which includes a 4 percent annual salary program. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Resident Manager - Indian Point Nuclear Power Plant, the Resident Manger - James A . FitzPatrick Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, and the Executive Vice President - Nuclear Generation, recommend approval of additional funds in the amount of \$28,622,000 required to restart and improve the performance of the IP3 plant, and \$12,978,000 required to fund the rescheduling of the refuel outage and the addition of the shroud inspection at the JAF plant.

"The Vice President - Facilities Controller, the Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

Mr. Tscherne explained that the budget, as adjusted, represents the same \$487.15 million total approved by the Trustees at their meeting of December 16, 1993. Mr. Schoenberger explained that with the exception of the proposed refueling work at JAF and the funds required for starting-up IP3, the base budget fulfills his commitment to the Trustees to present a "flat" budget. He added that the \$487.15 million figure includes funds for a 4% average salary increase to take effect in March.

January 25, 1994

At their meeting of February 22, 1994, Trustee Duch requested a clarification for the record of such portion of the minutes of January 25, 1994, which reflect staff's discussion of the adjustments to the 1994 Budget. Trustee Duch noted that, notwithstanding staff's efforts to present a "flat" budget, some increases had proven to be unavoidable, as illustrated by the additions to the nuclear expenditures. Trustee Duch stressed the necessity of offsetting such adjustments by targeting other areas for budgetary restraint.

The following resolution, as recommended by the President, was unanimously adopted by four Trustees. Chairman Flynn was momentarily absent.

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, authorization is hereby granted to increase the 1994 O&M budget as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

Nuclear Generation

<u>Operations and Maintenance</u>	<u>Previously Authorized</u>	<u>Additional Expenditure Authorization</u>	<u>Total Amount Authorized</u>
IP3	\$98,060,000	\$28,622,000	\$126,682,000
JAF	111,405,300	12,978,000	124,383,300
HDQ's	<u>24,874,600</u>	<u>- 0 -</u>	<u>24,874,600</u>
TOTAL	<u>\$234,339,900</u>	<u>\$41,600,000</u>	<u>\$275,939,900</u>

Authority Total O&M Summary:

(\$ Millions)

1994 operations and maintenance expense estimate - approved December, 1994 (includes a 4 percent annual salary program)	\$465.9
JAF/IP3 additional expenditure authorization for 1994	41.6
Reduction of estimated O&M expenses (company wide cost reduction - 1994)	(20.0)
Revised operations and maintenance expense estimate for 1994	487.5

Exhibit `12-A'
January 25, 1994

The additional funding for IP3 is required to support the continuation of the Performance Improvement Outage. The following four major areas of concern need to be addressed:

- A). Outage Support
- B). Organizational Development
- C). Technical and Regulatory Issues
- D). Preventive and Corrective Maintenance

A) Outage Support: \$4.5 Million

Outage support includes providing staff augmentation (including overtime) to support areas such as purchasing, office/station support, material management support, and Quality Assurance/Control Support.

B) Organizational Development: \$2.3 Million

Organizational development is required to strengthen the IP3 and WPO organization in order to more effectively identify problems, and to implement process improvements to resolve present and potential problems. Also, included in this request is the need to provide an Assessment Team which will include consultants familiar with NRC problem plants, who will be able to provide additional insight and recommendations to ensure start-up readiness for IP3. In conjunction with this assessment team a root cause evaluation of the problems experienced at IP3 will be performed. A management training program will be developed and provided to all managers and supervisors at IP3 and WPO support.

C) Technical and Regulatory Issues: \$2.8 Million

Technical and Regulatory Issues include commitments IP3 has made to the Nuclear Regulatory Commission ('NRC'), Generic Industry commitments or other technical issues which must be resolved by a committed date. These commitments include: the Service Water Inspection Audit Response, the Rewrite and Upgrade of IP3 Operational Procedures, the Reliability Centered Maintenance Program Evaluation, the NRC Generic Letter 89-10 to evaluate the IP3 Motor Operated Valve ('MOV') Program, and to perform a safety evaluation on the potential effects on the operating license of extending surveillance test from 18 months to 24 months.

D) Preventive and Corrective Maintenance: \$19.0 Million

Preventive and Corrective Maintenance requires these types of support: Engineering, Planning and Scheduling, Craft and Supervisory Labor, Performance Testing, Operational, Specialized Technical Consultants, and all necessary materials.

Preventive and corrective maintenance will be performed in the following areas: overhaul of pumps, motor and valves, the design and installation of modifications, and the discharge canal outfall gate repair.

13. Illumination of the Upper Niagara River Rapids - Underwriting Electricity Costs for the New York State Office of Parks, Recreation and Historic Preservation, Niagara Region - Expenditure Authorization

The President submitted the following report:

SUMMARY

"At their meeting of March 28, 1989, the Trustees approved payment, for the period 1989 through 1993, to the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP'), Niagara Region of the cost of the electricity needed to illuminate the upper Niagara River rapids. The projected closing date was December 31, 1993.

"The Trustees are requested to extend the approval for payment for a five year period commencing January 1, 1994 and concluding December 31, 1998. Staff estimates that the cost will be approximately \$7,500 annually. Annual expenses are expected to increase if phases 2 and 3 of the lighting system are placed in service. However, this is scheduled to occur in 1998 at the earliest. Total payments for the period 1994 through 1998 are not expected to exceed \$50,000.

BACKGROUND

"The Authority has been asked by the OPRHP to continue support of the illumination of the upper Niagara River rapids system in a manner similar to the way Ontario Hydro provides the electricity to illuminate the Falls.

"Continued Authority support helps the Authority to maintain a cooperative and informative presence in the region. Authority participation also enhances the general public awareness of the Authority and its Niagara area facilities. In addition, it assists OPRHP and complements previous Authority involvement in the Niagara region parks.

DISCUSSION

"OPRHP had originally anticipated expanding the lighting system over a three year period. However, due to budget constraints, only phase 1 was completed and put in service. Phase 2 appears in OPRHP's long-range plans for 1998. Annual costs, with phase 1 only in effect, are expected to be about \$7,500 based on Niagara Mohawk's current service class No. 2 rate.

"The arrangement, which staff recommended and the Trustees approved in 1989, was for the Authority to reimburse OPRHP for the cost of the electricity provided by Niagara Mohawk to illuminate the rapids at the applicable retail service rate. It is recommended that the current arrangement be maintained for the period of the extension.

FISCAL INFORMATION

"Funds required for this purpose are included in the Approved 1994 O&M Budget. Funds required for subsequent years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

January 25, 1994

RECOMMENDATION

"The Vice President - Public Affairs recommends that the Trustees approve payment to the New York State Office of Parks, Recreation and Historic Preservation, Niagara Region for the electricity needed to illuminate the upper Niagara River rapids as described above.

"The Senior Vice President - Public Affairs, the Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

Trustee Duch noted that the illumination effort has proven to be a significant benefit to tourism and economic development.

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

RESOLVED, That approval is hereby granted for payment, during the period 1994 through 1998, to the New York State Office of Parks, Recreation and Historic Preservation, Niagara Region of the cost of the electricity needed to illuminate the upper Niagara River rapids, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Expenditure Approval</u>
Electricity Costs - Illumination of the Upper Niagara River Rapids		
New York State Office of Parks, Recreation and Historic Preservation, Niagara Region	12/31/98	<u>\$50,000</u>

January 25, 1994

14. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, February 22, 1994**, at the **New York Office** at **10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

15. Motion to Conduct Executive Session

"Mr. Chairman, I move that the Authority conduct an executive session in connection with matters leading to its employment of services of persons and corporations."

Upon motion made and seconded, an executive session was held.

January 25, 1994

16. Procurement (Services) Contracts - Hardware and Software Maintenance and Other Related Services - MIS and System Operations - Awards and Extensions

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the three-year extensions of five contracts, and the award of ten contracts for maintenance and other services relating to various hardware and software required to support operations at Headquarters and the operating facilities. The nature of such services and the projected costs thereof are listed in Exhibit `16-A`.

BACKGROUND

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

DISCUSSION

"These contracts cover services for continued maintenance of existing hardware and software. In many cases, maintenance is furnished solely by the original supplier of the hardware and software. Much of the software is proprietary and could not be maintained by another party, even if one existed, due to this factor. In addition, it is normally more practical to maintain hardware items with the Original Equipment Manufacturer (`OEM'). Approval is sought to continue all such contracts through December 31, 1996. Appropriate provisions will be included to provide for termination of any of these contracts if deemed necessary by the Authority.

"The projected costs listed in Exhibit `16-A' indicate the estimated values for maintenance and other related services for the period through December 31, 1996.

FISCAL INFORMATION

"Funding for these services is included in the 1994 Approved O&M Budget. Funds to be expended for services in 1995 and 1996 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Vice President - Management Information Systems, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the awards to and extensions of the multi-year procurement (services) contracts to the firms listed in Exhibit `16-A`.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

January 25, 1994

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the awards and extensions of the multi-year procurement (services) contracts listed in Exhibit "16-A" are hereby approved as recommended in the foregoing report of the President, in the estimated amounts and for the purposes listed in the attached Exhibit.

January 25, 1994

17. Procurement (Services) Contract - Employee Assistance Program Services - Corporate Counseling Associates - Award

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement (services) contract for Employee Assistance Program ('EAP') services to Corporate Counseling Associates beginning March 1, 1994 for a period of three years in the amount of \$350,000.

BACKGROUND

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

"The EAP enables employees and their families to receive confidential counseling about personal problems which can affect their ability to perform their jobs in a competent manner. The Authority has used the services of an external vendor since the inception of the EAP in 1983. The professional counselors are trained to assess problems and provide individuals with the resources necessary to resolve them. In addition, effective January 3, 1990, the Authority has complied with the Nuclear Regulatory Commission Fitness for Duty Rule (10 CFR Parts 2 and 26) which mandates the availability of an EAP. During the course of the last EAP contract, an eldercare and childcare referral service were also implemented.

"Through the EAP, the Authority has been able to retain some of its valuable, long-term employees whose job performance had deteriorated as a result of personal problems. The EAP services have been used also as a management tool for dealing with chronic, poor job performance. Most employees who complied with treatment were able to return to work at a satisfactory performance level. There have also been cases of employees not complying with treatment and, as a result, were not able to perform their jobs at a competent level. The Authority was able to terminate these employees in compliance with the law, feeling confident it had done all it could.

"The current contract for EAP services expires on February 28, 1994.

DISCUSSION

"In response to the Authority's Request for Proposal to perform EAP services, two vendors submitted bids for the following costs: Corporate Counseling Associates - \$334,250, Preferred Healthcare - \$449,120. Travel and promotional materials, such as brochures, are reimbursed at cost.

"Although both vendors could provide basic EAP services, Corporate Counseling Associates was selected because in addition to the basic services, it can provide the Authority with comprehensive eldercare and childcare resource and referral services, and also because Corporate Counseling Associates provided the lowest qualified bid. For the first year of the contract, the per capita costs will be 2.21 percent lower than current costs. For the second year of the contract, costs will be about the same as 1993. In the third year, the per capita costs will increase by 5.80

percent. The total cost of the contract for three years will be \$350,000, including anticipated travel and materials costs of \$15,750.

January 25, 1994

FISCAL INFORMATION

"Funds for the first year of this contract are provided in the 1994 Approved O & M Budget. Funds required for 1995, 1996 and 1997 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The acting head of the Human Resources Department and the Vice President - Procurement and Real Estate recommend that the Trustees approve the award of a contract to Corporate Counseling Associates for a period of three years beginning March 1, 1994, in the amount of \$350,000.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of a contract for Employee Assistance Program Consulting Services to Corporate Counseling Associates is hereby approved for a period of three years beginning March 1, 1994, as recommended in the foregoing report of the President, in the amount listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Employee Assistance Program Consulting Services	02/28/97	
Corporate Counseling Associates		\$113,000 - 1994/5
		\$116,000 - 1995/6
		<u>\$121,000</u> - 1996/7
	TOTAL:	<u>\$350,000</u>

**18. Procurement (Services) Contract - Deferred Compensation
Plan Audit - Bonadio, Insero & Co. - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to award a procurement (services) contract for the audit of the assets of the Authority's Section 457 Deferred Compensation Plan (the 'Plan') to Bonadio, Insero & Co., certified public accountants, for a period of three years commencing February 1, 1994, in the amount of \$12,270.

BACKGROUND

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

"At their meeting of March 28, 1989, the Trustees approved the implementation of the Plan pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, and Section 5 of the New York State Finance Law. The Plan was established primarily to provide those employees covered by a collective bargaining agreement with a means of saving through a tax deferred compensation program, although the Plan is also available to salaried employees. Under the Plan, employees may elect to defer receiving part of their wages and to have this deferred compensation invested in one or more of three investment options.

"In accordance with Section 9005.1 of the Rules and Regulations issued by the New York State Deferred Compensation Board, the assets of the Plan must be audited by an independent certified public accountant every year. The current contract for the audit of Plan assets expired on December 31, 1993. Through the bid process, Bonadio, Insero & Co., a firm of certified public accountants located in Rochester, New York, was selected to perform the audits for the years ending December 31, 1993, 1994 and 1995.

DISCUSSION

"In response to the Authority's Request for Proposal ('RFP') to audit the assets of the Plan, four vendors submitted bids. All four vendors have experience auditing savings plans and their approaches to the audit are similar. Bonadio, Insero & Company is the lowest qualified bidder.

FISCAL INFORMATION

"Funds required for the first year of this contract are provided in the 1994 Approved O & M Budget. Funds required for 1995 and 1996, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

January 25, 1994

RECOMMENDATION

"The acting head - Human Resources Department and the Vice President - Procurement and Real Estate recommend that the Trustees approve the award of a contract to Bonadio, Insero & Co. for a period of three years, commencing February 1, 1994, in the amount of \$12,270.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contract for an audit of the Authority's Deferred Compensation Plan with Bonadio, Insero & Co. is hereby approved for a period of three years, beginning February 1, 1994, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Deferred Compensation Plan Audit Services		
Bonadio, Insero & Co.	01/31/97	\$ 4,090 - 1994
		4,090 - 1995
		<u>4,090 - 1996</u>
TOTAL		<u>\$12,270</u>

January 25, 1994

**19. Procurement (Services) Contract - Law Department -
Howard S. Bellman - Extension**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the extension of a consultant services contract for one consultant presently under contract. The contract is identified below and described in detail in attached Exhibit `19-A.'

BACKGROUND

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

DISCUSSION

"The nature of the consulting contract, which is the subject of this request, the expected costs, and the projected expiration date for the consultant are set forth in the Exhibit attached hereto. The existing consulting contract for which extension is requested is with Howard Bellman.

"It is appropriate that the contract be extended as the work in question is not complete. The contract was awarded in accordance with the Authority's Expenditure Authorization Procedures. The consultant has provided effective services to the Authority. The contract involves services for specific matters and will be closed when the matter is completed. Approval of the extension of the contract is sought.

FISCAL INFORMATION

"Payment for services covered by this contract rendered in 1994 will be made from the 1994 Approved O&M Budget. Funds required for subsequent years will be included in the budget submittals for those years.

RECOMMENDATION

"The Senior Vice President and General Counsel recommends that the Trustees approve the extension of the service contract listed in the attached Exhibit `19-A' for the time periods indicated.

"The Vice President - Corporate Controller, the Vice President - Procurement and Real Estate, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

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

January 25, 1994

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the contract listed in attached Exhibit "19-A" is hereby approved, for the purpose indicated, and extended for the period of time indicated:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Mediation Services		
Howard Bellman	01/25/97	To be made by staff pursuant to Expenditure Authorization Procedures

DESCRIPTION OF CONTRACT

Howard Bellman was retained to act as mediator to the St. Regis Mohawk land claims Task Force. The Task Force is attempting to negotiate a settlement to the land claim brought by the St. Regis against the State, Franklin and St. Lawrence counties and the Power Authority. Mr. Bellman has attended and will continue to attend all the meetings of the Task Force. Mr. Bellman assisted in mediating the Chippiua claim in Wisconsin, and is highly qualified to act as mediator to the Task Force.

**Exhibit `19-A`
January 25, 1994**

PROCUREMENT (SERVICES) CONTRACT

Provider: Howard S. Bellman
Contract No.: S91-17607
Dept./Division: Law/Litigation
Contract Description: Mediator in the St. Regis case

Basis of Award: Bid _____
Competitive Search _____
Sole Source x

<u>Effective Date of Original Contract or Change Order</u>	<u>Date of Trustee Approval</u>	<u>Projected Closing Date</u>	<u>Amount Authorized or Committed</u>
O.C 01/25/91		01/25/92	\$ 35,000
C.O. #1: 02/04/92	01/28/92	01/25/94	50,000
C.O. #2: 08/25/93	08/31/93		10,000

Total Amount Authorized or Committed: \$ 95,000

Total Amount Expended to Date: \$ 20,858

Projected additional commitments
through 01/25/97 to be made by
staff pursuant to Expenditure
Authorization Procedures from
authorized Capital and O&M Budget \$ - 0 -

January 25, 1994

**20. Procurement (Services) Contract - Humphreys and Harding, Inc.
- Increase in Compensation Ceiling**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an increase in the compensation ceiling of the procurement (services) contract with Humphreys & Harding, Inc. ('H and H') in the amount of \$249,704 from the current contract value of \$13,510,296, resulting in a final contract amount of \$13,760,000.

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 Authority's Expenditure Authorization Procedures require Trustees' approval when a procurement (services) contract for non-personal services exceeds a cumulative change order limit of \$3,000,000.

"At their meeting of January 27, 1992, the Trustees approved the award of a contract to the low qualified bidder, H and H of New York City, for the construction of a new Support and Administration Facility at the James A. FitzPatrick Nuclear Power Plant ("JAF"). The Trustees had originally approved a contract value of \$10,533,900 for this work. The initial award amount to H and H was \$10,460,900.

DISCUSSION

"To date 15 change orders totalling \$3,049,396 have been approved in accordance with the Expenditure Authorization Procedures.

"The major areas of additional work resulting in these change orders were:

- Re-routing of the fire protection underground main supply line beneath the footprint of the building.
- Additional excavation and backfill required due to the site rock profile being nearer to the surface than projected by soil borings, resulting in additional engineering, material and construction costs.
- Additional costs related to local concrete supplier strike, and additional security forces requested by the Nuclear Regulatory Commission ('NRC') because of the building's proximity to protected area of the plant.
- Installation and construction of permanent office partitions by contractor in lieu of Authority

purchased moveable partitions.

January 25, 1994

This additional work required was through no fault of the Contractor.

"In addition, the Contractor submitted claims for delays, increased overheads, and other additional work items totalling approximately \$1,692, 000. There were also several credits due the Authority for work deleted from the work scope, estimated not to exceed \$104,000 by Authority staff. As a result of negotiations with H and H, a settlement of \$249,704 has been agreed upon, resolving all outstanding claims for delays, extra work, changes in work scope and other matters. This will result in a final contract price of \$13,760,000.

"H and H is in the process of completing punch list work. The work it has performed is considered satisfactory. The actual building has been occupied by Authority staff since August 31, 1993. This change order will not result in any increases in the capital budget for this administration building previously approved by the Trustees on January 27, 1992 and September 28, 1993.

FISCAL INFORMATION

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

RECOMMENDATION

"The Vice President - Procurement and Real Estate, the Resident Manager - James A. FitzPatrick Nuclear Power Plant, and the Executive Vice President - Nuclear Generation recommend the Trustees' approval of the increase in the compensation ceiling of the contract with Humphreys and Harding.

"The Senior Vice President and General Counsel, the Executive Vice President - Finance and Administration, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, the increase in the compensation ceiling of the procurement contract with Humphreys and Harding be, and hereby is, approved, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Construction of Support and Administration Facility		
Humphreys and Harding		Completed
Additional change order & claim settlement Previously authorized:	\$ 249,704	
Original Contract Award Amount	10,460,900	
Change Orders (1-15)	<u>3,049,396</u>	

TOTAL REVISED COMPENSATION CEILING

\$13,760,000

January 25, 1994

21. Appointment of President and Chief Executive Officer

The Trustees approved a Statement of Essential Terms for the employment of S. David Freeman as President and Chief Executive Officer of the Authority and authorized the Chairman to enter into an employment contract with Mr. Freeman in accordance with such statement, attached hereto as Exhibit "21-A".

January 25, 1994

Closing

On motion made and seconded, the meeting was closed at 2:00 p.m.

Anne Wagner-Findeisen
Corporate Secretary

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