

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

December 19, 1995

Table of Contents

| <u>Subject</u> | <u>Page No.</u> | <u>Exhibit</u> |
|---|------------------------|--------------------------|
| 1) Minutes of the Regular Meeting of November 30, 1995 | 2 | |
| Opening Remarks of Chairman Rappleyea | 2 | |
| 2) Financial Report for the Eleven Months Ended November 30, 1995 | 3 | ` 2-A' |
| 3) The Port Authority of New York and New Jersey - Long-Term Agreement Resolution | 4 | ` 3-A' |
| 4) Contract for the Sale of Economic Development Power to Disc Graphics, Inc. - Transmittal to the Governor Resolution | 7 | ` 4-A' |
| 5) Village of Ilion - Proposed Increase in Retail Rates - Final Action Resolution | 9 | ` 5-A' ` 5-B' |
| 6) Municipal and Rural Cooperative Economic Development Program - Allocation to City of Plattsburgh Resolution | 11 | |
| 7) 1996 Operations & Maintenance and Capital Budgets Resolution | 13 | ` 7-A' |
| 8) Procurement (Services) Contracts - Southeast New York ("SENY") Public Customers Non-Electric End Use Program Resolution | 16 | ` 8-A' |

| | <u>Subject</u> | <u>Page No.</u> | <u>Exhibit</u> |
|-----|---|-----------------|------------------|
| 9) | Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters; and St. Lawrence/FDR Power Project - Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling Resolution | 20 | `9-A' |
| 10) | Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants and Headquarters - Awards Resolution | 25 | `10-A' |
| 11) | Procurement (Services) Contracts - All Operating Facilities Requiring Regulated/Hazardous Waste Disposal Services Resolution | 29 | `11-A' `11-B' |
| 12) | Procurement (Services) Contract - Lewiston Pumped Generating Plant - Overhaul - Installation Contract - Award Resolution | 32 | |
| 13) | Public Hearings on the Terms of Contracts Negotiated by the Authority Resolution | 36 | |
| 14) | Next Meeting - Motion to Conduct Executive Session | 38 | |
| 15) | Procurement (Services) Contract - Financial Advisor Services - Barr Devlin Associates - Award Resolution | 39 | `15-A' |
| | Closing | 43 | |

December 19, 1995

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

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

| | |
|------------------------|--|
| Robert G. Schoenberger | President and Chief Operating Officer |
| Charles M. Pratt | General Counsel |
| William J. Cahill | Chief Nuclear Officer |
| John F. English | Senior Vice President - Transmission |
| Robert A. Hiney | Senior Vice President - Power Generation |
| Louise M. Morman | Senior Vice President - Marketing and Economic Development |
| Philip J. Pellegrino | Senior Vice President - Energy Efficiency & Technology |
| Robert L. Tscherne | Senior Vice President - Business Services |
| Woodrow W. Crouch | Vice President - Project Management - Power Generation |
| Robert J. Deasy | Vice President - Appraisal and Compliance |
| Deborah Perry Estrin | Vice President - Human Resources |
| H. Kenneth Haase | Vice President - System Planning |
| John M. Hoff | Vice President - Procurement and Real Estate |
| Sally L. Irving | Vice President - Corporate Finance |
| Stephen P. Shoenholz | Vice President - Public Affairs |
| Ronald W. Ciamaga | Regional Manager - Northern New York |
| James L. Ford | Regional Manager - Western New York |
| Richard E. Kuntz | Regional Manager - Southeast New York |
| James J. McCarthy | Regional Manager - Central New York |
| Joseph J. Carline | Assistant General Counsel |
| John W. Blake | Director - Environmental Programs |
| Jordan Brandeis | Director - Performance Planning |
| Arthur M. Brennan | Director - Budgets |
| Joseph J. Brennan | Director - Internal Audit |
| Jules G. Franko | Director - Nuclear Operations |
| L. Helle Maide | Director - Major Accounts Group - Governmental |
| John L. Murphy | Director - Public Information |
| James H. Yates | Director - Business Marketing and Economic Development |
| Anne Wagner-Findeisen | Corporate Secretary |
| Vernadine E. Quan-Soon | Assistant Corporate Secretary - Corporate Affairs |

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

December 19, 1995

1. Approval of the Minutes

The minutes of the Regular Meeting of November 30, 1995 were approved.

Opening Remarks of Chairman Rappleyea

Chairman Rappleyea welcomed Trustee Louis P. Ciminelli on behalf of the Trustees and Authority staff.

December 19, 1995

2. Financial Reports for the Eleven Months Ended November 30, 1995

3. The Port Authority of New York and New Jersey Long-Term Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of an agreement concerning electricity supply with The Port Authority of New York and New Jersey ('Port Authority') (Exhibit '3-A').

BACKGROUND

"The Port Authority has been a valued customer since its transfer from Consolidated Edison Company of New York, Inc. ('Con Edison') in 1976 as part of the purchase agreement relating to the Indian Point 3 Nuclear Power Plant ('IP3') and Charles Poletti Power Project ('Poletti'). The Port Authority is the fourth largest customer in Southeastern New York ('SENY') and accounts for approximately 6% of the Authority's SENY production revenues.

"The Port Authority uses Authority electricity as an indispensable part of its operation at the World Trade Center, La Guardia airport, bridges and tunnels, industrial parks, bus terminals, and ports.

"Anticipated annual revenues from the Port Authority would be about \$36 million; \$28 million would be for the Authority production of electricity and \$8 million for Con Edison delivery charges.

DISCUSSION

"Consistent with the Authority's goal to ensure sales and revenue stability and staff's commitment to retain customers in a highly competitive market, as well as the Port Authority's desire to control its future electric costs, the parties entered into discussions seeking a mutually satisfactory agreement on these common objectives. The attached agreement is a result of those discussions.

"The staff of the Port Authority expects that final approval of the attached agreement by the governing body of the Port Authority will occur in February 1996, whereupon the agreement would be executed.

"The agreement is similar to the contracts recently entered into with New York City, New York City Housing Authority, and Metropolitan Transportation Authority. However, this agreement is customized to meet the particular needs of the Port Authority.

The agreement's main provisions are as follows:

The Port Authority will purchase its electricity requirements from the Authority at least through December 31, 2004; however, beginning January 1, 2002, the Port Authority could seek other electricity suppliers to serve a portion of its load - up to a total of 20% of its electric load in annual transfers not to exceed one-third of that 20%. For example, if the Port Authority's load is 94 MW, 20% of that amount is 19 MW. Beginning in the year 2002, the Port Authority will be able to move one-third of 19 MW, which is 6.2 MW.

December 19, 1995

The Authority will have the right of first refusal to supply all or part of such load as to which notice of termination has been given, both in the case of termination at the end of the term (2004) and/or if the Port Authority exercises its right to 'test the market' beginning in 2002.

The Authority will agree to freeze electric rates through the year 2001. After January 1, 2002, rate increases will be based on the Authority's demonstration that the then-current cost-of-service exceeds rate levels in effect. If the cumulative rate increase based on cost-of-service for the years 2002 and 2003 exceeds 7%, the Port Authority may then exercise its right to transfer any remaining load not already transferred under the market test option (the 20% referenced above) to a non-Authority supplier on six months' written notice.

Beginning in 1998, the Port Authority will have the opportunity to benefit from the Authority's operating efficiencies that reduce costs below revenues. If the SENY public customer cost-of-service is less than the SENY revenues from public customers, based on a 2 year average, half the Port Authority's pro rata share of such difference will be refunded to them in the form of a rate rebate. Any significant reduction in the Port Authority's load will eliminate operating savings in that year and thereafter.

The Port Authority will be receiving a bill credit equivalent to 2.5% of the 1995 production revenues derived from the Port Authority. This credit shall be applied in 30 uniform monthly bill adjustments, commencing January 1, 1996, with the sum of such bill adjustment amounts having a net present value as of January 1, 1996, equal to such 2.5% amount.

The Authority would undertake up to \$25 million in financing over the term of the agreement for energy efficiency programs on behalf of the Port Authority. This amount is proportionate to the Port Authority's share of production revenues, as well as to the other agreements previously entered into. Individual energy efficiency programs will be submitted for Trustee approval on an individual basis, as is current practice. In addition, the Authority would co-fund up to \$82,000 for economic development activities.

"In the current competitive environment, it is essential that the Authority seek longer term relationships with its customers. This agreement serves as a vehicle to cement a long-term partnership and commitment between the Authority and this customer.

RECOMMENDATION

"The Director - Major Accounts - Governmental recommends that the Trustees authorize the execution of an agreement with the Port Authority of New York and New Jersey substantially in the form attached hereto as Exhibit '3-A'.

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

On behalf of the Trustees, Chairman Rappleyea commended Helle Maide and other members of the Marketing Department's team for their efforts in achieving the long-term agreement.

December 19, 1995

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

WHEREAS, the Port Authority of New York and New Jersey is one the Authority's largest SENY customers and a valued and long-term customer of the Power Authority; and

WHEREAS, the Port Authority of New York and New Jersey desires rate predictability and stability and the Power Authority desires sales and revenue stability;

NOW THEREFORE BE IT RESOLVED, That the Chairman, the President and Chief Operating Officer, and the Senior Vice President - Marketing and Economic Development be, and each of them hereby is, authorized to execute an agreement (the "Agreement") between the Port Authority of New York and New Jersey and the Power Authority in substantially the form attached hereto as Exhibit "3-A", with such amendments, deletions, and supplements, along with any other, agreements or documents necessary to effectuate the foregoing, as the Chairman, the President and Chief Operating Officer, or the Senior Vice President - Marketing and Economic Development deems necessary or advisable and be it futher;

RESOLVED, That it is hereby authorized that up to \$82,000 of General Reserve Account monies be withdrawn from such account for payment in accordance with the provisions of the agreement between the Port Authority of New York and New Jersey and the Power Authority, and that such amount to be withdrawn from the General Reserve Account is 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.

4. Contract for the Sale of Economic Development Power to Disc Graphics, Inc. - Transmittal to the Governor

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize transmittal to the Governor of a proposed contract for the sale of Economic Development Power ('EDP') to Disc Graphics, Inc. ('Disc') (450 kW). The contract is for ten years and supports 300 jobs.

BACKGROUND

"On September 15, 1995, the Economic Development Power Allocation Board ('EDPAB') approved Disc's application for EDP and recommended the allocation to the Authority. The proposed allocation is a direct power sale contract between the Authority and Disc that is subject to a public hearing and this final review by the Trustees. EDPAB's recommendations included the quantity of EDP (450 kW), number of jobs to be committed (300 jobs), and term of contract (ten years). In addition, EDPAB recommended that the Authority's EDP service agreement with Disc include provisions regarding affirmative action, reduction of power (if jobs or power usage are below committed levels), and energy efficiency.

DISCUSSION

"Disc is a diversified paperboard and wholesale printing company specializing in printing for the home video, pharmaceutical, music, publishing and cosmetic markets operating out of two locations in Hauppauge. The company's facilities total 80,000 square feet and house its manufacturing, sales, corporate offices and warehousing. Disc's principal products include pre-recorded video, compact disc and audio cassette packaging. Competitive pricing pressures have eroded the prospect of improved operating margins and have forced the company to evaluate relocating out of state. Presently leasing its warehouse space, the company wants to acquire an adjacent property and relocate its warehouse operations. However, without additional cost relief, including electrical, Disc may not be able to acquire this new warehouse space and may be compelled to relocate out of state. An allocation of EDP will assist Disc in reducing its operating costs and allow it to remain on Long Island. Disc maintains an ongoing energy efficiency program to replace equipment with energy efficient units and to improve lighting efficiency. Disc would save an estimated \$60,000 annually over Long Island Lighting Company's standard rates. The allocation of 450 kW would be in effect for a term of ten years and is supported by the Suffolk County Electrical Agency and the Islip Department of Economic Development.

"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 Authority's standard EDP allocation agreement with each company provides for reductions in an 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 as provided by Section 460.4 of the Authority's Rules and Regulations. Additionally, each contract will include specific energy audit and implementation requirements.

December 19, 1995

"A public hearing on the proposed contract was held on November 14, 1995, at the Authority's New York office. At the public hearing, Mr. John Rebecchi, Vice President of Disc, made an oral statement in support of the proposed contract. A second party, presenting herself as a presidential candidate, raised opposition issues on the allocation of governmental resources, but did not state any reasons why this contract should not be approved. Following the public hearing, it was not deemed necessary or advisable to modify the contract. The contract submitted herewith is in the public interest.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the proposed contract for the sale of Economic Development Power to Disc Graphics, Inc. in the amount of 450 kW be transmitted to the Governor with the recommendation that it be approved.

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

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority enter into a contract with Disc Graphics, Inc. subject to the terms and conditions described in the foregoing report of the President; and

WHEREAS, the Authority reached agreement with Disc Graphics, Inc. on the terms of the contract for the sale of Economic Development Power; and

WHEREAS, on November 14, 1995 the Authority held a public hearing on the terms of such contracts upon more than 30 days' notice given by publication once each week during such period in at least six newspapers within the State of New York; and

WHEREAS, after such public hearing the Authority reconsidered the terms of such contract and does not deem it necessary or advisable to modify the contract;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the form of the proposed contract for the sale of power between the Authority and Disc Graphics, Inc. which was submitted to this meeting, and that the Authority believes such contracts to be in the public interest; and be it further

RESOLVED, That the Secretary shall transmit such contract to the Governor, the Speaker of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, and the Chairman of the Senate Finance Committee, together with the record of the public hearing held on such contract and the recommendation of the Authority that such contract be approved; and be it further

RESOLVED, That the Chairman and the Secretary be authorized and directed to execute such contract in the name and on behalf of the Authority whenever the contracts shall be approved by the Governor; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to negotiate and execute any and all documents necessary or

desirable to effectuate such contracts.

5. Village of Ilion - Proposed Increase in Retail Rates - Final Action

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve, as a final action, revisions in the base retail rates of each customer service classification for the Village of Ilion ('Village'), New York. This will result in additional total annual revenues of \$182,000, or 9.5%.

BACKGROUND

"The proposed rate revisions are required to provide adequate revenues to meet the Village's anticipated additional debt service obligations, help fund planned capital expenditures, allow for sufficient working capital funds, increase its depreciation fund and enable the Village to meet projected increases in operating and maintenance expenses through fiscal year 1998.

"Current rates have been in effect since October 25, 1994, when the Trustees approved a 'revenue neutral' redistribution of revenues. Retail rates were last increased in October 31, 1991 by 5.8%.

"The electric department has planned capital expenditures totaling \$1.37 million through fiscal year 1998. These expenditures include a \$1.13 million expansion of the Village's Pleasant Avenue substation to improve system reliability. The Village plans to debt finance \$1.13 million of planned capital expenditures through the issuance of long-term debt and fund the remainder of the capital program through the rate increase and cash reserves.

"Consistent with the promotion of energy conservation, the electric department will continue to include a seasonal rate differential with an inverted rate during the winter months (December - March). All usage above 750 kWh during the winter (the 'tail block') is priced at 5.85 cents per kWh, whereas winter usage below 750 kWh is charged 3.08 cents per kWh, as is all usage in the non-winter months (April - November). The winter tail block rate of 5.85 cents per kWh is based on the costs attributable to tail block usage to provide a price signal to high usage customers during the winter months.

"The electric department will continue the Controlled Water Heating Credit Provision for customers who agree to permit the Village to install load control equipment on their electric water heaters. To date, approximately 480 water heater controller switches have been installed since last winter (available in all rate schedules except lighting). Participants will be provided with a \$9.00 credit on their electric bill for each month of participation (December - March). In exchange, participating customers will agree to permit the Village to control the operation of their electric water heater as needed for a maximum of 45 minutes followed by a 15 minutes recovery period for each hour of control. To qualify for this program, customers must have an electric water heater with a rated capacity of 4,500 Watts. Water heaters will be controlled during the winter months when the Village wishes to reduce peak demand on the system.

DISCUSSION

"Pursuant to the approved 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.

December 19, 1995

Such notice was published on November 1, 1995, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Light Board on September 20, 1995, and Authority staff was advised that comments were made by several residential customers. The Light Board considered the comments and approved the proposed rates. On September 27, 1995, the Village Board held its scheduled public meeting and no objections were raised to the proposed rates.

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

"Comparisons of present and proposed total revenues and base rates to be produced by each service classification are attached as Exhibits `5-A' and `5-B'.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the attached schedule of rates for the Village of Ilion, New York, be approved to take effect 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.

"The General Counsel and I concur in the recommendation."

In response to questions from Vice Chairman Frey, Ms. Morman explained that the size of the increase requested by the Village was based on thorough and extensive analyses performed by both Authority and Village staff working together. Ms. Morman further explained that Authority staff ensures that any such increases actually reflect the fiscal needs of the individual municipal system and sends the appropriate price signal to end users of Authority power.

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

RESOLVED, That the proposed rates for electric service for the Village of Ilion, New York, be 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 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.

Village of Ilion
Comparison of Present and Proposed Annual Total Revenues

| <u>SERVICE CLASSIFICATION</u> | <u>PRESENT REVENUES</u> | <u>PROPOSED REVENUES</u> | <u>% INCREASE (DECREASE)</u> |
|---------------------------------------|-------------------------|------------------------------|--------------------------------------|
| Residential | \$1,238,302 | \$1,355,941 | 9.5 |
| Small Commercial | 93,602 | 102,494 | 9.5 |
| Large Commercial: Secondary Demand | 289,747 | | 9.5 |
| Secondary Demand | 289,747 | 317,273 | 9.5 |
| Primary Demand | 172,317 | 188,687 | 9.5 |
| Street Lighting | 105,720 | 115,763 | 9.5 |
| Security Lighting | <u>17,887</u> | <u>19,586</u> | <u>9.5</u> |
| Total | <u>\$1,917,575</u> | <u>\$2,099,744</u> | <u>9.5</u> |

**VILLAGE OF ILION
Comparison of Present and Proposed Monthly Rates**

| <u>Present Rate</u> | <u>Residential S.C. 1</u> | <u>Proposed Rates</u> |
|-------------------------------------|--|-------------------------------------|
| \$ 2.50 | Customer Charge | \$ 2.75 |
| <u>Non-Winter (April-Nov.)</u> | | <u>Non-Winter (April-Nov.)</u> |
| \$.0281 | Energy Charge, per kWh | \$.0308 |
| <u>Winter Rate (Dec.-March)</u> | | <u>Winter Rate (Dec.-March)</u> |
| \$.0281 | Energy Charge, per kWh | \$.0308 |
| .0534 | First 750 kWh | .0585 |
| | Over 750 kWh | |
| <u>Winter Rate (Dec.-March)</u> | | <u>Winter Rate (Dec.-March)</u> |
| \$ 9.00 | Controlled Water Heater Service Credit Per month per customer | \$ 9.00 |
| | <u>Small Commercial S.C.2</u> | |
| \$ 2.50 | Customer Charge | \$ 2.75 |
| <u>Non-Winter (April-Nov.)</u> | | <u>Non-Winter (April-Nov.)</u> |
| \$.0200 | Energy Charge, per kWh | \$.0219 |
| <u>Winter Rate Dec.-March</u> | | <u>Winter Rate (Dec.-March)</u> |
| \$.0285 | Energy Charge, per kWh | \$.0312 |
| <u>Winter Rate (Dec.-March)</u> | | <u>Winter Rate (Dec.-March)</u> |
| \$ 9.00 | Controlled Water Heater Service Credit Per month per customer | \$ 9.00 |

Large Commercial S.C. 3
Secondary

| | | | |
|----------|-----------------------------------|---------|----------|
| \$ 4.85 | Demand Charge, per kW - Secondary | \$ 5.30 | |
| \$.0108 | Energy Charge, per kWh | | \$.0118 |

Large Commercial - S.C. -3
Primary

| | | | |
|----------|---------------------------------|---------|----------|
| \$ 3.85 | Demand Charge, per kW - Primary | \$ 4.20 | |
| \$.0108 | Energy Charge, per kWh | | \$.0118 |

Winter Rate
(Dec.-March)

Winter Rate
(Dec.-March)

| | | | |
|---------|--|---------|--|
| \$ 9.00 | Controlled Water Heater Service Credit Per month per customer | \$ 9.00 | |
|---------|--|---------|--|

Street Lighting - S.C. 5

| | | | |
|----------|---|---------|----------|
| \$ 5.85 | Facility Charge, per lamp, per month | \$ 6.40 | |
| \$.0119 | Energy Charge, per kWh | | \$.0130 |

Security Lighting - S.C. 7

| | | | |
|---------|--|---------|------|
| | Facility Charge per lamp, per month | | |
| \$ 3.20 | 100 Watt, HPS | \$ 3.50 | |
| 8.00 | 250 Watts, HPS | | 8.75 |
| 5.60 | 175 Watt, Mercury Vapor | | 6.15 |
| 12.75 | 400 Watt, Mercury Vapor | 13.95 | |

6. Municipal and Rural Cooperative Economic Development Program - Allocation to City of Plattsburgh

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of power under the municipal and rural cooperative economic development program ('Program') to the City of Plattsburgh ('Plattsburgh').

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of September 27, 1995, 18,000 kW have been allocated under twenty individual allocations.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the Program, an allocation to a system should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio is considered on a case-by-case basis. For projects involving existing businesses, the suggested jobs per megawatt ratio is determined by the level of employment prior to the expansion. Specifically, for companies employing 100 or less, the target ratio is 25 jobs per MW; for companies employing between 101 and 250, the ratio is 50; for companies employing between 251 and 500, the ratio is 75; and for companies employing over 500, the ratio is 100 jobs per megawatt.

"An application for power under the program has been submitted by Plattsburgh for consideration by the Trustees.

DISCUSSION

"Bombardier Corp. ('Bombardier') is a subsidiary of Bombardier, Inc., a Canadian enterprise involved in the development, manufacture and sale worldwide of transportation equipment and recreational products. Bombardier has built a 63,000 square foot plant on a 15 acres lot in Plattsburgh to assemble all types of passenger railcars. Total project costs, including building, land, machinery and equipment, are anticipated to be \$7.5 million. Approximately \$4.2 million has been budgeted for construction. Employment is projected to be reach 154, within two years. It is anticipated that the first rail equipment off the Plattsburgh assembly line will be 34 push-pull commuter cars from Bombardier's \$43-million contract with Metro-North Railroad. Energy reduction measures have been incorporated in the design of the new building and equipment. The Clinton County Industrial Development Agency is providing financial assistance to Bombardier. It is recommended that up to 1,700 kW be approved for allocation.

"The Municipal Electric Utilities Association Executive Committee supports the recommended allocation.

"The recommended allocations under the program comprise half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the full requirements municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational, and the incremental power will be sold on an as-used basis. The hydropower earmarked for this program is presently sold to the municipal and cooperative customers on a withdrawable basis.

December 19, 1995

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the Trustees approve up to 1,700 kW for allocation under the Municipal and Rural Cooperative Economic Development Program to the City of Plattsburgh in accordance with the attached memorandum of the President.

"The General Counsel, and I concur in the recommendation."

In response to questions from Vice Chairman Frey, Ms. Morman explained that Authority staff continues its efforts to market the remaining 90 MW of power available under the Municipal and Rural Cooperative Economic Development Program.

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

RESOLVED, That an allocation of up to 1,700 kW to the City of Plattsburgh under the Municipal and Rural Cooperative Economic Development Program is hereby approved; and be it further

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

7. 1996 Operations and Maintenance and Capital Budgets

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the 1996 budgets for operations and maintenance ('O&M'), including research and development ('R&D') expenditures and fuel purchases, and the capital budget as follows:

| | <u>1996 Budget</u> <u>(\$ Millions)</u> |
|---------|--|
| O&M | 437.7 |
| R&D | 15.2 |
| Fuel | 147.1 |
| Capital | 155.0 |

BACKGROUND

"The Authority's 1994 restructuring plan has resulted in \$64 million of savings which have been included in the 1996 budget. The Authority also reorganized into five business units to better focus our efforts and provide greater accountability. The O&M budget is intended to provide the organization with appropriate resources to accomplish our objectives in 1996. The capital budget provides for ongoing prudent investment in our facilities to assure that the Authority realizes projected revenues in a safe and reliable manner.

DISCUSSION

"The O&M budget of \$437.7 million provides for planned outages at all four thermal plants (JAF - refueling; IP3, Poletti, Flynn - maintenance; IP3 - pre-outage costs for early 1997 refueling) costing \$37 million, an increase of \$22 million over 1995 outage budgets. Notwithstanding this increase, the total 1996 O&M budget is an increase of only 1.5% (\$6.5 million) over the 1995 budget. The proposed budget, therefore, absorbs all inflationary and salary increases within 1995 amounts and achieves additional cost savings of \$15 million, including the elimination of a further 53 vacant positions. This budget also provides for the upgrade of another unit at the Niagara project, the completion of the three year Niagara road repair program, and the completion of BG's overhaul program.

"The proposed R&D budget of \$15.2 million is a decrease of 16.9% from 1995. The decrease primarily reflects reductions in institutional funding (NYSERDA, ESEERCO, EPRI).

"The fuel budget of \$147.1 million is an increase of \$65.9 million over the 1995 budget of \$81.2 million. This is a cashflow budget that reflects actual purchases of fuel, which can show spikes from year to year. Of the total fuel budget, \$81.7 million is for the purchase, enrichment and fabrication of nuclear fuel (an increase of \$64.9 million over 1995) for the JAF reload in October 1996 and the IP3 reload in early 1997.

"The capital budget of \$155.0 million is a 2.3% decrease from 1995, including a \$9 million reduction in the DSM program.

FISCAL INFORMATION

"Payment will be made from the Operating Fund for operations and maintenance, the Fuel Reserve Account for fuel purchases; and the Projects' Study Fund for research and development expenditures.

"Payment will be made from the Nuclear Improvement Fund, appropriate Construction Fund, Energy Conservation Effectuation and Construction Fund or General Reserve for capital expenditures.

RECOMMENDATION

"The Vice President - Controller and the Senior Vice President - Business Services recommend approval of the 1996 Operations & Maintenance, Research and Development, Fuel and Capital budgets, as discussed herein.

"The respective Vice Presidents, Regional Managers, Site Executive Officers, and I concur in their recommendation."

In response to questions from Vice Chairman Frey and Trustee Waldbauer concerning proposed expenditures for the provision of electric vehicles to long-term customers of the Authority, Messrs. Tscherne and Pellegrino explained that the 1996 budget for electric transportation will be about the same as in 1995. They also indicated that the budget for photovoltaics will be considerably lower than in 1995. President Schoenberger added that existing commitments made to customers of the Authority will be honored and that discussions are ongoing with the representatives of such customers concerning implementation. With regard to non-Authority customers, President Schoenberger stated that pre-existing commitments will be honored but that future offerings will be capped at a certain level unless the recipients are Authority customers. Chairman Rappleyea noted that a number of the IOUs may be moving away from DSM.

Trustee Miller commended the Chairman, the President and Mr. Pellegrino on the proposed 1996 budget, noting that although he has regularly expressed concern about energy efficiency program expenditures, he is satisfied that such programs will be offered primarily to the Authority customers, as is appropriate. Mr. Pellegrino added that staff will be not seeking to extend the coal conversion program for schools beyond the pilot effort previously approved by the Trustees.

December 19, 1995

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

RESOLVED, That the 1996 Operations and Maintenance budget including research and development and fuel expenditures, and the 1996 Capital budget, as discussed in the foregoing report of the President, are hereby approved; and be it further

RESOLVED, That the Trustees of the Authority hereby: (1) authorize the payment to the Authority of funds available in the General Reserve Account for the lawful corporate purpose of paying the costs of the capital projects, and improvements thereto, specified in the attached 1996 Capital Budget of the Authority to the extent such costs are intended to be funded from such account, and (2) determine, after consideration of prior authorized but unexpended payments from such Account, that there is available from the General Reserve Account monies for such purposes, and not needed for any purpose specified in Section 512 of the General Purpose Bond Resolution having a priority over the effectuation of such capital projects, which shall be paid over to the Authority for such purposes, provided, however, that prior to the approval of any such capital project the Treasurer or a Deputy Treasurer of the Authority confirms by certificate the determination set forth in clause (2), above after consideration of any additional authorizations of expenditures from the General Reserve Account by the Trustees made after the date hereof.

O&M, R&D and Fuel
1996 Budget
(\$ Millions)

| | |
|---|--------------|
| Business Unit/Department | |
| Office of the Chairman/CEO | 10.5 |
| Office of the President/COO | 16.1 |
| Business Services | 37.9 |
| Marketing | 5.3 |
| Transmission | |
| Headquarters | 11.6 |
| Facilities | <u>17.5</u> |
| Total Transmission | 29.1 |
| Energy Efficiency | 1.9 |
| Power Generation | |
| Headquarters Support | 8.5 |
| Niagara | 41.0 |
| St. Lawrence-FDR | 22.7 |
| Blenheim-Gilboa | 16.3 |
| C. P. Poletti | 20.2 |
| Small Hydro Project | 1.6 |
| R.M. Flynn Project | <u>7.5</u> |
| Total Power Generation | 117.8 |
| Nuclear Generation | |
| Headquarters Support | 11.9 |
| Indian Point 3 | 97.6 |
| J. A. FitzPatrick | <u>109.6</u> |
| Total Nuclear | 219.1 |
| Total O&M Expenditures | 437.7 |
| R&D and Institutional Funding | 15.2 |
| Fuel | |
| Oil/Gas Purchases | 65.4 |
| Nuc Fuel Purchases, Enrichment & Fabrication | 81.7 |
| Total Fuel Purchases | 147.1 |

**Capital
1996 Budget
(\$ Millions)**

Generation

| | |
|--------------------------------|------------|
| Niagara Upgrade/ Betterment | 16.1 |
| R.M.Flynn | <u>3.3</u> |

TOTAL GENERATION 19.4

Energy Conservation

| | |
|------------------------|-------------|
| Demand Side Management | 71.7 |
|------------------------|-------------|

Transmission

| | |
|-------------------------|------------|
| Exeter 345KV S/S | 0.4 |
| Long Island Sound Cable | <u>3.0</u> |

TOTAL TRANSMISSION 3.4

Power Generation Facility Improvements

| | |
|------------------------|------------|
| Blenheim-Gilboa | 3.4 |
| Clark | 4.3 |
| Niagara | 3.0 |
| Poletti | 1.1 |
| St. Lawrence | 5.2 |
| Other Power Generation | <u>0.1</u> |

TOTAL POWER GENERATION 17.1

Nuclear Improvements

| | |
|------------------|-------------|
| J.A. FitzPatrick | 16.2 |
| Indian Point 3 | <u>13.8</u> |

TOTAL NUCLEAR 30.0

Administration/Support

| | |
|-------------------------|-----|
| Administrative Projects | 5.4 |
|-------------------------|-----|

General Plant/Minor Additions

| | |
|--------------------------------|-----|
| General Plant - Transmission | 0.9 |
| General Plant - Production | 5.3 |
| Minor Additions - Transmission | 0.1 |
| Minor Additions - Production | 1.7 |

TOTAL CAPITAL BUDGET 155.0

**8. Procurement (Services) Contracts - Southeast New York
("SENY") Public Customer Non-Electric End Use Program**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of two-year procurement (services) contracts, with options for up to one year extensions with the approval of the Chairman and the President, to two (2) firms: Harris Energy Systems and Goldman Copeland Associates for project management and program implementation services of the previously approved initiative to provide a turnkey program to implement non-electric energy efficiency measures for SENY public customers. The Authority is offering its Non-Electric End Use Program ('NEEP') energy efficiency services to the Authority's SENY public customers as part of an overall package of energy efficiency measures to induce these customers to enter into long term electricity supply contracts with the Authority. The estimated cost of the NEEP implementation services is \$16 million.

BACKGROUND

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

"At their meeting of July 25, 1995, the Trustees approved \$35 million in funding for NEEP, an energy efficiency program that will provide a turn-key approach to identifying, procuring, and implementing fossil fuel energy efficiency programs for the Authority's SENY customers as an inducement to enter into long term electricity supply contracts.

"As the General Contractor for NEEP, the Authority would contract for the installation of energy efficiency improvements through the use of Implementation Contractors ('ICs'). The services provided by the ICs will complement Authority headquarters office administrative staff resources in the implementation of NEEP. The typical contract scope-of-work will consist of the following:

- o On-site screening of NYPA customer facilities to determine which facilities are likely candidates to realize significant operational cost savings from installing energy efficiency measures.
- o On-site surveys and energy audits to identify potential application for energy efficiency measures associated with fossil fueled heating and domestic hot water systems, building envelope heat rejection and/or recovery systems, and other related improvements as identified on a case-by-case basis.
- o Detailed engineering studies and analysis of specific energy efficiency measures or systems.
- o Design of proposed systems and/or measures.
- o Preparation of project proposal documents.
- o Procurement of equipment and installation services.
- o Construction management and oversight of installation of proposed systems and/or measures.

"The IC for each project is required to work directly with the customer from preliminary site survey to the final acceptance of equipment installation. Procurement of materials and installation of the recommended energy efficiency measures will be competitively bid by the IC. The IC guarantees the quality of all work performed.

"The program will be directly administered by the Authority. A Cost Recovery Agreement ('CRA') will be executed by each participating SENY public customer and the Authority. This agreement will cover capital requirements, repayment terms, implementation responsibilities and detailed project design parameters prior to the commencement of any project construction activities. The cost of the projects, together with the cost of advancing funds, and Authority overhead charges, will be recovered through a bill surcharge over a period not to exceed ten years from the date each project is completed.

"During the negotiations which culminated in the execution of a long term power sales agreement with Westchester County, the provision of NEEP was discussed as one of several inducements. The customer requested and the Authority performed audits at the following six Westchester County facilities: Westchester County Medical Center; Yonkers Senior Citizens' Housing; Westchester Community College; New Rochelle City Hall and Police Station; Westchester County Court House; and the John Burroughs School. The audits indicated that annual energy cost savings of between 15 and 20% were possible through the implementation of NEEP-sponsored measures. Based upon the anticipated execution of a CRA, final determination of favorable project economics, and the customer's desire to pursue NEEP initiatives at these facilities, these sites would be among the first locations for near-term implementation of the NEEP. The City of New York has also expressed interest in implementation of NEEP, where similar savings to those identified for Westchester County are anticipated.

DISCUSSION

"In October 1995, the Authority requested bids relative to implementation of NEEP from 26 consulting and engineering firms recognized for their experience in providing energy efficiency services. Nine additional bidders were added to the list as a result of the Authority's announcements in the Contract Reporter.

"The RFP identified the requirements for the bidders: relevant experience working for a utility sponsored DSM program; experience providing the specific engineering and construction management functions; familiarity with the New York State Building Codes and New York City Dept. of Building and Westchester County permitting processes; etc.

"A bidders' conference was held on October 27, 1995, to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. The conference was attended by 12 firms.

"On November 15, 1995 nine, (9) bids were received. The firms responding included: Black and Veatch; Design and Structures, Associates, P.C.; Energy Investment Inc.; Flack + Kurtz Consulting Engineers, LLP; Goldman Copeland Associates; Harris Energy Systems; HEC Inc.; Parsons Brinkerhoff Quade & Douglas, Inc.; and Stone and Webster Engineering Corp.

"The criteria used to evaluate the bidders included: bidders' experience with similar DSM and energy efficiency work, qualifications of key and support personnel, proposed project organization compliance with the Authority's minimum requirements, and proposed compensation schedule. The proposed compensation schedules were ranked by component (i.e., Screening Fee, Audit Fee, and Implementation Services Fee). Based upon the combined rankings, four of the nine proposals were eliminated from consideration as being non-competitive. These firms were: Design and Structures Associates, P.C.; Energy Investment Inc.; Flack + Kurtz Consulting Engineers, LLP; and Parsons Brinkerhoff Quade & Douglas, Inc. One firm (Stone and Webster Engineering Corp.) was eliminated because their proposal was considered to be non-responsive to the RFP.

"Using a weighted average scoring system, each member of the bid evaluation team consisting of staff from Procurement and Energy Efficiency and Technology, reviewed and scored each proposal which had been determined to be economically competitive according to the evaluation criteria stated in the RFP. These firms were: Black and Veatch; Harris Energy Systems; HEC, Inc.; and Goldman Copeland Associates. In addition, all four firms were invited to make oral presentations to the bid evaluation team. The team then tabulated their scores and ranked each of the four remaining bidders. Based upon the oral presentations and review of the firms' qualifications, two firms, Harris Energy Systems and Goldman Copeland Associates are recommended for NEEP contract awards. Harris

Energy Systems is both the lowest cost bidder and was determined to have the highest technical qualifications of the four firms being evaluated. Goldman Copeland Associates had the second highest technical qualifications and proposed a competitive fee structure. The following is a brief synopsis of the qualifications of the recommended firms:

Harris Energy Systems

"Harris Energy Systems has extensive energy services engineering experience with federal, state, private, and utility clients. Harris provides DSM and related engineering services to numerous utility clients. Harris has been involved as a prime contractor in projects ranging from full turn-key direct install programs such as New England Electric's Systems' Small Commercial Industrial Program and Eastern Utilities Associates Energy Solutions Program to the Authority's Electrotechnologies Program. Authority has been pleased with Harris's performance in the Electrotechnologies Program. Economic and engineering efficiencies can be realized at an Authority customer facility which has both NEEP and Electrotechnologies applications. Harris Energy Systems is based in Boston, MA. and is a subsidiary of Frederic R. Harris Inc. which is based in Manhattan and employs 136 persons at its New York location.

Goldman Copeland Associates

"Goldman Copeland Associates is experienced in all aspects of the work scope identified in the RFP ranging from performing energy audits, feasibility studies, design of energy efficiency improvements and construction management of major mechanical and electrical installations within Westchester County and New York City. Goldman Copeland Associates has a long involvement in DSM projects working primarily for the New York City Energy Conservation Program, supervising both energy conservation studies and development of work scope to retrofit 600 NYC municipal buildings. In addition, for the NYC School Construction Authority, Goldman Copeland Associates has recently provided design services related to boiler plants on a multi-school basis and rehabilitation of a high school natatorium. Goldman Copeland was also awarded a Authority contract for implementation services related to NYC Board of Education Coal Boiler conversion services. No work had been performed under this contract to date. Goldman Copeland is based in Manhattan and employs 72 persons at this location.

"The decision to select multiple bidders was based on the anticipated workload and the desire to stimulate competition for projects between the ICs. The bidders selected were scored highest overall in terms of compensation, depth of knowledge, capability, and experience with the requirements of implementing NEEP.

"The program is designed with a three phase implementation plan consisting of Facility Screening, Facility Audit, and Implementation Services components. Each of these phases has an independent fee structure and are billed separately. The facility screening and audit fees are a fixed price based solely upon the size of the facility under review. As with the HELP and the Electrotechnologies Programs, the implementation services fee is a percentage of the total equipment and installation costs for each project. For NEEP, however, the percentage will vary based upon the size of the particular customer facility. The screening, audit and implementation services fees were bid and are part of each proposal. Subsequent to the submission of the bids, and after the evaluation team selected the recommended bidders, the Procurement staff successfully negotiated fee reductions with Harris Energy Systems for facilities where both NEEP and Electrotechnologies projects are underway and with Goldman Copeland Associates to effect reductions in all three fee components. Exhibit `8-A' summarizes the compensation schedule for the recommended firms.

"The Authority's contracts with the recommended consultants will include the Authority's Minority and Women-Owned Business Enterprise (`M/WBE') provisions which state the following M/WBE goals:

| | |
|--|-----|
| Minority-Owned Business Enterprise Subcontracting Goal | 15% |
| Women-Owned Business Enterprise Subcontracting Goal | 10% |

FISCAL INFORMATION

"As previously authorized by the Trustees at their meeting of July 25, 1995, expenditures for implementation services will be paid from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed \$35 million. At this time, the total NEEP expenditures will be capped at \$20 million (\$16 million for implementation services associated with the recommended contract awards) which will not be exceeded without first reporting to the Trustees on the status of the program and results achieved. These costs, together with the cost of advancing funds and Authority overheads, will be recovered directly from participating SENY customers within ten years after completing each individual energy efficiency project.

RECOMMENDATION

"The Senior Vice President - Energy Efficiency and Technology recommends that the Trustees authorize the award of contracts and associated funding for NEEP as described herein. The program will only be available to those SENY customers that have executed long-term power supply agreements with the Authority.

"The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Business Services, 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, approval is hereby granted to award contracts for a period of two years with an option to extend for up to a one year, with the approval of the Chairman and the President, commencing January 1, 1996, to Harris Energy Systems and Goldman Copeland Associates for consulting and implementation services in connection with the SENY Public Customer Non-Electric End Use Program only for such customers that have executed long term power supply agreements with the Authority, as recommended in the foregoing report of the President, in the amounts and for the purpose listed below:

| <u>Energy Conservation Effectuation and Construction Fund</u> | <u>Contract Approval</u> | <u>Projected Closing Date</u> |
|---|--|-----------------------------------|
| SENY Non-Electric End Use Program Implementation Services | | |
| Harris Energy Systems) | Total Award not to exceed <u>\$16,000,000</u> | 12/31/97 |
| Goldman Copeland Associates) | | |

SENY PUBLIC CUSTOMER NON-ELECTRIC END USE PROGRAM
COMPENSATION SCHEDULE

Implementation Contractor

Harris Energy Systems

Compensation Fee (1)(2)

| Facility Size | Facility Screening Fee | Facility Audit Fee | Impl. Svcs. Fee (1) |
|----------------------------|------------------------|--------------------|---------------------|
| < 100,000 sq/ft | \$1,200 | \$3,000 | 18% |
| 100,001 to 500,000 sq/ft | \$1,500 | \$4,200 | 17% |
| 500,001 to 1,000,000 sq/ft | \$1,800 | \$5,400 | 15% |
| > 1,000,000 sq/ft | \$2,400 | \$7,600 | 14.5% |

Implementation Contractor

Goldman Copeland Associates

Compensation Fee (1)

| Facility Size | Facility Screening Fee | Facility Audit Fee | Impl. Svcs. Fee (1) |
|----------------------------|------------------------|--------------------|---------------------|
| < 100,000 sq/ft | \$1,800 | \$ 7,000 | 19% |
| 100,001 to 500,000 sq/ft | \$3,500 | \$13,500 | 17% |
| 500,001 to 1,000,000 sq/ft | \$5,500 | \$16,000 | 14% |
| > 1,000,000 sq/ft | \$7,700 | \$22,500 | 12% |

- (1) Screening and Audit fee is a fixed amount based upon total floor area of the facility under review. Implementation Services Fee is a percentage of Total Equipment & Installation Costs per facility. This percentage is determined based upon the total floor area of the facility.
- (2) For facilities that are being evaluated simultaneously for both NEEP and Electrotechnologies measures, the NEEP Facility Screening Fee would be \$500. In addition, the NEEP Facility Audit Fee would be waived for such facilities.

For facilities Harris has visited previously as part of the Electrotechnologies program, the NEEP Facility Screening Fee would be waived and the Facility Audit Fee schedule would be as follows:

| Facility Size | Facility Audit Fee |
|----------------------------|--------------------|
| < 100,000 sq/ft | \$1,500 |
| 100,001 to 500,000 sq/ft | \$1,800 |
| 500,001 to 1,000,000 sq/ft | \$2,800 |
| > 1,000,000 sq/ft | \$3,000 |

This fee will cover a site re-visit and computer modeling as necessary. There are four of these sites underway in the Electrotechnologies program.

9. Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters; and St. Lawrence-F.D. Roosevelt Project - Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit `9-A' for the Indian Point 3 (`IP3') and James A. FitzPatrick (`JAF') Nuclear Power Plants, as well as for Headquarters, and five contracts in support of the St. Lawrence-F.D. Roosevelt Project. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with General Electric (`GE'), for multi-cycle refuel outage support services, to \$23,763,480 from the previously approved ceiling of \$16,763,480. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

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

DISCUSSION

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

"Although the firms identified in Exhibit `9-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

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

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

Contracts in Support of the Nuclear Plants:

"The contract with **General Electric Company** ('GE'; S94-55913) provides for power uprate consulting work for the turbine generator at JAF. This uprate, when implemented, will increase the thermal power and electric generation levels by approximately 5%. Although the contract became effective on January 24, 1994 and was originally intended to be completed during the 1995 refueling outage, it was placed on hold due to a redeployment of engineering and management resources to other efforts. A one-year extension is now requested in order to complete the original scope of services for power uprate work related to the turbine generator, as well as for additional hardware changes and related engineering work identified after the original contract scope was issued. This new scope includes engineering work associated with the installation and testing of new requisite equipment related to the electro-hydraulic control system, which is the master control for steam/feed flow (e.g., a diode function generator board for the No. 4 Turbine Control Valve, which regulates the control valve's position; two steam line resonance compensator boards, which control oscillations/vibrations in the system; and seven control room gauges). The current contract amount is \$127,700; it is anticipated that an additional \$100,000, for additional equipment and scope, will be required for the extended term. Trustees' approval is requested to extend the subject contract through December 31, 1996 and to approve the additional funding.

"The contract with the **Hudson River Foundation** (CZ-5071) provides consulting services designed to recover tags, implanted in striped bass, from anglers who catch fish with such tags and return them to the Hudson River Foundation. The ongoing study, which is jointly funded by Consolidated Edison of New York, Inc; Central Hudson Gas & Electric; Orange and Rockland Utilities; and the Authority, provides the utilities with data that are used to estimate the abundance of striped bass. The estimates of abundance are used to evaluate the effect of fish mortality caused by the operation of the Indian Point, Bowline, and Roseton power plants on the population of Hudson River striped bass. The program is part of the annual biological monitoring program that the utilities are required to conduct by the New York State Department of Environmental Conservation ('DEC'). The Hudson River Foundation, established by an endowment from the utilities, was selected by the DEC for handling fish tag returns.

"While the Authority is the lead organization in this effort, all expenditures for this work are shared by the utilities according to the cost-sharing formula established by the Hudson River Cooling Tower Settlement Agreement. The Authority's share of the total is 22.89%. It should be noted that this program is part of a multi-party environmental arrangement which enabled the utilities operating power plants along the Hudson River to avoid building costly cooling towers. This contract was previously approved by the Trustees at their meetings of December 30, 1988 and September 25, 1990, respectively, with the understanding that it would need to be extended for about ten years after the last tag was released. A five-year extension is requested to continue the above-described services. The current contract amount is \$658,048. It is estimated that an additional \$500,000 may be required for the extended term in order to continue services related to the ongoing study during the extended period; funding will be released on an annual basis. These amounts represent the total expenditures by all utilities combined; the Authority's share of the proposed 5-year extension will be approximately \$115,000. Trustees' approval is requested to extend the subject contract through December 31, 2000 and to approve the additional funding.

"The contract with **National Inspection & Consultants** ('NIC'; S94-66661) originally provided for management consulting services to the Chief Nuclear Officer, and advice and guidance to IP3 senior staff, as part of the Nuclear Mentoring Program. Specifically, NIC provided the services of Eugene Glasbergen to perform management consulting, as well as to provide recommendations and independent assessments to the engineering group at IP3 to improve overall plant performance, and to serve as Senior Technical Advisor to the Chief Nuclear Officer, performing special assignments as requested. This contract commenced on November 7, 1994. At their meeting of September 27, 1995 the Trustees approved an extension through December 31, 1995. Due to the reassignment of the previous Director, Mr. Glasbergen was subsequently appointed Director of IP3 Engineering by the Chief Nuclear Officer, effective October 11, 1995. Mr. Glasbergen has a wealth of experience and has performed similar functions at other utilities, and the assignment will allow development of an internal candidate or recruitment of an external qualified individual. Another extension through December 31, 1996 is therefore requested in order to continue the services of Mr. Glasbergen on a full-time basis in his new capacity as Director of IP3 Engineering during the critical period following restart, when the plant must demonstrate its ability to maintain safe, consistent operations and

implement the Continuous Improvement Program. The current contract amount is \$260,000. It is estimated that an additional \$175,000 will be required for the services of Mr. Glasbergen during the extended term. The Trustees' approval is requested to extend this contract for one year and to approve the additional funding.

"The contract with **Scientific Ecology Group ('SEG'; S94-58478)**, which provides radiological waste volume reduction and disposal services for IP3, commenced on January 1, 1994. The original award, in the amount of \$200,000, was for one year with the option to extend for up to two additional years. At their meeting of December 15, 1994, the Trustees approved an extension through December 31, 1996. At that time, no additional funding was requested, since the Barnwell, S. Carolina radioactive waste disposal site was closed in 1994 and limited subsequent shipments from IP3 were stored at the SEG facility until a disposal site became available. The current contract amount is \$350,000; this includes a subsequent change order issued in accordance with the Authority's Expenditure Authorization Procedures. Since the Barnwell site has been reopened, it is now estimated that an additional \$450,000 will be required for the final year of this contract in order to resume and continue processing and shipments from IP3, as well as to complete the transfer to the Barnwell site of previous shipments removed from IP3 and stored at the SEG site. Trustees' approval is requested to approve the additional funding.

"The contract with **Syracuse Executive Air (C95-J0234)** provides air charter service for JAF staff from Syracuse and Oswego airports to Stewart Newburgh Airport and other destinations, as necessary, to attend required meetings. This contract commenced on January 1, 1995 for a one year term with the option to extend for up to two additional years, subject to the Trustees' approval. A two-year extension is requested in order to exercise this option, with the understanding that this service will be used when it is more cost-effective to utilize charter rather than commercial air transportation based upon schedule requirements. The current contract amount is \$10,000; it is anticipated that an additional \$20,000 will be required for the extended term. The Trustees' approval is requested to extend this contract through December 31, 1997 and to approve the additional funding.

Contracts in Support of Headquarters and the St. Lawrence-F.D. Roosevelt Project:

"The contract with **Einhorn Yaffee Prescott Architecture and Engineering, P.C. ('EYP'; S95-68808)** provides on-call interior design services for the Authority's White Plains and New York Offices, on an 'as required' basis. This agreement became effective on January 13, 1995 for an initial term of one year, with the option to extend for one additional year, subject to the Trustees' approval. A one-year extension is now requested to exercise this option in order to complete the anticipated work plan. Current projects include completion of the Human Resources relocation; forthcoming projects include, but are not limited to, renovation of space in the WPO for MIS; and continuation of the WPO restacking effort, including consolidation of the Power Generation Business Unit; consolidation of the Nuclear Generation Business Unit; and other projects as may be required. The current authorized amount is \$100,000 (to date, \$65,751 has been committed to the contract). It is anticipated that an additional \$100,000 may be required to cover the cost of the aforementioned forthcoming projects during the extended term. Trustees' approval is requested to extend the subject contract through January 12, 1997 and to approve the additional funding.

"The four contracts with **Foster Wheeler (formerly Enserch Environmental; S94-57003)**, **Gomez and Sullivan Engineers (S94-56945)**, **Kleinschmidt Associates (S94-56946)**, and **Long View Associates (formerly under Northrop, Devine & Tarbell, Inc.; C95-Z0020)**, provide for the professional services of a panel of experts in support of the FERC relicensing of the St. Lawrence - F.D. Roosevelt Project. The first three listed contracts commenced in February, 1994. The contract with Long View Associates became effective on March 1, 1995, when the principals formerly employed by Northrop, Devine & Tarbell, Inc. formed their own firm. The contracts were awarded for a one-year term in the amount of \$40,000 each. These experts were selected after a careful search for qualified experts (including a notice in the Contract Reporter), based on the experience of the company and the expertise of certain employees.

"The selected experts have performed well, providing valuable advice to shape the Authority's hydro-project relicensing strategy. At the Trustees' meeting of December 15, 1994, extensions were approved for the first three contracts to continue their services through December 31, 1995. While rebidding was considered, staff determined

that it would not be practical, prudent, or in the best interest of the Authority, to do so. Due to their extensive background and expertise with the St. Lawrence Project and familiarity with this relicensing effort to date, the current panel members are uniquely qualified to provide advice on such emerging trends as decommissioning, cumulative impact assessment, the consolidated application process and the reauthorization of the Clean Water Act and Endangered Species Act, and also to advise on such additional topics as assessment of competition, agency conflict, settlement agreements and strategies for dealing with FERC, potential intervenors, and the public. A two-year extension is requested in order to continue the above-specified services in support of this ongoing effort for the next several years. The current contract amounts are \$40,000 each. It is estimated that an additional \$100,000 will be required for each contract during the extended term. The Trustees' approval is therefore requested to extend these four contracts through December 31, 1997 and to approve the additional funding.

"The contract with **Trowbridge & Wolf Landscape Architects** (S94-64408), a Women's Business Enterprise, provides for engineering and architectural design services for recreational facilities (such as pedestrian walkways, bicycle trails, picnic sites, mooring and docking facilities, culverts, and related signage) on public lands owned by the Authority along the St. Lawrence River, in conjunction with the land management plan to return certain surplus lands to local townships, as may be approved by FERC. In October 1991, the Authority's Trustees had approved an amount of \$1 million to fund these recreational improvements, and all amounts paid to Trowbridge & Wolf are included in this fund. The contract became effective on October 20, 1994 for a one-year term, in the amount of \$35,772. Interim approval for a short-term extension through the December Trustees' meeting, was obtained in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A one-year extension is requested in order to complete the work scope, which was delayed due to numerous design revisions requested by local Citizen's Advisory Committees. The Authority's Project Management staff have also requested that T&W make additional changes to the project drawings and that they be available throughout the construction process for consultation services. While some construction has been completed in the Towns of Waddington and Lisbon, the remaining work will be completed in 1996. The current contract amount is \$48,667; it is estimated that an additional \$25,000 may be required for the extended term (for as-built drawings and any additional design revisions). The Trustees' approval is requested to extend this contract through September 30, 1996 and to approve the additional funding.

Extension/Increase in Compensation Ceiling:

"The contract with **General Electric** ('GE'; C91-Z0038), which provides for multi-cycle outage support services for JAF, commenced on March 25, 1991. The current contract price for the first two, of three outages, and the outage reduction effort for the third outage, is \$16,763,480, as previously approved by the Trustees.

"The forthcoming 1996 Refueling outage (RFO12), the third of three outages to the Multicycle Outage Services contract for integrated outage services, includes tasks supporting three major areas of concentration, viz., refueling, major maintenance, and turbine island work. These include, but are not limited to: project management; vessel disassembly/reassembly; full core offload/reload; transformer and switch gear maintenance; and turbine and feedwater pump turbine maintenance. The current estimate for the total amount expected to be expended for RFO12-related tasks is \$7,000,000, including contingency. Payments made to GE for work performed pursuant to this contract will be subject to a significant discount (estimated to be \$1.5 million) in accordance with the Torus Settlement Agreement, resulting in a net estimated cost of \$5.5 million.

"The Trustees' approval is requested to authorize the 1996 Refueling Outage tasks, as outlined above, and to approve the additional funding.

FISCAL INFORMATION

"Funds required to support contract services for various non-nuclear Headquarters departments/Business Units have been included in the 1995 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

"Funding for subsequent years for both JAF and IP3 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering and the Senior Vice President - Power Generation, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit `9-A' and of an extension and increase in compensation ceiling of the contract with General Electric, as set forth above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "9-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further

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

| <u>O & M</u> | <u>Contract Approval (Increase in Compensation Ceiling</u> | <u>Projected Closing Date</u> |
|---|--|---------------------------------------|
| Provide Multi-Cycle Outage Support Services for JAF - 1996 Refuel Outage Tasks | | |
| General Electric (C91-Z0038) | \$ 7,000,000 * | 12/31/96 |
| Previously Approved Compensation Ceiling | <u>16,763,480</u> | |
| TOTAL REVISED COMPENSATION CEILING | <u>\$23,763,480</u> | |

* subject to discounts per agreement

10. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants and Headquarters - Awards

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit `10-A' for the James A. FitzPatrick (`JAF') and Indian Point 3 (`IP3') Nuclear Power Plants, and Headquarters. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are listed in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$150,000 to \$2,100,000.

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

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

MULTIPLE AWARDS IN SUPPORT OF HEADQUARTERS AND BOTH NUCLEAR PLANTS:

"The two contracts with **GTS/Duratek** and **Energy Services Group (Q-02-1522; PO #'s TBA)** will commence on January 1, 1996, subject to the Trustees' approval. The purpose of these contracts is to provide health physics/radiation protection personnel and services, in support of both outage and non-outage tasks, for IP3 and JAF, respectively. Although seven proposals were received (of 20 solicited, including those responding to a notice in the Contract Reporter) for a possible joint award including both sites, there were no significant price reductions for such an award, and a split award provides more flexibility by using the primary contracts awarded for IP3 and JAF as backups for the other plant.

"GTS/Duratek was the lowest qualified bidder for providing such services for IP3. (The low bidder was disqualified after it was determined that it did not meet the bid requirements concerning contractor qualifications regarding past health physics experience in support of two major nuclear power plant outages within the last three years.)

"Energy Services Group ('ESG') was the second low bidder for providing such services for JAF. It should be noted that ESG is currently the supplier of health physics technicians for Niagara Mohawk's two nuclear facilities adjacent to the JAF site. Using ESG as the common vendor for these services will potentially reduce the overall cost to both JAF and Niagara Mohawk by reducing travel expenses for certain health physics technicians and also by reducing processing and training costs for such personnel. In addition, ESG has proposed to subcontract 30% of this award to a Minority/Women's Business Enterprise.

"The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested, with an option for one additional year, subject to the Authority's Expenditure Authorization Procedures. Approval is also requested for the total amount, including contingency, expected to be expended for the three-year term of the contracts, \$1.5 million for GTS/Duratek in support of IP3 and \$2.1 million for ESG in support of JAF.

"The six contracts with **Multifact Business Concepts, Nuclear Power Technical Staffing, Manpower Technical, L.J. Gonzer Associates, HEPCO, and Carlyle Consulting Services (Q-02-1527; PO #'s TBA)** became effective on November 1, 1995, upon receipt of the President's interim approval to commence services, subject to subsequent Trustees' ratification and approval. The purpose of these contracts is to provide temporary programming personnel for headquarters projects and also to support IP3 and JAF. Major projects contemplated to be performed include: i) upgrade of the Authority's Inventory, Accounts Payable, Purchasing, and Work Order Systems to implement current American Software International ('ASI') version 2000; this includes provisions for a 4-digit calendar system to provide for all financial and other transactions for the years 2000 and beyond; ii) implementation of a Contact Management System for the Authority's Marketing Business Unit to maintain customer profile information and to provide improved tracking of Authority customers; and iii) rewrite of the Authority's Billing System, including the SENY and Wholesale systems. Both of these systems are almost 10 years old and utilize outdated IDMS technology, which is costly and very difficult to maintain. This technology will be replaced with new relational database technology, to provide an improved billing system for the years 2000 and beyond. An extensive evaluation of the 26 bids received (of 67 solicited, in addition to notice in the Contract Reporter) indicated that it would be more advantageous to the Authority to award six contracts to the low qualified bidders. The following benefits to the Authority can be realized using the multi-year approach: this will provide the best pool of qualified candidates to provide a diverse technical skill set, as the Authority incorporates new technologies, and also maintains current systems. The intended term of these contracts is two years and two months, subject to the Trustees' approval, which is hereby requested, with an option to extend for one additional year, subject to the Authority's Expenditure Authorization Procedures. Approval is also requested for the total amount expected to be expended for the two-year term of the contracts, \$2,000,000.

"The contract with **Galson Corporation (Q-02-1573; PO # TBA)** provides industrial hygiene laboratory and consulting services to the Authority's Appraisal and Compliance Department, Occupational Health Unit and all Authority sites throughout the state. The contract will commence on January 1, 1996, subject to the Trustees' approval. Galson was the low evaluated technically acceptable bidder of seven bids received (of 13 solicited, in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$180,000.

CONTRACTS IN SUPPORT OF JAF:

"The contract with **Master-Lee Energy Services Corp. (primary) (Q-02-1471; PO # TBA)**, with a backup contract to **Rust Utility Services, Inc.**, will commence on January 1, 1996, subject to the Trustees' approval. The purpose of these contracts is to provide eddy current testing services for JAF. Eddy current testing involves the use of magnetic probes to test the wall thickness of fluid-carrying tubes and pipes. This will detect areas of possible failure so that scheduled maintenance can be performed to preclude unscheduled outages due to tube or pipe failure.

Master-Lee was the low bidder and Rust Utility was the second low bidder of five bids received (of 18 solicited, in addition to notice in the Contract Reporter). The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts, \$500,000.

"The contract with **GE Nuclear Energy/GE Inspection Services (primary) (Q-02-1476; PO's # TBA)**, with a backup contract to **Lambert, MacGill, Thomas, Inc. ('LMT')**, will commence on January 1, 1996, subject to the Trustees' approval. The purpose of these contracts is to provide certified Non-Destructive Examiners ('NDE') for In-Service Inspection ('ISI') services at JAF. NDE/ISI services involve the visual, penetrant and radiographic testing of nuclear safety systems piping welds and seam joints. The ISI determines where particular irregularities appear, and the NDE determines its significance. The critical elements necessary for a successful ISI outage are project management and highly qualified NDE inspectors. These attributes, coupled with the balance of cost, are the basis for recommendation of contract award. GE was the low bidder and LMT was the second low bidder of nine bids received (of 21 solicited, in addition to notice in the Contract Reporter). GE was evaluated as low bidder based upon their submitted rates and a 40% discount on personnel, equipment rates and the outage report, offered under the Torus Settlement Agreement. GE proposed using a highly qualified project crew that is widely recognized in NDE and ISI applications. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts, \$1,200,000.

IP3 AWARDS:

"The contract with **Excalibur Laboratories (C96-I6706)**, with a backup contract to **PECO Energy (C96-I6707)**, will commence on January 1, 1996, subject to the Trustees' approval. The purpose of these contracts is to provide calibration of various instruments and tools for IP3, in support of the entire site. The Authority has neither the expertise in-house nor the testing and calibration equipment required to provide this service. Excalibur was the low bidder and PECO was the second low bidder of three bids received (of six solicited, in addition to notice in the Contract Reporter). The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contracts, \$600,000.

"The contract with **Golden's Tree Service (C96-I6705)**, will commence on January 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide snow plowing, snow removal, and sanding services, on an 'as required' basis, for IP3. Golden's was the low bidder of two bids received (of five solicited, in addition to notice in the Contract Reporter). The site does not have the manpower or specialized equipment for these services. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$175,000.

"The contract with **Honeydippers Septic Service (C96-I6702)** will commence on January 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide septic tank cleaning, on an 'as required' basis, for site buildings at IP3. Honeydippers was the low bidder of three bids received (of five solicited, in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$200,000.

JAF AWARDS:

"The contract with **Industrial Medical Associates (C96-J0135)** will commence on January 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide medical services, including: services of a Medical Review Officer (who reviews positive drug and alcohol samples, among other functions); annual and pre-employment physical examinations for employees; drug and alcohol testing; contractor examinations for respirator clearance; and pre-outage contractor examinations, for JAF. Industrial Medical Associates was the low bidder of four bids received (of 6 solicited, in addition to notice in the Contract Reporter). The intended term of this contract is

three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total estimated amount expected to be expended for the term of the contract, \$800,000.

FISCAL INFORMATION

"Funds required to support contract services for various headquarters and non-nuclear facility Power Generation Business Units have been included in the 1995 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

"Funding for subsequent years for both JAF and IP3 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Vice President - Corporate Finance, the Vice President - Controller, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '10-A' and as discussed above.

"The General Counsel, the Senior Vice President - Business Services, the Chief Nuclear Officer, 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 and funding of the multi-year procurement contracts listed in Exhibit "10-A" are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.

11. Procurement (Services) Contracts - All Operating Facilities Requiring Regulated/Hazardous Waste Disposal Services - Extensions and Awards

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation of the multi-year procurement contracts for Regulated/Hazardous Waste Disposal services as listed on Exhibit `11-A'. The Trustees are also requested to approve the award of multi-year procurement contracts for similar services to the Contractors listed in Exhibit `11-B'. The nature of the required services is described therein; the expiration date for each contract will be December 31, 2005. No expenditure is committed by approval of these contracts.

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 over periods in excess of one year.

DISCUSSION

"Federal and State regulations attach joint and several liability to the generators of hazardous wastes, so that the Authority, as a waste generator, continues to share any liability for such waste even though a vendor has accepted it for disposal. In fact, the Authority, in the worst case, could be held to share liability for all other non-Authority waste found at such a vendor's site, if the vendor did not manage the site properly.

"Authority operating projects, through the course of their normal operating practices, generate hazardous waste (such as waste solvents, used transformer oil, used lubricating oil, waste laboratory chemicals and contaminated soils) as well as other regulated waste materials. In order to act in an environmentally responsible manner and to limit the Authority's potential long-term liability for costly remediation of contaminated disposal facilities and associated litigation, the Environmental Division has instituted a program of stringent review, inspection, and evaluation of solid and hazardous waste treatment, disposal, recycling, and transportation vendors and facilities.

"Furthermore, the complexity of applicable laws and regulations require that the commercial terms associated with these types of contracts must be thoroughly reviewed by the Law Department, the Procurement Division and Corporate Finance/Risk Management to ensure that the Authority's liability and long-term cost exposure are carefully controlled.

"While it is important for the Authority to approve multiple disposal outlets for each of its wastestreams so its waste disposal needs are met and it is not overly dependent on any one vendor or facility, it is also important that the Authority not contribute waste to more facilities than are necessary, since a certain amount of risk of liability is incurred at each one.

"All vendors and facilities listed in Exhibits `11-A' and `11-B' have been approved by the Environmental Division for use by the Authority. The approval process consists of a multimedia (air, water and land) environmental audit of individual facilities, discussions with appropriate federal and state regulatory agencies concerning each facility's compliance record; and an evaluation of available financial and insurance records by Corporate Finance/Risk Management. Depending on the type of facility, its permits, and the type of material handled, the audit covers various environmental areas, including air, water, hazardous waste, chemical and oil bulk storage, and emergency response. The purpose of the audit is to determine compliance with applicable laws and regulations, and to assess the level of risk of site contamination which could result from the facility's present and past waste management practices. Facility approval is based on an evaluation of these elements and subsequent determination by the Environmental

Division that the potential for harm to the environment from facility operations is minimal, and therefore, that risk of liability to the Authority is minimal.

"In order to serve the ongoing needs of all of the Authority, the Environmental Division establishes standard 'framework' contracts with vendors who have been approved through the process described above. The Authority's best interests in the area of waste treatment and disposal are served thereby in that these contracts establish a clear definition of services to be rendered and properly apportion both short-term and long-term liability between the vendor and the Authority. Price changes are monitored closely for compliance with contract terms. Should a vendor's pricing be deemed excessive at any time, these contracts may be easily terminated or simply not used. These contracts will remain in effect through December 31, 2005, subject to termination by the Authority at any time. Appropriate environmental audits will continue to be conducted during this period, and any decline in quality of service will result in termination of the contract.

"Once these 'framework' contracts are in place, proposals for individual tasks can be competitively solicited from approved contractors holding such contracts, by any Authority facility as specific needs arise. In the event of any emergency, a commitment can be rapidly made under these established contractual conditions with an approved contractor most capable of accepting the wastes on an accelerated basis.

FISCAL INFORMATION

"This request does not include expenditure approval. As in previous years, approval of funds will be requested on a project basis in accordance with the Authority's Expenditure Authorization Procedures (as separate facility purchase orders are issued against the blanket framework contracts with these approved waste treatment, disposal and transportation vendors).

"Funding for operating expenditures has been included in the 1995 Approved O&M Budget and the 1996 proposed budget. Funds to be expended for services in 1997 through 2005 will be included in the budget submittals for each year. Payment will be made from the Operating Fund.

"Funds required to support contract services for Capital Projects will be included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate capital fund.

RECOMMENDATION

"The Director - Environmental Division recommends the Trustees' approval of the continuation of procurement contracts with the companies listed in Exhibit '11-A'.

"It is further recommended that the Trustees approve the award of multi-year services contracts to the companies shown on Exhibit '11-B'.

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

In response to questions from Vice Chairman Frey and Trustee Waldbauer, Dr. Blake explained that the program of inspections and reinspections is intended to provide the Authority with as much protection as possible; however, actual cleanup costs cannot be ascertained with certainty, since an event such as an oil spill can entail significant costs. In response to questions from Trustee Miller, Dr. Blake explained that as part of the selection process for the contractors, and with a view toward possible joint liability for a vendor's actions, Authority staff examines what other large customers are serviced by all potential vendors. Trustee Waldbauer requested that the

Trustees be provided with a summary of such expenditures for 1995. President Schoenberger responded that such data will be assembled and promptly submitted to the Trustees.

In response to questions from Trustee Miller, Mr. Pratt explained that under existing Superfund legislation, the Authority is subject to certain liability, especially in the event of improper storage of hazardous wastes.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed on Exhibit "11-A" is hereby approved and continued until December 31, 2005, as recommended in the foregoing report of the President, for the purpose listed in Exhibit "11-A"; and be it further

RESOLVED, That the award of each of the multi-year procurement contracts listed on Exhibit "11-B" is authorized until December 31, 2005, as recommended in the foregoing report of the President, in the amounts and for the purposes listed in Exhibit "11-B".

1. APTUS
Highway 169 North
P.O. Box 1326
Coffeyville, KS 67337
(800) 248-0442
Incinerator; Vapor degreasing of Transformer Carcasses
Contract No. 0211079-89
2. Chemical Waste Management, Inc.
Emelle Facility
P.O. Box 55
Emelle, AL 35459
Secure Chemical Landfill
Contract No. 0211061-89
3. CWM Chemical Services, Inc.
Model City Facility
P.O. Box 200
1550 Balmer Road
Model City, NY 14107
Secure Chemical Landfill
Contract No. 0211081-89
4. ENSCO, Inc.
American Oil Road
P.O. Box 1975
El Dorado, AR
(716) 632-0966
Incinerator
Contract No. 0211082-89
5. Exide Corporation
2601 Mt. Pleasant Blvd.
Muncie, IN 47302
(800) 437-8495
Secondary Lead Smelter
Contract No. C92 Z0002

6. Rollins Environmental Services (NJ) Inc.
Rte. 322 & I-295
P.O. Box 337
Bridgeport, NJ 08014
(800) 248-0442
Incinerator
Contract No. 027698-87
7. S.D. Myers
180 South Avenue
Tallmadge, OH 44278
(216) 633-2666
Transformer Recycling and Disposal; Mineral Oil Dielectric Fluid Dehalogenation
Contract No. S95 70290
8. Environmental Products & Services
532 State Fair Blvd.
Syracuse, NY 12304
Transporter
Contract No. C92 Z0010
9. Rollins Chempak, Inc.
Rollins Environmental Services, Inc.
P.O. Box 1328
Highway 169 North
Coffeyville, KS 67337
(800) 248-0442
Site Services, including Labpacking, and Disposal at a Rollins/Aptus Facility
Contract No. C91 Z0028

1. Laidlaw Environmental Services (BDT), Inc.
4255 Research Parkway
Clarence, NY 14031
(716) 634-6794
Hazardous waste treatment, including reactive and explosive material.
2. Diversified Scientific Services, Inc. (DSSI)
P.O. Box 863
Kingston, TN 37763
(615) 376-0084
Mixed waste treatment.
3. Advanced Environmental Recycling Corporation (AERC)
2591 Mitchell Avenue
Allentown, PA 18103
(800) 554-2372
Lamp recycler, Mercury reclaimer
4. PPM Inc.
(Owned by USPCI)
4105 Whitaker Ave.
Philadelphia, PA 19124
(215) 638-4250
Chemical decontamination of PCBs
5. Rollins Environmental Services (LA) Inc.
13351 Scenic Hwy.
P.O. Box 74137
Baton Rouge, LA 70807
(800) 248-0442 ext. 3
Incinerator
6. Rollins Environmental Services (TX) Inc.
2027 Battleground Rd.
P.O. Box 609
Deer Park, TX 77536
(800) 248-0442 ext. 3
Incinerator

7. Systech Corporation
P.O. Box 266
County Road 176
Paulding, OH 45879
(614) 267-1045
Cement manufacturer supplementary fuels burner
8. Thermalkem-New York (formerly Norlite Corporation)
P.O. Box 694
628 S. Saratoga St.
Cohoes, NY 12047
(201) 818-0900
Light weight aggregate manufacturer;
Hazardous waste/low grade fuel incinerator
9. Tipton Environmental Technology, Inc.
P.O. Box 729
U.S. 50 (1 Mi East of Tipton)
Tipton, MO 65081
(816) 433-5585
PCB storage; Transformer decommissioning
10. Salesco Systems USA
5736 West Jefferson St.
Phoenix, AZ 85043
(800) 368-9095
Lamp and ballast recycler
11. DuPont Environmental Services -
Chambers Works Wastewater Treatment Plant
Technical Lab. "D"
Chambers Works
Deepwater, NJ 08023
(800) 626-1717
Industrial/Hazardous wastewater treatment

**12. Procurement (Services) Contract - Lewiston Pump
Generating Plant - Overhaul Installation Services
Contract - GEC Alstom Electromechanical, Inc. - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an award of an installation services contract in the amount of \$2,588,140 for the overhaul of two units at the Lewiston Pump Generation Plant ('LPGP'). The funding for the overhaul work is included as part of the O&M budget for the Robert Moses Niagara Power Project. The first unit is scheduled to be overhauled from January through May 1996, and the second unit from October 1996 through March 1997.

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.

"LPGP has 12 reversible pump generators, each rated at about 25 MW. The plant is operated in tandem with the Robert Moses Plant at the Niagara Power Project. Use of the plant for storage and retrieval of water in the Lewiston Reservoir allows shifting of as much as 1,200 MW from off-peak to on-peak energy demand periods.

"Inherently, pump generating units are subject to more stressful operation than conventional turbine generators such as those in the Robert Moses Plant. At LPGP, frequent starts and stops with the wide range of operation of the reservoir water level cause accelerated wear of many of the machine components. While some repair, refurbishment, and replacement work can take place with the machine assembled, many of the surfaces and components which need attention are not accessible unless the machine is apart. A major overhaul requires complete disassembly of the unit including removal of the water wheel.

"Since LPGP's initial operation in 1963, major overhauls on each unit have been completed twice, on average every ten years. The last overhaul cycle started in 1980 and concluded in 1985. Two units were overhauled in 1989 and 1990 but the as-found conditions were better than expected and further work was postponed. Through the years the availability and reliability of LPGP units have been excellent compared to similar units in North America. The 1994 availability factor for the plant was 93.1%; the North American average for the year was 83%. The 1994 forced outage rate was 0.1% and the North American average was 6.6%.

"LPGP units currently require another overhaul cycle. Normal wear and tear of the units includes:

- High vibration levels are occurring on the units resulting in damage to wicket gate mechanisms.
- Water wheel seal clearances have opened up, causing reduction in operating efficiency. Extensive cavitation (erosion) damage has occurred to the water wheels, including band areas accessible for repair only when units are disassembled.
- The upper draft tube liners are cavitated and loose and in need of replacement.
- The generator amortisseur windings have experienced cracking and need to be replaced or modified.
- The unit thrust and guide bearings need to be modified to reduce excessive vibrations.

- The generator circuit breakers have become obsolete and spare parts are unavailable; new circuit breakers are needed.

"After completing the last major overhaul cycle in the mid-1980's, the Authority had planned to increase the capacity of LPGP. Initial plans called for construction of a new powerhouse containing two 30 MW pump turbine units at an estimated cost of \$334 million. Subsequent studies and model tests indicated that it would be technically feasible to upgrade the existing 12 units to add a total of 60 MW of nameplate capacity at an estimated cost of \$175 million.

"However, by 1994 it became evident that the New York Power Pool would not require additional capacity for 10 to 15 years. Because of uncertainty associated with current and future capacity surpluses, the Authority determined that investment in upgrade of the LPGP units would not be prudent. Therefore, in 1994 an application was filed with, and subsequently approved, by the Federal Energy Regulatory Commission ('FERC') to remove the LPGP expansion from the Niagara license.

"In addition to new firm capacity and ability to re-time production, upgrade of the existing units would have also provided for major maintenance. With cancellation of the upgrade program, the next regular overhaul cycle of the LPGP units needs to commence at this time. It is planned to proceed with the overhaul of one or more units per year until all 12 units have been refurbished. The overhaul will not only extend the life of the units, but also provide for continued operability and reliability, and improved efficiency.

"The cost of the overhaul work is estimated at \$3.5 million per unit, which includes the following:

| | |
|---|--------------------|
| Engineering and Construction Management | \$ 275,000 |
| Materials and Equipment | 760,000 |
| Contractor Services | 1,820,000 |
| Niagara Project Labor | 545,000 |
| Overheads | <u>100,000</u> |
| TOTAL | <u>\$3,500,000</u> |

DISCUSSION

"In response to public advertisement, on October 5, 1995 proposals for overhaul services of two units at LPGP were received from four firms:

| | <u>BIDDER</u> | <u>BID PRICE</u> | <u>EVALUATED PRICE</u> |
|----|---|------------------|------------------------|
| 1. | GEC Alstom Electromechanical, Inc. ('GEC Alstom') Quebec, Canada | \$2,607,440 | \$2,534,310 |
| 2. | East Coast Management, Inc. Ardmore, Pennsylvania | \$2,891,210 | \$2,641,210 |
| 3. | Lundeens, Inc. North Platte, Nebraska | \$3,100,000 | \$2,660,000 |
| 4. | General Electric Canada, Inc. Quebec, Canada | \$3,182,014 | \$2,855,942 |

"Work to be performed by the contractor includes renovation or replacement of unit components which have sustained cavitation damage and normal wear and tear. The turbine wheel, head cover, bearings, stator and rotor are among the major components requiring repairs. Replacement components include the discharge tube liner, turbine wheel seal rings, wicket gate pins, linkages and bushings, and instrumentation indicators.

"The proposals were evaluated by an Evaluation Team consisting of Authority personnel. Since the initial review of the bid proposals indicated that the three lowest bidders were all technically acceptable, the highest bidder, General Electric Canada, Inc., was not given further consideration in the evaluation.

"Consistent with the Authority's bid evaluation procedure, the three lowest bid price proposals were evaluated on the bases of cost, completeness, balanced prices, exceptions taken to the bidding documents, ability to meet schedule, experience, subcontractors, quality control, safety program, and adherence to the Authority's M/WBE participation goals and Equal Employment Opportunity requirement. In addition, the Evaluation Team met with each of these bidders to clarify various aspects of the proposals and to ask questions of the key staff members regarding bidders' work plans and methodology for the overhaul work.

"In accordance with the provisions of the bidding documents, bid prices were adjusted for deletion of disassembly and reassembly of the units from the Scope of Work. Use of heavy lifting equipment and facilities at LPGP are required for removal of unit components. Therefore, if manpower resources are available, it is cost effective to have the unit disassembly and reassembly performed by Niagara Project personnel. The overhaul of LPGP units and upgrade of the Robert Moses units is planned and scheduled to allow the site labor forces to perform specific work activities, including unit disassembly and reassembly, and thereby, reduce the costs.

"The three price proposals were evaluated in detail and all were determined to be technically and commercially acceptable. GEC Alsthom's total evaluated price of \$2,588,140 is the lowest. Although the contract was bid on a lump sum basis, bidders were also required to provide unit prices for the craft labor rates which would be used to complete the overhaul. GEC Alsthom has proposed unit price labor rates that are about 25% lower than the rates provided by the other two bidders.

FISCAL INFORMATION

"Payment will be made from the Operating Fund.

RECOMMENDATION

"The Evaluation Team, consisting of Authority headquarters and Niagara Project personnel, the Regional Manager - Western New York, the Vice President and Chief Engineer - Power Generation, and the Vice President - Project Management recommend that the contract for the overhaul of two units at Lewiston Pump Generating Plant be awarded to GEC Alsthom Electromechanical, Inc. the lowest evaluated bidder, in the amount of \$2,588,140.

"The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Power Generation, and I concur in the recommendation."

In response to questions from Vice Chairman Frey, Mr. Hiney explained that the 12 reversible pump generator units are subject to extensive wear and tear since they function as both pumps and generators over a wide range of operating conditions. In response to questions from Trustee Waldbauer, Mr. Crouch explained that each unit requires approximately 5 months of overhaul work, and that staff's current plan is to overhaul one unit per year. Mr. Hiney added that this work schedule is based on the fact that the overhaul work is being performed by Authority staff who are also working on the Robert Moses Plant upgrade.

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

RESOLVED, That pursuant to the Guidelines of Procurement Contracts adopted by the Authority, approval is granted to enter into a contract with GEC Alsthom Electromechanical, Inc. for the overhaul of two units at the Lewiston Pump Generating Plant 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> |
|--|---------------------------------------|------------------------------|
| Installation Services | | |
| GEC Alsthom Electromechanical, Inc. | 6/30/97 | <u>\$2,588,140</u> |

13. Public Hearings on the Terms of Contracts Negotiated by the Authority

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the Chairman of the Authority to (1) agree upon the terms of, (2) direct the advertisement and notice of, (3) conduct the public hearings on the terms of, and (4) direct the transmittal to the Governor and legislative leaders of all proposed contracts concerning allocations of power as provided in sub-paragraphs five and six of Section 1005 of the Power Authority Act ('PAA').

BACKGROUND

"At their meeting of July 26, 1988, the Trustees authorized the Chairman to agree upon the terms of, direct the advertisement and notice of, and conduct public hearings on Economic Development Power ('EDP') contracts upon receipt of allocation recommendations from the Economic Development Power Allocation Board (Exhibit '13-A'). This procedure, which streamlined the internal approval process for EDP allocations, has worked well and has served to expedite both the procedural aspects and the ultimate flow of EDP to recipients. In response to an increasingly competitive electric industry, it would now be appropriate to also streamline the internal approval processes for other Authority power contracts.

"Currently, after the preliminary terms of a contract are negotiated by Authority staff, the Trustees, in accordance with Section 1009 of the PAA, authorize the advertisement of a public hearing on the proposed contract, upon at least 30 days' notice by publication in six or more newspapers in the State. In addition, the Trustees direct that the proposed contracts be provided concurrently to the Governor and legislative leaders.

"Following the public hearing, the terms of the contract are reconsidered by Authority staff and required modifications are negotiated between the Authority and the customer. The Trustees are then requested to approve the contract, authorize transmittal to the Governor for his approval, and authorize execution of the contract subsequent to the Governor's approval.

DISCUSSION

"Because of statutory constraints and public notice requirements, a substantial amount of time is required to process a power contract from the point at which the Authority's Marketing and Economic Development Department secures a prospective customer and the Trustees authorize a hearing for a proposed contract, to the point at which a customer is able to receive power from the Authority. This process can take as long as six months.

"Some of this delay is on account of statutory notice and approval requirements. For example, the 30 day notice of the public hearing and the 60 day period for the Governor to consider the contract cannot be changed without amending the statute.

"Within the statutory constraints it is important that the Authority be able to respond quickly to its customers' needs, while at the same time ensuring adequate public involvement and comment. The proposed delegation of authority to the Chairman to initiate the statutory approval process would cut about a month from the approval process. Subsequent to the public hearing, the proposed contract, and any changes required as a result of the hearing, would continue to be considered by the Trustees and, if acceptable, submitted to the Governor for his approval. Such a procedure would expedite all sales of power made pursuant to sub-paragraph five or six of Section 1005 of PAA while providing ultimate Authority Trustee oversight of contract approval.

FISCAL INFORMATION

"There is no adverse fiscal impact on the Authority.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the Trustees authorize the Chairman of the Authority to agree upon the terms of, direct the advertisement and notice of, direct the transmittal to the Governor and legislative leaders, and conduct the public hearings on the terms of, proposed contracts concerning allocations of power as provided in sub-paragraph five or six of Section 1005 of the PAA.

"The Authority's Secretary, the General Counsel, and I concur in the recommendation."

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

RESOLVED, That the Chairman of the Authority be, and hereby is, authorized to agree upon the terms of, direct the advertisement and notice of, direct the transmittal to the Governor and legislative leaders, and conduct the public hearings on the terms of, proposed contracts concerning allocations of power as provided in sub-paragraph five or six of Section 1005 of the Power Authority Act.

14. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, January 30, 1995, at the New York Office at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Motion to Conduct Executive Session

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

(AFTER EXECUTIVE SESSION...)

"Mr. Chairman, I move that the Authority resume the meeting in open session."

**15. Procurement (Services) Contract - Financial
Advisor Services - Barr Devlin Associates - Award**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award of a procurement contract to Barr Devlin Associates ('Barr Devlin') for services in connection with the Authority's proposal to purchase transmission facilities from New York investor-owned utilities or another comparable sale or purchase transaction. The cost of the contract would be: (1) a retainer fee of \$100,000 per calendar quarter, plus (2) an additional transaction fee in the event the Authority enters into a transaction covered by the contract, as more fully described below.

BACKGROUND

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

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

"The Authority has proposed to purchase transmission facility assets from New York investor-owned electric utilities as a part of the restructuring of the New York electric utility business. Under this proposal the Authority would operate the transmission facilities it owned consistent with the open access principles being established by the Federal Energy Regulatory Commission. The Authority's proposal would address, in part, the expectation that a number of New York utilities could have a significant portion of their assets made uneconomic (so called 'stranded assets') by the development of a competitive market for utility services. The Authority's proposal was made in the context of the Public Service Commission's Competitive Opportunities Proceeding and, additionally, in connection with the investigation by the Long Island Power Authority to restructure electric utility operations on Long Island.

"In addition to the Authority's proposal, other interested parties have recommended the Authority buy/refinance other investor-owned utility and/or independent power producer assets as a means of lowering statewide energy rates and easing the transition toward a competitive energy market.

DISCUSSION

"It is a common practice for a company involved in a major sale or purchase of assets to secure expert advice from professionals experienced in such transactions. Such advice is focussed on: (1) analyzing and evaluating the strategic and financial position of the company; (2) identifying strategic and financial alternatives available to the company; (3) advising and assisting the company in implementing its strategic plan; (4) rendering, if requested by the company, an opinion as to the fairness from a financial point of view of a proposed transaction; and (5) rendering such other investment banking advice and services as are agreed upon. Such an advisor is generally referred to as a financial advisor. At least one New York utility has retained an investment bank to provide financial advisory services in connection with the current discussions of New York utility restructuring. If the Authority is to participate in this aspect of the restructuring of the New York utility industry, it is appropriate for it to retain a financial advisor familiar with such transactions to advise the Authority regarding a potential transaction which could be the largest financial undertaking in the Authority's history.

"The Authority staff has entered into discussions with Barr Devlin to serve as the Authority's financial advisor in connection with a possible purchase or sale of assets from or to other New York utilities. Barr Devlin is eminently qualified to undertake such an assignment as they have been part of six merger and acquisition transactions in the past two years in the electric utility industry. They have advised one of the participants in each of these six transactions. Barr Devlin has also been involved in two comparable transactions involving natural gas companies during the past two years. Barr Devlin does not represent any other New York State electric utility. Thus, they are free of any conflict based on dual representation. They are not involved in the actual sale of securities -- as an underwriter, for example -- and are thus free of the possible conflict of interest of a financial advisor also acting as an underwriter. It is important that the Authority have access to the necessary financial expertise required to value utility assets and arrange the most appropriate structure to accomplish desired public policy objectives.

"The fees that Barr Devlin charges are divided into two parts -- a retainer fee to cover the period leading up to a transaction and a transaction fee to be paid if a transaction should ever occur. Barr Devlin proposes a retainer fee of \$100,000 for each calendar quarter. This amount would be subject to upward revision, upon mutual agreement, if Barr Devlin's work is particularly intensive in a particular quarter. The transaction fee, the second component of Barr Devlin's fee proposal, would be earned only if a transaction occurred. The transaction fee would be based on a percentage of the aggregate size of the transaction. The fee percentage varies as the size of the transaction varies. Sample fees are set forth below:

| <u>Size of Transaction</u> | <u>Fee (%)</u> | <u>Fee (\$)</u> |
|----------------------------|----------------|-----------------|
| \$ 500,000,000 | 0.97% | \$4,856,000 |
| \$1,000,000,000 | 0.73 % | \$7,295,000 |
| \$2,000,000,000 | 0.39% | \$7,800,000 |
| \$3,000,000,000 | 0.28% | \$8,300,000 |

"Thus, the transaction fee for deals of this size could range from \$4,856,000 to \$8,300,000. The fee for larger transactions would, of course, be larger. The Authority staff has reviewed this fee scale against other financial advisory fee arrangements available publicly and finds it comparable.

"The financial advice that Barr Devlin will render on proposed transactions will include 'fairness opinions,' which will be critical in assisting the Trustees in the execution of their fiduciary duties vis-a-vis the Authority. These opinions would provide the Trustees an assessment of the fairness, from a financial point of view, of any transaction entered into by the Authority. Such fairness opinions are a recognized mechanism in the industry to enable corporate decision-makers to assess the financial prudence of a contemplated transaction.

FISCAL INFORMATION

"The retainer fee will be paid from monies disbursed from the General Reserve Account of the General Fund. It is anticipated that the transaction fee, if any, will be paid from bond proceeds associated with the transaction in question.

RECOMMENDATION

"The General Counsel and the Senior Vice President - Transmission recommend that the Trustees approve the award of a contract to Barr Devlin Associates for financial advisor services in the amount of \$100,000 per calendar quarter as well as a transaction fee, all as described above.

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

Trustee Waldbauer requested that the Trustees be provided with a copy of the contract when it is concluded.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract for financial advisor services to Barr Devlin Associates, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

| <u>Capital</u> | <u>Date</u> | <u>Projected Closing</u> | <u>Contract Approval</u> |
|-----------------------------------|-------------|------------------------------|--|
| Financial Advisor Services | | | |
| Barr Devlin Associates | | 10/31/98 | <u>\$100,000</u> per quarter plus transaction fee |

AND BE IT FURTHER RESOLVED, That it is hereby authorized that up to \$600,000 of General Reserve Account monies be withdrawn from such account for payment in accordance with the provisions of the agreement between the Authority and Barr Devlin Associates for services in connection with the Authority's proposal to purchase transmission facilities from New York investor-owned utilities, and that such amount to be withdrawn from the General Reserve Account is 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; and be it further

RESOLVED, That the Authority hereby issues its declaration of official intent, in accordance with proposed Internal Revenue Service Regulations amending 26 CFR Part 1 (56 Fed. Reg. 19046), as follows:

- (a) **The Authority intends to reimburse to the maximum extent permitted by law with the proceeds of tax exempt obligations to be issued by the Authority, the expenditures made to pay for fees paid to Barr Devlin & Co. Incorporated and Barr Devlin Associates Incorporated (collectively, "BDA") for services performed by BDA on various matters relating to potential restructuring or reconfiguration of electric utility companies and/or the regulatory framework under which they operate in the State of New York, and for expenses incurred by BDA in performing such work.**
- (b) **The interim funding to be used to pay for the expenditures described in paragraph (a) above will be monies withdrawn from the General Reserve Account in the General Fund established by the Authority under its General Purpose Bond Resolution, adopted on November 26, 1974, as amended and supplemented (the "Resolution").**

December 19, 1995

- (c) **It is expected that the source of funds to be used to pay debt service on the obligations issued to reimburse expenditures described in paragraph (a) above shall be: (a) in the event such obligations are issued under the Resolution, all revenues, rates, fees, charges, rents, and other income and receipts of the Authority and such funds and accounts as are pledged for the repayment of bonds issued under the Resolution, and (b) in the event such obligations are issued pursuant to other resolutions of the Authority, from any monies of the Authority available for the repayment of such debt and not otherwise pledged, including any funds or accounts pledged under such resolution for such repayment; and be it further**

RESOLVED, That a copy of these resolutions shall be part of the records of the Authority that are available to the general public and shall be continuously available for public inspection in the office of the Secretary of the Authority during normal business hours on every business day of the Authority.

December 19, 1995

Closing

Upon motion made and seconded, the meeting was closed at 12:00 noon.

Anne Wagner-Findeisen
Corporate Secretary

DECMINS.95