

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

April 30, 1996

Table of Contents

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1)	Minutes of the Regular Meeting of March 26, 1996	2	
2)	Financial Report for the Three Months Ended March 31, 1996	3	'2-A'
3)	Sale of Power to Brookhaven National Laboratory Resolution	4	
4)	Contract for the Sale of Economic Development Power to Island Container - Transmittal to the Governor Resolution	7	'4-A'
5)	Village of Penn Yan - Increase in Retail Rates - Notice of Adoption Resolution	9	'5-A' '5-B'
6)	Village of Tupper Lake - Time-of-Day - Electric Service Rates - Notice of Adoption Resolution	11	'6-A' '6-B'
7)	Steuben Rural Electric Cooperative, Inc. - Increase in Retail Rates - Notice of Adoption Resolution	13	'7-A' '7-B'
8)	Economic Development Plan - Use of Net Revenues Produced by Sale of Expansion Power Resolution	15	

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
9)	1995 Annual Report of Procurement Contracts and Annual Review of Open Procurement Contracts Resolution	17	'9-A'; '9-A-1'; '9-A-2'; '9-A-3'
10)	St. Lawrence/FDR Power Project - Acquisition of Real Property for Dike System, Map No. 2500 Resolution	19	
11)	Election of Authority Non-Statutory Officers Resolution	21	
12)	Indian Point 3 Nuclear Power Plant - Secondary Steam Side Partial Pipe Replacement Number 36 Feedwater Heater Extraction Steam and Cross Under Piping - Expenditure Authorization Resolution	24	
13)	Indian Point 3 Nuclear Power Plant - Generator Rotor Replacement - Expenditure Authorization Resolution	27	
14)	Uranium Procurement - Cameco Corporation - Extension Resolution	29	'14-A' '14-B'
15)	Procurement (Services) Contract - St. Lawrence/FDR Power Project - Relicensing Third Party Contractor to Assist Federal Energy Regulatory Commission and Department of Environmental Conservation Resolution	32	
16)	Next Meeting	35	
	Closing	36	

April 30, 1996

Minutes of the Annual 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
Thomas R. Frey, Vice Chairman
Louis P. Ciminell, Trustee
Hyman M. Miller, Trustee
Robert J. Waldbauer, Trustee

Robert G. Schoenberger	President and Chief Operating Officer
Arthur T. Cambouris	Assistant 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
Arnold M. Bellis	Vice President - Controller
Deborah Perry Estrin	Vice President - Human Resources
John M. Hoff	Vice President - Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer - Power Generation
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Affairs
Ronald W. Ciamaga	Regional Manager - Northern New York
James Ford	Regional Manager - Western New York
Rchard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
John W. Blake	Director - Environmental Programs
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Director - Internal Audit
John L. Murphy	Director - Public Information
Mark O'Connor	Director - Real Estate
Gary N. Paslow	Director - Policy Development
James H. Yates	Director - Business Marketing and Economic Development
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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

April 30, 1996

1. Approval of the Minutes

The minutes of the Regular Meeting of March 26, 1996 were approved.

April 30, 1996

2. Financial Report for the Three Months Ended March 31, 1996

In response to questions from Trustee Ciminelli, Mr. Tscherne explained that the 1996 net revenue target of \$75 million reflects adjustments made on account of the IP3 outage, and that the target is achievable if all facilities operate according to projections. Mr. Tscherne added that the scheduled refueling outage at JAF in October will impact revenues during that time frame.

3. Sale of Power to Brookhaven National Laboratory

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an increase in the allocation of power to the United States Department of Energy ('DOE') for use by Brookhaven National Laboratory ('Brookhaven') and to approve five modifications to the terms of service to Brookhaven.

BACKGROUND

"The Brookhaven National Laboratory is a crucial and irreplaceable asset to the Long Island economy. The laboratory, with over 3,500 employees and payroll of \$180 million, is a major Long Island employer and active in several initiatives that serve to stimulate economic development in the Long Island region. Brookhaven's personnel work at the frontiers of science, helping Long Island businesses to develop and apply new technologies, thereby rendering them more competitive in national and global markets. The laboratory is also expanding its scientific mission into the world of Nuclear Physics with the commissioning of the Relativistic Heavy Ion Collider ('RHIC'), expected to enter into full operation in 2000. Brookhaven's total power allocation has increased several times over the years and currently amounts to 41.91 MW.

DISCUSSION

Increase in Contract Demand

"Brookhaven is requesting a total increase of 35 MW in its power allocation over the next four years for expansion projects which include the RHIC, the Alternating Gradient Synchrotron, and the National Synchrotron Light Source. These projects and general program growth are expected to increase total load to more than 90 MW, and increase Authority load to almost 77 MW by 2000. Brookhaven's permanent employment is expected to increase by over 500 positions as a result of these projects.

"An additional 10 MW allocation will commence on October 1, 1996 and a further 5 MW allocation will commence on October 1, 1997.

"Additionally, beginning January 1, 1998, Brookhaven may purchase up to 20 MW in 5 MW increments at any time prior to the RHIC start date. Once the RHIC becomes fully operational, Brookhaven would agree to take delivery of the remaining portion of the 20 MW or the full 20 MW if a partial allocation has not previously been requested for delivery.

"Five modifications to the terms of service to Brookhaven are also requested:

- The first modification would establish a fixed contract term to June 30, 2000. This will replace the current arrangement under which Brookhaven must annually request and the Authority must accept successive one-year terms through June 30, 2000. In addition, there will be an option for contract term extensions of five additional years.

- The second modification would allow Brookhaven's monthly maximum demand charge to be based on actual demand or 75% of the contract demand, whichever is greater. Currently, Brookhaven pays for demand based on contract demand, no matter what its usage is. This will conform Brookhaven's billing to the method used for most other business customers and will make the increase in contract demand more cost effective for Brookhaven.
- The third modification would grant Brookhaven an adjustment option, wherein Brookhaven would be permitted to increase or reduce its full contract demand by a maximum of 10 MW's annually, provided a minimum base allocation of 41.91 MW is maintained for the remaining contract term. This option will provide Brookhaven with the flexibility to calibrate, if necessary, its monthly demand levels in conjunction with its funding levels, which are subject to revision on an annual basis.
- The fourth modification would require Brookhaven to provide the Authority with a one year notice of its intent to extend or discontinue delivery service for any succeeding five-year term, one year prior to June 30, 2000, and one year prior to the expiration of any succeeding five year term of service beyond June 30, 2000.
- The fifth modification would require the Authority to provide Brookhaven with a one year notice of its intent to extend or discontinue service to Brookhaven for any succeeding five year term, one year prior to June 30, 2000, and one year prior to the expiration of any succeeding five-year term of service beyond June 30, 2000.

Savings

"Electricity represents a significant portion of Brookhaven's budget. The savings that Brookhaven has realized over the years from purchasing power from the Authority are estimated to total over \$90 million. Additionally, the savings associated with the proposed increases in Brookhaven's Authority power allocation, estimated at over \$4 million annually, would help Brookhaven to maintain its competitive position with other research laboratories and to protect and expand its employment at the facility.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that Brookhaven National Laboratory's contract demand be increased as described herein and that the terms of service concerning Brookhaven for the sale of power to Brookhaven be modified in accordance with the foregoing.

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

Trustee Waldbauer expressed strong support for the proposed sale, noting its value to Long Island.

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

WHEREAS, Special Provision A of the Application for Service in Contract FD-13 for the Sale, Transmission and Distribution of Power to the Department of Energy for the benefit of Brookhaven National Laboratory provides for an increase in the Contract Demand upon approval by the Authority;

April 30, 1996

NOW THEREFORE BE IT RESOLVED, That the Contract Demand of Contract FD-13 be, and hereby is, increased in accordance with the foregoing report of the President; and be it further,

RESOLVED, That the terms of service for the Sale, Transmission and Distribution of Power to the Department of Energy be modified in accordance with the foregoing report of the President; and be it further

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

4. Contract for the Sale of Economic Development Power to Island Container Corporation - 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 450 kW of Economic Development Power ('EDP') to Island Container Corporation ('Island Container'). The contract attached hereto as Exhibit '4-A', is for ten years and supports 128 jobs.

BACKGROUND

"At their meeting of December 12, 1995, the Economic Development Power Allocation Board ('EDPAB') approved Island Container's application for EDP and recommended the allocation to the Authority. The proposed allocation is a direct power sale contract between the Authority and Island Container that is subject to a public hearing and final review by the Trustees. A public hearing on the proposed contract with Island Container was held on March 15, 1996, at the Authority's New York Office.

DISCUSSION

"Island Container is a privately held firm that produces corrugated sheets and boxes. The company initially applied for and received a retention power allocation of 300 kW in November 1993, and since this that has continued to grow. Island Container invested over \$200,000 in capital equipment by the end of 1995, and intends to invest an additional \$2 million, over the next two years, in new computerized corrugation and converting machines. A new conveyor system will also be installed to handle the increased output expected from its converting machines. The company also has plans to acquire and relocate an out-of-state facility to its new Long Island location, which would require Island Container to hire additional local personnel, and relocate key out-of-state personnel to Long Island. An allocation of EDP for Island Container's expansion project will help contain its energy costs and assist the company in meeting the increasing demand for its products. The company presently employs 75 people and another 53 are expected to be added. Island Container maintains an ongoing energy efficiency program to replace equipment with energy efficient units and to improve lighting efficiency. The company would save an estimated \$45,000 annually over LILCO's standard rates. The allocation of 450 kW would be in effect for a term of ten years.

"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 this company provides for a reduction in 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.

"At the public hearing on the proposed contract, Mr. Gary Berkowitz, President of Island Container, made a brief oral statement in support of 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 Island Container be transmitted to the Governor with the recommendation that it be approved.

"The General Counsel, the Senior Vice President - Marketing and Economic Development, 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 the Island Container Corporation subject to the terms and conditions described in the foregoing report of the President; and

WHEREAS, the Authority reached agreement with the Island Container Corporation on the terms of the contract for the sale of Economic Development Power; and

WHEREAS, on March 15, 1996 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 the Island Container Corporation which was submitted to this meeting, and that the Authority believes such contract 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 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 Penn Yan - Increase in Retail Rates - Notice of Adoption

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve notice of adoption of revisions in the base retail rates of each customer service classification for the Village of Penn Yan ('Village'), New York. This will result in additional total annual revenues of \$228,000 or 13.3%. These rates were previously approved by the Trustees, on an emergency basis, at their meeting of January 30, 1996.

BACKGROUND

"The rate increase is required to maintain the system's fiscal integrity by providing adequate revenues to meet the electric department's additional debt service obligations, increase its cash reserves, allow for sufficient working capital funds and enable it to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since July 25, 1995 when the first rate increase (9.5%) was approved by the Trustees.

"The electric department has planned capital additions and replacements of about \$308,000 through fiscal year 1996. These expenditures include the reconductoring of several distribution circuits, replacement of consumers' meters and installation of a new billing system. The Village plans to debt finance about \$215,000 and fund the remainder of the capital program through the rate increase. It is imperative that the Village borrow funds as planned. The current fiscal situation is a result of past administrators not adhering to the capital program and, therefore, having to draw down on operating revenues which were not intended to pay for the capital program, resulting in serious cash flow problems.

"The rate revisions are based upon a cost-of-service study prepared by Authority staff.

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. Such notice was published on February 21, 1996, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village Board on December 18, 1995 and Authority staff was advised that comments were made by some industrial customers but no objections were raised. The Village Board considered the comments and approved 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 Penn Yan, New York, be approved to take effect beginning with the first full billing period following this date.

April 30, 1996

"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 Trustee Waldbauer, Ms. Morman and Mr. Pasquale explained that the proposed modifications to the rates, as set forth in the tables appended to the memorandum from the President, reflect and implement the results of the Authority's cost-of-service study, and are also intended to rectify certain prior inconsistent applications of the tariffs by the Village. Ms. Morman further explained that the Village's billing system will be overhauled and modernized and that this should preclude the recurrence of misapplications. President Schoenberger added that significant staff time has been dedicated to identifying and structuring corrections to the Village's fiscal and billing system problems.

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

RESOLVED, That the proposed rates for electric service for the Village of Penn Yan, 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 is required by statute or regulation.

Village of Penn Yan
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE (DECREASE)</u>
Residential	\$ 358,570	\$ 879,365	15.9
Small Commercial	344,690	378,630	9.8
Industrial	513,510	609,231	18.6
Security Lighting	17,790	14,019	(21.2)
Street Lighting	<u>86,490</u>	<u>68,154</u>	<u>(21.2)</u>
Total	<u>\$1,721,050</u>	<u>\$1,949,399</u>	13.3

Village of Penn Yan
Comparison of Present and Proposed Net Monthly Rates

<u>Present*</u> <u>Rates</u>	<u>Residential - S. C. 1</u>	<u>Proposed*</u> <u>Rate</u>
<u>Non-Winter</u> <u>(April-Nov)</u>		<u>Non-Winter</u> <u>(April-Nov)</u>
\$ 1.50	Customer Charge	\$ 1.50
\$.0248	Energy Charge, per kWh	\$.0283
<u>Winter</u> <u>(Dec-March)</u>		<u>Winter</u> <u>(Dec-March)</u>
\$ 1.50	Customer Charge	\$ 1.50
	Energy Charge, per kWh	
\$.0248	First 1,250 kWh	\$.0283
\$.0416	Over 1,250 kWh	\$.0545
	<u>Small Commercial - S.C. 2</u>	
<u>Non-Winter</u> <u>(April-Nov)</u>		<u>Non-Winter</u> <u>(April-Nov)</u>
\$ 2.25	Customer Charge	\$ 2.25
\$.0362	Energy Charge, per kWh	\$.0369
<u>Winter</u> <u>(Dec-March)</u>		<u>Winter</u> <u>(Dec-March)</u>
\$ 2.25	Customer Charge	\$ 2.25
\$.0472	Energy Charge, per kWh	\$.0517

Industrial - S.C. 3

\$ 3.85	Demand Charge, per kW	\$ 3.25
\$.0078	Energy Charge, per kWh	\$.0136

Security Lighting - S.C. 4

Per month, per unit of:

\$ 5.20	175 Watt Mercury Vapor	\$ 6.75
\$ 6.90	250 Watt Mercury Vapor	\$ 8.95
\$ 9.45	400 Watt Mercury Vapor	\$ 12.30
\$ 15.75	1,000 Watt Mercury Vapor	\$ 20.45

Street Lighting - S.C. 5

\$ 13.35	Facilities Charge, per lamp, per month	\$ 9.00
\$.0123	Energy Charge, per kWh	\$.0193
\$.00124	Purchase Power Adjustment Charge per kWh	\$.0018

* Purchase Power Adjustment ('PPA') reflected in present and proposed rates.

**6. Village of Tupper Lake - Time-of-Day
Electric Service Rate - Notice of Adoption**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve notice of adoption for a time-of-day ('TOD') electric service rate as riders to the Village of Tupper Lake's ('Village') existing Service Classifications ('S.C.') Nos. 3A and 3B tariffs. The rate is designed to reduce the Village's peak demand by offering commercial customers a price incentive to move some of their electricity usage to off peak hours. This will help the Village to avoid overloading the only transmission line serving its load. These rates were previously approved by the Trustees, on an emergency basis, at their meeting of January 30, 1996.

BACKGROUND

"A TOD rate option would reduce the Village's peak demand for incremental power supplied by the Authority. Reducing peak demand is particularly important to the Village, not only from the perspective of conservation and reduced power cost, but because the Village is approaching a transmission capacity constraint. A TOD rate could postpone the time when the Village's peak demand would exceed existing transmission capacity.

"Authority power provided to the Village is wheeled over a Niagara Mohawk Power Corporation transmission line. Increasing transmission capacity has been difficult because the Village is located in Adirondack Park, where terrain and environmental issues could affect cost and construction requirements for a new line.

"Moreover, the Village serves commercial customers which can change the pattern of their daily electricity usage in response to a price signal. A prime example is Big Tupper, a local ski resort that can potentially relegate more than 80% of its peak load, primarily related to snowmaking, to off-peak hours. Currently, Big Tupper's total load is about 600 kW and it is anticipated that it could grow to about 1,000 kW by winter 1997. The resort is very receptive to the concept of a time-of-day rate.

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. Such notice was published on February 21, 1996, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village Board on March 11, 1996 and no objections were raised.

"A summary of the proposed riders to the existing S.C. Nos. 3A and 3B tariffs are attached as Exhibits '6-A' and '6-B'.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the attached time-of-day electric service rates for the Village of Tupper Lake, New York, be approved and its provisions be included as riders to the existing S.C. Nos. 3A and 3B tariffs.

April 30, 1996

"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 notice as may be required by statute or regulation.

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

In response to inquiries from Vice Chairman Frey, Chairman Rappleyea confirmed that the proposed action is necessitated by the existence of a single transmission line into the Village. In response to questions from Trustee Waldbauer, Chairman Rappleyea and Ms. Morman stressed that the implementation of TOD rates, although not a permanent long-term solution to the Village's transmission issues, will be of significant value in mitigating current problems, and that other options are being explored by Authority staff.

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

RESOLVED, That the time-of day electric service rates for the Village of Tupper Lake, New York, be approved as a final action, to take effect upon receipt by the Department of State, 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 TUPPER LAKE - TIME OF DAY RATES

Summary of Proposed Rider to Existing Tariff

Effective date: January 1, 1996

Available to Large Commercial - S.C. No. 3A Customers

Applicable period: December through March

Method of notification: Upon request in writing by the customer and upon approval in writing by the Village.

Hours:

Off peak hours: Sunday through Sunday 7:00 PM to 6:00 AM

On peak hours: All other times

Proposed Rates

Off peak rates:

Demand: \$0.00 per kW per month

Energy: \$.0144 per kWh

On peak rates:

Demand: \$3.65 per kW per month

Energy: \$.0144 per kWh

VILLAGE OF TUPPER LAKE - TIME OF DAY RATES

Summary of Proposed Rider to Existing Tariff

Effective date: January 1, 1996

Available to Large Commercial - S.C. No. 3B Customers

Applicable period: December through March

Method of notification: Upon request in writing by the customer and upon approval in writing by the Village.

Hours:

Off peak hours: Sunday through Saturday 7:00 PM to 6:00 AM

On peak hours: All other times

Proposed Rates

Off peak rates:

Demand: \$0.00 per kW per month

Energy: \$.0133 per kWh

On peak rates:

Demand: \$4.00 per kW per month

Energy: \$.0133 per kWh

**7. Steuben Rural Electric Cooperative, Inc. -
Increase in Retail Rates - Notice of Adoption**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve notice of adoption of revisions in the base retail rates of each customer service classification for Steuben Rural Electric Cooperative, Inc., New York. This will result in additional total annual revenues of \$140,700 or 3.0%.

BACKGROUND

"The proposed rate increase is required to provide adequate revenues to meet the cooperative's additional debt service obligations resulting from the modernization and expansion of the electric system. It is also needed to allow for sufficient working capital funds and to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since March 29, 1988, when the Trustees approved a 39.0% revenue increase.

"The Electric Cooperative has planned capital additions and replacements averaging \$1.2 million per year through fiscal year 2000. This includes reconductoring of distribution circuits, replacing single-phase with three-phase lines for large commercial customers and the installation of a load management system. The Rural Cooperative plans to debt finance 50% to 60% of the annual cost and to fund the remainder of the capital program from accumulated reserves and through the revenue increase.

"The proposed rate revisions are based upon a cost-of-service study prepared by the Cooperative's staff and reviewed by the Authority.

DISCUSSION

"Pursuant to the Authority's Administrative Procedures, the Senior Vice President - Marketing and Economic Development authorized the Secretary to file notice for publication in the State Register of the proposed revisions in retail rates. Such notice was published on February 21, 1996, and no comments concerning the proposed action have been received by the Secretary. Two public hearings were held by the Cooperative's Board of Directors, one on January 12 and the other on January 16, 1996. No objections were raised.

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

"Comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits '7-A' and '7-B', respectively.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the attached schedule of rates for Steuben Rural Electric Cooperative, Inc., New York, be approved to take effect beginning with the first full billing period following this date.

April 30, 1996

"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."

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

RESOLVED, That the proposed rates for electric service for Steuben Rural Electric Cooperative, Inc., 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 final 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.

Steuben Rural Electric Cooperative, Inc.
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	<u>PRESENT REVENUE</u>	<u>PROPOSED REVENUE</u>	<u>% INCREASE</u>
Residential	\$3,984,217	\$4,094,898	2.8
Small Commercial	186,425	186,910	0.3
Large Commercial	366,213	375,084	2.4
Security Lighting	187,625	208,285	11.0
Load Control	<u>(24,000)</u>	<u>(24,000)</u>	<u>0.0</u>
Total	<u>\$4,700,480</u>	<u>\$4,841,177</u>	<u>3.0</u>

Steuben Rural Electric Cooperative, Inc.
Comparison of Present and Proposed Net Monthly Rates

<u>Present *</u> <u>Rate</u>		<u>Proposed *</u> <u>Rate</u>
	<u>Residential - S. C. 1</u>	
\$ 9.47	Customer Charge	\$ 9.75
\$.0728	Energy Charge, per kWh	\$.0748
	<u>Small Commercial - S.C. 2</u>	
\$ 9.47	Customer Charge	\$ 9.75
\$.0945	Energy Charge, per kWh	\$.0951
	<u>Industrial - S.C. 3</u>	
\$ 3.70	Demand Charge, per kW	\$ 3.81
\$.0556	Energy Charge, per kWh	\$.0571
	<u>Security Lighting - S.C. 4</u>	
	Per month, per unit of:	
\$ 6.78	175 Watt Mercury Vapor	\$ 7.54
	Controlled Water Heater Service Credit	
\$ 2.00	Per month, per customer	\$ 2.00

* Purchase Power Adjustment ('PPA') reflected in present and proposed rates.

8. Economic Development Plan - Use of Net Revenues Produced By Sale of Expansion Power

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve Economic Development Plans ('Plans') covering the use of net revenues produced by the sale of Expansion Power and to authorize the submission of such Plans to the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

"In April 1987, the Governor signed into law Chapter 32 which: (a) authorized the Authority to enter into new contracts for the sale of Expansion Power to customers in Western New York; (b) provided for the sale of FitzPatrick industrial power as Economic Development Power under newly established criteria; and (c) established the EDPAB to review applications for Economic Development Power ('EDP') and to recommend approved applications to the Authority.

"The eighth unnumbered paragraph of Section 1005 of the Power Authority Act as amended by Chapter 32 directs the Authority to identify net revenues produced by the sale of Expansion Power and further to identify an amount of such net revenues that shall be used solely for industrial incentive awards. These awards are to be made in conformance with a Plan covering all such net revenues that is submitted by the Authority to EDPAB and approved by EDPAB pursuant to Section 188 of the Economic Development Law.

"Net revenues are defined by Section 1005 as any excess of revenues properly allocated to the sales of Expansion Power over costs and expenses properly allocated to such sales. The Authority is directed in Section 1005 to identify net revenues no less often than annually. Article 6 of the Economic Development Law provides that EDPAB shall subject the Plan to review by the same economic development criteria as those used to evaluate applications for power.

"In 1990 the Authority approved a five-year program under which Expansion Power net revenues were to be dedicated to assisting in the maintenance of stable Fitzpatrick industrial rates. The EDPAB has annually approved plans for such use of Expansion Power revenues to hold Fitzpatrick rates at a stable level. In fact, Fitzpatrick industrial rates have not been increased since 1993, in part because of the use of Expansion Power net revenues.

DISCUSSION

"Allocations of EDP have been a useful economic development tool. EDPAB has recommended allocations associated with the creation or retention of more than 74,000 jobs totalling 197.8 MW to date. The costs of producing EDP are greater than the revenues produced by such sales. In order to continue to market this power on a competitive basis consistent with the aim of the legislation creating EDPAB, the rates for FitzPatrick power must be kept low enough to be of sufficient economic incentive for industries to locate or expand in New York State.

"The EDPAB has endorsed this use of Industrial Incentive Awards and has stated its intent to approve such use in Economic Development Plans submitted to it in the future. It is therefore proposed that the Chairman be authorized to submit Plans by the Authority to EDPAB each year for the ensuing five year period, providing for the use of all net Expansion Power revenues to support FitzPatrick rates. In each of the five years, the Authority will

report to EDPAB the effect of the use of these funds to stabilize FitzPatrick rates.

April 30, 1996

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees authorize the Chairman to submit to the Economic Development Power Allocation Board for approval in each of the next ensuing five years, Economic Development Plans that provide for the use of net revenues from the sale of Expansion Power to support industrial rates of the FitzPatrick Nuclear Power Plant.

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

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

RESOLVED, That the Authority hereby approves Economic Development Plans that provide for the use of net revenues from the sale of Expansion Power to support industrial rates of the FitzPatrick Nuclear Power Plant for a five year period, in accordance with the foregoing report of the President; and be it further,

RESOLVED, That the Chairman or his designee be, and hereby is, authorized to submit annually for five years Economic Development Plans to the Economic Development Power Allocation Board for review and approval; and be it further

RESOLVED, That the Chairman or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate such Economic Development Plans.

April 30, 1996

9. 1995 Annual Report of Procurement Contracts and Annual Review of Open Procurement Contracts

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the 1995 Annual Report of Procurement Contracts (Exhibit '9-A-1'), and the amended Guidelines for Procurement Contracts (Exhibit '9-A-2'), and to review open service contracts exceeding a year as detailed in the Annual Report (Exhibit '9-A-3').

BACKGROUND

"Section 2879 of the Public Authorities Law, as amended by the Laws of 1988, governs the administration and award of procurement contracts equal to or greater than \$5,000, and requires the Authority to annually prepare and approve a report on such contracts. The annual report must include a copy of the Authority's current procurement Guidelines, details concerning any changes to the Guidelines during the year and particular information concerning procurement contracts. The following additional information for each procurement contract included in the report must be identified: a description of duties performed by the contractor; the date of the contract and its duration; the total amount of the contract; the amount spent on the contract during the reporting period and for the term of the contract to date; the method of awarding the contract (e.g., competitive bidding, competitive search, or sole source); the location, either New York State or 'foreign' (non - New York State), where the service was substantially performed or where the goods were substantially manufactured, produced or assembled; the status of the contract; and reasons why any such contract was not published in the Contract Reporter.

"Section 2879 also requires public authorities to adopt comprehensive guidelines detailing their operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts. It further requires authorities to review and approve such guidelines annually.

"The Authority's current guidelines were approved by the Trustees at their meeting of October 31, 1989, were implemented as of January 1, 1990, and have been amended by the Trustees each year since their initial adoption.

Lastly, Section 2879 requires an annual review by the Trustees of open service contracts exceeding one year. Those long term service contracts exceeding a year and awarded after January 1, 1990, are included in the Annual Report. Open service contracts awarded prior to January 1, 1990, are listed in Exhibit '9-A-3'.

DISCUSSION

"The 1995 Annual Report of Procurement Contracts is attached for review and approval by the Trustees (Exhibit '9-A-1'). This report reflects activity for all procurement contracts equal to or greater than \$5,000, as identified by the Authority's PARIS computer system, that were open, closed, or awarded in 1995, including contracts awarded in 1990 through 1994 that were completed in 1995, or were extended into 1996. All additional information required by the statute is also included. The Trustees are requested to approve the attached Report pursuant to Section 2879 prior to submittal thereof to the Division of the Budget; the Department of Audit and Control; the Department of Economic Development; the Senate Finance Committee; and the Assembly Ways and Means Committee.

April 30, 1996

"A copy of the revised Guidelines for Procurement Contracts, effective May 1, 1996 (Exhibit '9-A-2'), is attached to the Report. The revised Guidelines reflect Trustee-approved changes in economic incentives for New York State Small Businesses and New York State providers of goods and personal services, as well as minor editorial changes and revisions in references to specific statutes. Specific changes to the Guidelines are noted in the attached "red-lined" version of the Guidelines.

RECOMMENDATION

"The Vice President - Procurement and Real Estate recommends that the Trustees approve the 1995 Annual Report of Procurement Contracts, the revised Guidelines for Procurement Contracts, and review of open service contracts as attached hereto.

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

Vice Chairman Frey inquired about the status of the Authority's effort to decrease the number of outside contractors and to reassign work, where feasible, to in-house staff. Mr. Hoff responded that the effort is still on-going, and that each contract for personal services is carefully scrutinized with that objective in mind. Mr. Tscherne added that to date, some 300 contractor positions have been excised. In response to questions from Trustee Miller concerning the scope of expenditures under a contract with the Parsons Main firm, Mr. Hoff indicated that he would obtain additional information and relay it to the Trustees. Trustee Miller then raised the issue of whether the statutory threshold of \$5,000, as set forth in Section 2879 for reporting purposes, is too low. Mr. Hoff indicated that although a higher dollar threshold would be less burdensome to administrate, his understanding is that the amount is tied to the Contract Reporter requirements and is supported by the Department of Economic Development because it generates an increased number of bidders and provides opportunities for small businesses.

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

RESOLVED, That pursuant to Section 2879 of the Public Authorities Law and the Authority's Procurement Guidelines, the Annual Report of Procurement Contracts, as listed in Exhibit "9-A-1", and the revised Guidelines for the use, awarding, monitoring and reporting of Procurement Contracts (Exhibit "9-A-2") be, and hereby are, approved; and be it further

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

NEW YORK POWER AUTHORITY
ANNUAL REPORT OF PROCUREMENT CONTRACTS

EXECUTIVE SUMMARY

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

In 1995, the Authority provided 25% percent of all electricity used in New York State. The Authority supplied a total of almost 40.5 billion kWh of electricity from its twelve generating facilities and from other sources. Fourteen percent of this energy was produced from oil and natural gas.

The Authority has also undertaken a major effort to install new efficient lighting fixtures and ballasts in State and city facilities, public schools throughout the State, and municipal and local governments in N.Y. State. This program, called HELP (High Efficiency Lighting Program) is expected to approach \$300,000,000.

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

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

PROCUREMENT GUIDELINES

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

A copy of the Authority's current Guidelines for Procurement Contracts governing solicitations and evaluation of proposals for procurement contracts is attached hereto. These Guidelines, approved by the Authority's Trustees, were implemented as of January 1, 1990, and have been amended annually. The Guidelines describe the Authority's process for soliciting proposals and awarding contracts. Topics detailed in the Guidelines include solicitation requirements, evaluation criteria, contract award process, contract provisions, change orders, M/WBE requirements, Small Business provisions, employment of former officers and reporting requirements. The Guidelines have been designed to be self-explanatory.

ACCOMPLISHMENTS

Major procurement efforts in 1995 included purchase of goods, services and construction work, in support of the Authority's operating projects and the High Efficiency Lighting Program ("HELP"), as well as continuing efforts to streamline the procurement process and, working together with facility procurement, achieving an overall reduction of inventory levels and disposal of surplus materials.

Major efforts to streamline the Procurement Process continued in 1995. These efforts included:

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

At the end of 1995, there were approximately 210 cardholders at headquarters and operating facilities. Credit card use averaged 1500 transactions, valued at \$620,000, monthly. The total number of transactions, as noted in Attachments I and IA, grew to over 17,000 in 1995, from almost 10,000 in 1994. At the same time, the number of formal purchase orders decreased from almost 18,000 in 1994 to approximately 13,000 in 1995, with a corresponding reduction in paperwork associated with purchase order issuance, invoice processing and check disbursement.

(2) New Technology

(i) Software was purchased and installed to support Electronic Data Interchange ("EDI") where purchase order (and releases to such orders) activity between an Owner and Vendor (referred to as trading partners) is paperless and performed computer to computer. High volume transactions (such as plumbing supplies, electrical parts, and spare parts with major manufacturers) are suitable for EDI. In some cases, discounts from standard pricing may be appropriate, due to reduced costs for processing purchase orders. For example, Westinghouse Electric Corp. is expected to discount spare parts prices approximately 10% during 1995 and 1996, due partially to EDI.

(3) Blanket Orders and System Contracts

Over 70 continuous service agreements, approved by the Trustees, have been awarded to provide engineering and support services for the Authority's nuclear operations. These included service agreements including fire protection and Appendix "R" work, electrical engineering support, licensing engineering support, Instrumentation and Control ("I&C") engineering, mechanical engineering, Probabilistic Risk Assessment, training services, Design Basis Documentation ("DBD"), and temporary engineering support services.

A similar effort began in 1995 to bid and award "system" blanket contracts for goods and other services in support of the operating facilities. Sixteen multi-year system contracts were awarded last year ranging from paper to laundry services for contaminated radioactive clothing at IP3 and JAF, resulting in savings of approximately \$500,000 over life of those contracts.

(4) Inventory Reduction & Investment Recovery

A major effort was initiated in 1995 to reduce inventory levels from \$76,000,000 (excluding the R. M. Flynn Plant), as of January 1, 1995 to \$69,000,000 by December 31, 1995.

This was a cooperative effort among material management personnel at the operating facilities, Headquarter's procurement, MIS and facility controllers' staff. At the end of 1995, overall inventory levels had dropped by over \$7,000,000, to \$68,893,000. In addition, PC-based software was purchased for each operating facility to use to assist in arriving at reasonable min-max levels for stock items.

A significant effort also took place in 1995 to dispose of surplus materials. A centralized depository was established near IP3, and under the direction of IP3's investment recovery team, a centralized sale was conducted in October 1995 realizing \$250,000 in revenues. Sales of other surplus materials in 1995 on a direct basis resulting in approximately \$450,000 of additional revenues.

Both the inventory reduction and investment recovery effort will continue in 1996.

(5) State Comptroller's Audit

An extensive audit by New York State's Comptroller's Office of commodity (equipment procurements and materials) at the Authority was completed in 1995. The overall findings were positive, with the Comptroller stating that the Authority was in compliance with its procurement practices and procedures, and recommending that the Authority continue with expanding its credit card system.

(6) Small Business and Other Economic Incentives

At their meeting of October 31, 1995, as requested by New York State's Department of Economic Development, the Trustees voted to rescind previously approved incentives to promote participation of New York State small businesses and New York State businesses which manufacture and distribute goods or provide personal services to the Authority. This was done to discourage other states from enforcing legislation penalizing N.Y. from doing business in their state.

Minority/Women-Owned Business Enterprise ("M/WBE") Program

A major objective last year, as it has been in the past, was to optimize the Authority's utilization of M/WBE firms providing goods and services in support of the Authority operations. As noted in Attachment II, the Authority awarded over \$34,000,000 for goods and services in 1995 to M/WBE firms. This included both direct procurements of office supplies, computer equipment, No. 6 residual fuel oil and natural gas on the spot market, and design and construction work (including electrical work in support of the HELP Program).

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

The Authority's annual Vendor Fair, co-sponsored with the National Minority Business Council ("NMBC"), was held in June 1995 and was attended by approximately 260 M/WBE entrepreneurs. This was an opportunity for these firms to meet with procurement personnel at the various Authority facilities as well as with representatives of our major vendors. A similar vendor fair will be held in 1996.

The Authority has also focused on increasing opportunities for M/WBE firms to participate in investment banking activities, including treasury bill investments, as well as including an M/WBE firm as a co-manager in the Tax Exempt Commercial Paper Program.

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

ANNUAL REPORT - 1995 PROCUREMENT CONTRACTS

The Annual Report includes specific details of procurements of \$5,000 or greater, awarded since January 1, 1990 and which were active in 1995. There were 3,180 such contracts with an estimated value exceeding \$1,974,000,000, which also includes fossil and nuclear fuel expenditures.

Total procurement expenditures in 1995 exceeded \$326,000,000. This included over \$99,000,000 for the purchase of fossil fuels. Approximately 54% of the contracts active in 1995 were closed out last year.

As noted in Attachment III, approximately 2% of these contracts were for construction work, over 58% were for the purchase of equipment and commodities, over 10% were for consulting contracts (e.g., engineering, design, specialized analysis), with the remaining 30% for other services, such as technician work and contracted personnel. It should also be noted that while approximately 47% of the 1995 non-fuel contracts covered by the Report exceeded \$25,000, the total value of those contracts were approximately 94% of the total non-fuel expenditures.

Attachment IV indicates that based upon the total value of the contracts included in the Annual Report, approximately 91% of the total dollars expended (including fuels) were for contracts which were competitively bid. In terms of the numbers of contracts processed (Attachment V), approximately 66% were competitively bid and 34% were sole source awards. Major reasons for the sole source awards included the purchase of spare parts and services from original equipment manufacturers, and to procure services on an emergency basis and from proprietary sources in support of the nuclear operations. It should be noted that the dollar value of emergency procurements declined slightly in 1995 and represented only 7.9% of the total non-fuel dollars expended for contracts \$5,000 and greater.

Due to the number of sole source awards to original equipment manufacturers and providers of services in support of our plant operation, increasing the number of completed bid contracts over \$5,000 is difficult. Our overall goal is to increase that percentage by 70-75%, which is dependent upon improved procurement planning and reduction of emergencies, among other factors.

Attachment VI provides a breakdown of total expenditures in 1995 by the Authority's various facilities for those contracts covered by the Report.

10. St. Lawrence/FDR Power Project - Acquisition of Real Property for Dike System - Map No. 2500

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the acquisition in fee of 21 acres of real property, shown and described as Parcel No. 2500, on St. Lawrence/FDR Power Project ('St. Lawrence') Map No. 2500, in the town of Louisville, St. Lawrence County, for the purpose of securing the toe of the Mutton Ridge Dike No. 6.

BACKGROUND

"At their meeting of January 24, 1980, the Trustees approved the sale of approximately 29 acres of property located on the easterly side of Route 131 in the Town of Louisville. This highway runs along the crest of one of the project dikes (Mutton Ridge Dike No. 6) which forms part of the power pool impoundment. Therefore this property lies substantially below the grade of the highway. This parcel was sold to Robert D. Girard and Carl W. Girard for its then determined fair market value of \$6,000. The parcel is currently owned by Mr. and Mrs. Carl Girard. The intended use of this parcel by the Girards was to be for gardening and as a source of firewood.

DISCUSSION

"On recent inspections, Authority compliance engineers discovered that this parcel had been allowed to become overgrown with trees and brush and further that a drainage facility located thereon had become clogged and no longer functioned as intended. The root systems of this overgrowth may facilitate seepage resulting over time in a weakening of the dike. Authority staff determined it to be necessary and desirable for the Authority to reacquire this parcel, so that proper maintenance in this area could be assured.

"Compensation of \$12,000 was negotiated based upon recent sales data and the avoidance of the cost of a possible eminent domain hearing and other associated costs which might result from acquiring this parcel by appropriation. It should also be noted that escalating the 1980 sale price of \$6,000, at 6% interest, to the present date would result in value exceeding \$15,000.

FISCAL INFORMATION

"Payment will be made from the Operating Fund.

RECOMMENDATION

"The Director - Real Estate, the Regional Manager - Northern New York and the Vice President - Procurement and Real Estate recommend that the Trustees approve the acquisition of Parcel No. 2500, in fee, to perfect the Authority's ownership of this element of the St. Lawrence/FDR Power Project dike system and to provide for its continued maintenance.

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

April 30, 1996

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

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire the real property shown and described as Parcel No. 2500, on St. Lawrence/FDR Power Project Map No. 2500, from Mr. and Mrs. Carl Girard, and determines that the acquisition of such property is reasonably necessary and desirable for the operation and maintenance of the St. Lawrence/FDR Power Project; and be it further

RESOLVED, That the President, the Senior Vice President - Business Services, or the Director - Real Estate of the Authority be, and hereby is, authorized to execute on behalf of the Authority such agreements, certificates, requests, and directions on terms and conditions substantially in accordance with the foregoing report as are necessary or desirable for the acquisition of such real property; and be it further

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

11. Election of Authority Non-Statutory Officers

The President submitted the following report:

SUMMARY

"The Trustees are requested to elect the non-statutory officers of the Authority for a term expiring at the next annual Trustees' meeting or until their successors are elected.

BACKGROUND AND DISCUSSION

"Article IV, Section 2 of the Authority's By-Laws provides for the election of its non-statutory officers. Section 3 of the same Article provides that such non-statutory officers shall hold office for a term expiring at the next annual Trustees' meeting or until their successors are elected.

RECOMMENDATION

"It is recommended that the non-statutory officers provided for in Article IV of the By-Laws adopted December 18, 1984 and last amended in August 29, 1995, be elected by the Trustees to hold office for terms expiring at the next Annual Meeting of the Trustees in April 1997 or until their successors are appointed or elected, as follows:

Robert D. Schoenberger	President and Chief Operating Officer
William J. Cahill, Jr.	Chief Nuclear Officer
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Robert L. Tscherne	Senior Vice President - Business Services
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Energy Efficiency and Technology
Charles M. Pratt	General Counsel
Deborah Perry Estrin	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Affairs
Arnold M. Bellis	Vice President - Controller
Harry P. Salmon	Vice President - Nuclear Operations

Woodrow W. Crouch

Vice President - Project Management

April 30, 1996

H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
William A. Josiger	Vice President - Engineering and Project Control
Charles I. Lipsky	Vice President and Chief Engineer - Power Generation
Robert J. Deasy	Vice President - Appraisal and Compliance
Arthur T. Cambouris	Assistant General Counsel
Joseph J. Carline	Assistant General Counsel
Gerald C. Goldstein	Assistant General Counsel
George W. Collins	Treasurer
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs"

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

RESOLVED, That the following non-statutory officers of the Power Authority of the State of New York be, and each hereby is, elected pursuant to Section 2 of Article IV of the By-Laws, as adopted on December 18, 1984 and amended August 29, 1995, to hold office for a term expiring at the next annual Trustees' meeting or until their successors are appointed or elected:

Robert D. Schoenberger	President and Chief Operating Officer
William J. Cahill, Jr.	Chief Nuclear Officer
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Robert L. Tscherne	Senior Vice President - Business Services
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Energy Efficiency and Technology
Charles M. Pratt	General Counsel
Deborah Perry Estrin	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Affairs
Arnold M. Bellis	Vice President - Controller
Harry P. Salmon	Vice President - Nuclear Operations
Woodrow W. Crouch	Vice President - Project Management
H. Kenneth Haase	Vice President - System Planning

John M. Hoff
William A. Josiger

Vice President - Procurement and Real Estate
Vice President - Engineering and Project Control

April 30, 1996

Charles I. Lipsky

Vice President and Chief Engineer -

Power Generation

Robert J. Deasy

Vice President - Appraisal and Compliance

Arthur T. Cambouris

Assistant General Counsel

Joseph J. Carline

Assistant General Counsel

Gerald C. Goldstein

Assistant General Counsel

George W. Collins

Treasurer

Anne Wagner-Findeisen

Corporate Secretary

Laura M. Badamo

Assistant Corporate Secretary - Legal Affairs

Vernadine E. Quan-Soon

Assistant Corporate Secretary - Corporate Affairs

12. Indian Point 3 Nuclear Power Plant - Secondary Steam Side Partial Pipe Replacement #36 Feedwater Heater Extraction Steam and Cross Under Piping - Expenditure Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a capital expenditure of \$5.7 million for the replacement and repair of eroding pipe contained within sections of the secondary steam supply systems at Indian Point 3 Nuclear Power Plant ('IP3'). Replacement of this particular carbon steel piping and elbows due to the effects of prolonged erosion and corrosion has been a common task in plants 15-20 years old and has already been performed at Consolidated Edison Company of New York, Inc.'s Indian Point 2 facility. Replacement of this piping is necessary from both a personnel safety and plant operations standpoint as the industry has experienced instances of pipe ruptures and system failures which have resulted in personnel injury and forced plant shutdowns.

BACKGROUND

"Erosion/corrosion has been an ongoing problem at nuclear facilities and is a process where steam wears away at the interior of carbon steel pipe or fittings. The carbon steel piping components that carry wet steam such as the #36 Feedwater Heater Extraction Steam Line and Cross Under piping are especially susceptible. In December 1986, a feedwater line elbow ruptured at Surry Nuclear Station, causing four deaths. This incident prompted the Nuclear Regulatory Commission ('NRC') to issue Generic Letter 89-08, which required Licensees to develop and implement a program to monitor degradation of piping due to erosion/corrosion.

DISCUSSION

"As part of the Authority's Inservice Inspection ('ISI') and Erosion/Corrosion Program, both visual and ultrasonic inspections have been performed on piping in various systems. Specific data or inspection points were determined based upon existing plant inspection data and a specific program developed by the Electric Power Research Institute ('EPRI'). Both visual and ultrasonic inspections reveal varying degrees of erosion/corrosion in these secondary steam side piping systems. Sections of piping which have been identified as having the largest degree of degradation must be replaced during refueling outage #9. The balance of this specific piping replacement scope can be performed over subsequent refueling outages.

1. Feedwater Heater Extraction Steam Line \$2.2 million

"Based on industry experience and the EPRI program, IP3 staff have performed pipe thickness readings on the Feedwater Heater Extraction Steam Lines. Significant wall thinning was identified in certain sections (5th extraction) and immediate repairs were made during the 1994 outage. Wall thinning projections made on the 6th extraction steam line have indicated varying degrees of degradation, with portions of the line expected to reach American Society of Mechanical Engineers ('ASME') code minimum wall thickness by the next refueling outage. A number of alternatives were identified and investigated and the recommended solution is to replace the extraction steam line in its entirety (250 feet) during the next refueling outage with a carbon steel piping material clad on the inside diameter with a corrosion resistant stainless steel. This recommended material upgrade is expected to protect this pipe line against the effects of erosion/corrosion during the balance of expected plant operation.

2. Cross Under Elbow Replacement

\$3.5 million

"Both visual and ultrasonic inspections have been performed on the cross under elbows which have experienced a pipe wall failure while in power operation. The failed elbow was repaired temporarily by a weld build-up on the outside diameter of the elbow. Two other elbows were found to be below code minimum wall thickness and were repaired in the same manner. These erosion/corrosion-related failures require a safer, more preventive and permanent correction. As with the extraction steam line, alternatives were identified and explored and elbow replacement is recommended. Unlike the extraction steam line however, the cross under elbows and components will be replaced in phases based on the results of monitoring that will be conducted during refueling outage 9, 10, and 11. This recommended material upgrade is expected to protect these elbows against the effects of erosion/corrosion during the balance of expected plant operation.

FISCAL INFORMATION

"Funding requirements to support both the cross under and the extraction steam pipe replacement schedule require approximately \$3.6 million through 1997 with the balance of funds spread over a four-year, two refueling outage period for a total estimated cost of \$5.7 million. The Indian Point 3 Improvement Project Proceeds Account has a current balance of \$125 million of which \$111 million is available to fund this request and additional tasks, not yet authorized, identified in the capital plan. Based upon current cash flow projections, funds are available through the year 2003. Thereafter, funding will be from the General Reserve or Bond Reserve Accounts. Payment will be made from the appropriate Construction Fund - Indian Point 3 Improvement Project Proceeds Account.

RECOMMENDATION

"The Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering and Project Control, and the Chief Nuclear Officer recommend the Trustees' approval of expenditures in the amount of \$5,700,000 for the 36th Feedwater Heater Extraction Steam and Cross Under Piping Elbow replacement.

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

In response to questions from Trustee Waldbauer, Mr. Cahill explained that staff applies both visual and ultrasound monitoring procedures to test the piping, and is developing additional monitoring procedures for testing other service water-related equipment. Mr. Cahill further explained that the piping replacement process entails a significant lead time. In response to questions from Trustee Ciminelli, Mr. Cahill explained that the cross under and extraction steam pipe replacement schedule will require the temporary assistance of outside contractors since it is not cost effective for the Authority to carry the large work force needed for the effort on a permanent basis. Mr. Cahill further explained that if the Trustees approve the proposed expenditures, Authority staff would commence the engineering work forthwith.

April 30, 1996

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

RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report from the President, in the amounts and for the purposes listed below:

<u>Capital</u>	<u>Expenditure Authorization</u>
Pipe Erosion/Corrosion Program Indian Point 3 Nuclear Plant	
36 Feedwater Heater Extraction Steam Line Replacement	\$2,200,000
Cross Under Pipe Elbow Replacement	<u>3,500,000</u>
TOTAL AMOUNT AUTHORIZED	<u>\$5,700,000</u>

**13. Indian Point 3 Nuclear Power Plant - Generator Rotor
Exciter Replacement - Expenditure Authorization**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a capital expenditure of \$5 million for the refurbishment of a spare rotor and exciter for the main electrical generator at the Indian Point 3 Nuclear Power Plant ('IP3').

"The planned approach for this project involves a cost sharing opportunity with Consumers Power Company, whose Palisades Plant has a similar rotor, by contracting with Westinghouse, the generator manufacturer to refurbish the generator rotor that was removed from the Indian Point 2 Nuclear Power Plant ('IP2') generator. The refurbished IP2 rotor would be available to the plant by the date needed. The removed rotor would then be refurbished and made available to the other plant.

BACKGROUND

"The IP3 rotor is susceptible to a cracking mechanism that requires removal of the rotor and refurbishment prior to reaching a critical number of start-stop cycles. This cracking mechanism affects all generator rotors of similar design to IP3. Analysis has determined that the IP3 rotor should be refurbished no later than the 1999 refuel outage.

"The existing main electrical generator rotor at IP3 is susceptible to tooth-top cracking under the retaining ring shrink fit. The retaining ring is used to keep the rotor components in place at either end of the rotor as it spins at 1800 revolutions per minute. In order to perform that function, the retaining ring is shrunk onto the rotor creating high stresses in the area of the rotor teeth. The high shrink stress is compounded by the cyclic stress of startup and shutdown of the generator. Westinghouse and the industry have performed analysis to determine that 300 start - stop cycles are the limit prior to rotor refurbishment. Given the operating history of IP3, the 1999 refuel outage is projected to be the need date for rotor refurbishment.

"As a result of the catastrophic failure of the IP2 electric generator in 1987, the Authority was able to obtain the rotor and exciter from Consolidated Edison Company of New York, Inc. to be used as a spare for the IP3 rotor. Westinghouse has been storing the equipment at its Charlotte, North Carolina facility. In order to use the IP2 rotor, modifications and refurbishment must be performed on both the generator and exciter rotors. It has been the intent to refurbish the IP2 rotors and utilize them as replacements for the current IP3 rotors. This will considerably reduce the amount of time required during the refuel outage to perform the generator work.

DISCUSSION

"As a result of the tooth-top cracking issue, a project to refurbish the IP2 rotor currently at Westinghouse's facility was initiated. The project scope was to modify and refurbish the rotor to permit its use in the IP3 generator. Included in the scope was the resolution to the tooth-top cracking issue.

"Recently, Westinghouse identified that both IP3 and Consumers Power Palisades nuclear plant were in similar situations with respect to their generator rotors. A proposal was made to share the cost of refurbishing the IP2 rotor in exchange for the ability for Palisades to have use of the rotor should they have an earlier need than the

April 30, 1996

Authority. If neither plant experiences an unplanned need, Palisades will install the rotor during its planned 1998 refuel outage, send that rotor to Westinghouse for modification and refurbishment and IP3 would install the refurbished rotor during the 1999 refuel outage.

"Benefits to the Authority include having a refurbished spare rotor available earlier than initially planned should replacement become necessary; a reduction in the initial payments to Westinghouse to refurbish the rotor since this work is being shared; and a delay in which the final payments will be made to Westinghouse.

"The risk involved is if IP3 develops an unplanned need while the Palisades rotor is being refurbished. The potential exposure is the duration of the refurbishment and shipping evolution which is 70 days. This risk is considered small since the number of start-stop cycles experienced to date is sufficiently low.

FISCAL INFORMATION

"The Indian Point 3 Improvement Projects Proceeds Account has a current balance of \$125 million of which \$111 million is available to fund this request and any additional tasks, not yet authorized, identified in the Capital Plan. Based on current cash flow projections, funds are available through the year 2003. Payment will be made from the appropriate Construction Fund - Indian Point 3 Improvement Projects Proceeds Account. Thereafter, funding will be made from the Generator Reserve or Bond Reserve Accounts.

"The projected cash flow for a joint agreement between the Authority and Consumer Power would be: \$500K in 1996; \$300K in 1998; and \$4.2 million in 1999. If Consumer Power does not participate, the cash flow would be: \$800K in 1996, and \$4.2 million in 1997.

RECOMMENDATION

"The Plant Manager - Indian Point 3 Nuclear Power Plant, Vice President - Nuclear Operations, and the Vice President - Engineering and Project Control recommend the Trustee's approval of expenditures in the amount of \$5,000,000 for the Generator rotor and exciter replacement.

"The Controller, 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 the expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Expenditure Authorization</u>
Generator Rotor Replacement	
Indian Point 3 Nuclear Power Plant	<u>\$5,000,000</u>

14. Uranium Procurement - Cameco Corporation Contract Extension

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an extension to the existing contract with the Cameco Corporation (Cameco). The extension will provide near-term savings to the Authority, during the period 1996 through 2000, in an amount up to \$6 million in 1996 dollars. The Cameco contract would also be extended to cover 60% to 70% of the Authority's uranium concentrates (U₃O₈) requirements in the years 2000 through 2004, at an estimated cost of \$33.6 million in 1996 dollars.

BACKGROUND

"In January 1996, the Authority solicited uranium bids from 24 potential suppliers. Their bids were to cover the period 1998 through 2001. Eleven bids were received and evaluated. The Global Nuclear Services and Supply Limited ('GNSS') and British Nuclear Fuels Limited ('BNFL') offers were evaluated as the low cost bids. At their meeting of March 26, 1996, the Trustees approved the award of contracts to these suppliers. These contracts will each supply about 20% to 25% of the Authority's requirements during the 1998 through 2000 period. A contract with Cameco, which began in 1990 for 50% of the Authority's uranium requirements, completes the Authority's requirements through the year 2000. The status of the contract is set forth in Exhibit '14-B'.

DISCUSSION

"Cameco is one of the world's largest, low-cost uranium producers. It operates and owns two-thirds of the world's two largest high-grade uranium mines in northern Saskatchewan. Cameco also obtains a share of production from a Nebraska mine. Cameco submitted an unsolicited proposal during February 1996 which provides for a price reduction of about \$2/LB U₃O₈ in the floor price for the Authority's next six reloads during the 1996 through 2000 period. One JAF and one IP-3 reload will be required in each of the years 1996, 1998 and 2000 by current estimates. The \$2/LB U₃O₈ price reduction would reduce the Authority's cash expenditures by approximately \$2 million in each of these years. As a quid pro quo, the contract term would be extended for four years and expire at the end of 2004. In addition, the minimum quantity to be purchased, currently 50% of actual plant requirements, would be increased to 60% during the period 2000 through 2004.

"A price reduction of \$2.00/LB in the floor price translates to a reduction of about \$1 million per reload, for the six reloads under contract, if the contract price remains below the floor price. The contract price is determined by averaging the floor price and the spot market price. Should the spot market price increase sufficiently so that the contract price exceeded the floor price, the contract price would become the price to be paid. In such a case, the savings per reload would be reduced for the reloads under contract, but the savings would increase for later reloads.

"Three separate cases were analyzed in order to test the worth of the Cameco offer. In addition, the effects of a high, base and low market price scenario was examined for each case. These analyses are shown in Exhibit '14-A' attached.

Case 1

"The first case, i.e, the current situation included:

- Current Cameco prices with the term expiring in 2000;
- GNSS expiring in 2000;
- BNFL expiring in 2001; and
- Market prices as projected by S.M. Stoller Corp. filling in all uncommitted quantities through 2004.

The total net present value cost of the uranium requirements including conversion to UF₆ is \$168 million. The analysis shows Cameco's costs will equal about \$60 million, including conversion.

Case 2

"Case 2 examined the new Cameco offer, and included GNSS and BNFL. The net present value of this case was \$155 million, or about \$13 million less than case 1. Cameco's share would be about \$98 million, including conversion.

Case 3

"Although the Authority did not request bids for the period 2001 through 2004, it seemed reasonable to compare the Cameco proposal to an extension of the GNSS and BNFL contracts through 2004, as a surrogate for what may have been received, had bids been requested for the longer term. Case 3 resulted in a net present value of \$156 million, or \$1 million more than Case 2 which utilized the Cameco offer. Shortly after bids were received in response to the January RFQ, uranium prices on the spot market skyrocketed by \$2.75/LB U₃O₈. This indicated that if bids were now solicited for such time period they would result in higher prices than those already received.

"Additional calculations were made, with the spot market price assumed to vary by plus/minus 25%, for each of the cases described above for the 1996 through 2004 period. If the market prices are 25% higher than the base case, the Cameco floor price would be exceeded immediately. This results in a reduced benefit of the proposed Cameco offer Case 2. However, it still is \$10 million in net present value. Case 3, which extends the GNSS and BNFL offers would have been a superior choice. Unfortunately, in light of the rapidly escalating market price such a choice is not available. If the market price is 25% lower than those assumed here, there would be no benefit in taking the proposed Cameco offer. However, there is not much risk, since the cost would show a modest \$1.5 million loss. This case is not considered to be very likely in the current market climate. Market production still lags market consumption by about 85 million pounds per year.

"Accepting Cameco's offer is expected to yield \$13 million in savings for the Authority for the period 1996 through 2004. Although the Authority would be committing to taking a large portion (60%) of its uranium from a single supplier years in advance, the benefits outweigh the risk. There is a savings of about \$1 million per reload for each of six reloads taken through the year 2000, including \$2 million in 1996. The up-front savings could be reduced to about half if market prices continue to escalate rapidly. However, in such a situation greater savings would accrue to the Authority in the later years of the contract. If the nuclear plant(s) were to close prior to the completion of the contract, the minimum quantity to be purchased would be set to zero for that plant(s) as this is a requirements contract. With uranium prices continuing to escalate rapidly on the world market, this purchase is a prudent move to lock in a firm supply at reasonable prices with the world's leading uranium producer.

April 30, 1996

FISCAL INFORMATION

"The estimated cost of the extension of the Cameco contract is \$33.6 million in 1996 dollars which includes the estimated reduction in costs from 1996 through 2000. Payment will be made from the Fuel Reserve Fund.

RECOMMENDATION

"The Director - Fuel Supply recommends that the Trustees approve a four year extension of the contract with Cameco Corporation for the purchase of uranium at the costs, quantities and terms set forth above.

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

In response to questions from Trustee Miller, Mr. Lemberg explained that the Authority would realize an immediate savings of some \$850,000, and a total of some \$2 million in 1996. Mr. Lemberg further explained that the uranium contract with British Nuclear Fuels Limited, which the Trustees had approved at the March meeting, is a 'take or pay' agreement which is not based on the Authority's actual fuel requirements.

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

RESOLVED, That the Trustees approve the extension of the existing contract with Cameco Corporation for a term of four years, as recommended in the foregoing report of the President, in the estimated amount and for the purpose listed below:

<u>O & M</u>	<u>Projected Closing Date</u>	<u>Estimated Contract Approval (millions)</u>
Uranium product		
Cameco Corporation	12/31/04	<u>\$33.6</u> (1996 dollars)

15. Procurement (Services) Contract - St. Lawrence/F.D. Roosevelt Power Project Relicensing - Third Party Contractor for the Federal Energy Regulatory Commission and Department of Environmental Conservation - Award

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the funding and award of a procurement contract in support of the St. Lawrence/F.D. Roosevelt Power Project ('St Lawrence/FDR') relicensing effort. This contract with Environmental Resource Management, Inc. is for the services of an independent third party contractor ('TPC') to assist the Federal Energy Regulatory Commission ('FERC') and the New York State Department of Environmental Conservation ('DEC') in their environmental reviews of the Authority's application for a new license for St. Lawrence/FDR.

BACKGROUND

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

"The Authority's existing license issued by the Federal Power Commission (now FERC) for St. Lawrence/FDR expires in October of 2003. In accordance with FERC regulations, the Authority's application for a new license must be filed by October 2001. Prior to such filing, the Authority must consult with the public and regulatory agencies concerning issues to be addressed in the license application and associated studies conducted in advance of the application.

"In addition to the new FERC license, the Authority must obtain a supporting Water Quality Certificate from the DEC. The application for this Certificate is approximately in the same time frame as the application to FERC for a new license.

DISCUSSION

"To further the relicensing of St. Lawrence/FDR, the Authority entered into a Memorandum of Understanding ('MOU') with FERC and DEC to conduct an integrated environmental review with a single document which will serve as an application for both a new FERC license and a DEC Water Quality Certificate. The MOU provides for the Authority to select and fund an independent TPC to assist FERC and DEC in their environmental reviews. This assistance will include holding public meetings, reviewing environmental and engineering studies as well as the application to FERC and DEC, preparing an environmental impact statement ('EIS'), and providing post-application assistance to FERC and DEC. It is anticipated that these services will require 10,000 man-hours over an eight-year period beginning in 1996 and ending with the issuance of a new license in 2003.

"FERC has prequalified 28 firms to perform work as TPCs. The Authority issued Requests for Proposals ('RFPs') for TPC services to 27 of the 28 firms qualified by FERC. An RFP was not issued to one firm which had conducted relicensing work for the Authority relative to St. Lawrence/FDR because this firm would have a conflict of interest relative to an independent environmental review of Project relicensing.

April 30, 1996

"The Authority received proposals from 12 firms. These proposals included several teams of the prequalified contractors. A technical evaluation of the proposals was performed with each proposal evaluated on the experience of the firm/team and proposed individuals and subcontractors in performing NEPA environmental assessments, especially for FERC; the technical background of proposed individuals especially in areas that are expected to be important at St. Lawrence/FDR; and the proposed organization of the firm/team.

"Based on this technical evaluation, five firm/teams were selected as the most qualified firms requiring more detailed consideration. In order of ranking (from highest to lowest), these five firm/teams were: 1) CH2M Hill/Louis Berger Associates Team ('HILL'); 2) Environmental Resources Management/Acres International Team ('ERM'); 3) Lawler, Matusky, and Skelley Engineers ('LMS'); and 4) (tie between) Greystone and the Versar/Harza Team ('VERSAR').

"Following the initial technical review, the five highest-rated proposals were further evaluated on the weighted average hourly personnel rates for 1996; these rates and the positioning of the five firm/teams were:

	<u>Average Rate</u>	<u>Technical Evaluation Rank</u>
1. ERM	\$60.28/hour	2
2. Greystone	\$70.44	4
3. HILL	\$70.99	1
4. Versar	\$80.15	4
5. LMS	\$89.96	3

"The two bidders with the highest technical evaluations HILL and ERM were interviewed. LMS was eliminated because FERC and DEC felt that LMS' environmental evaluations for the Authority relative to Indian Point 3 constituted a Conflict of Interest. Greystone was not interviewed because their experience was mostly on the West Coast and neither their technical evaluation nor price offered any special advantages. Similarly, Versar offered no particular advantages and had a average hourly personnel rate significantly higher than either HILL or ERM.

"CH2M Hill (Milwaukee, WI) teamed with Louis Berger Associates (Needham, MA) and proposed Barnes and Williams (Binghamton, NY) as a subcontractor. The HILL team was judged to have excellent technical expertise and breadth of personnel. HILL was characterized as a firm familiar with FERC and its policies and well received by resource agencies which whom HILL has dealt. HILL was described as a group that has done well in difficult situations and was responsive to FERC as well as adept at solving budget and schedule problems.

"ERM (Annapolis, MD) teamed with Acres International (Buffalo, NY) and proposed Pamela Lester Landscape Architects (Bronxville, NY) and Dean and Barbour Associates (Buffalo, NY) as subcontractors. Since Acres has an ongoing services contract with the Authority and has conducted several studies related to Project relicensing, Acres was judged to have a Conflict of Interest. ERM subsequently replaced Acres personnel with additional ERM staff which resulted in little change in their technical rating.

"ERM's experience on hydroelectric issues in the FERC process is very good. ERM's performance on a variety of New York projects was rated highly in terms of technical expertise and overall experience. ERM has a good record of dealing with agencies, cumulative impacts, balancing of issues, and writing in FERC's style. ERM was judged to have excellent communication skills which will be important in the public aspect of the environmental review work as well as in

communicating the technical issues.

April 30, 1996

"Both ERM and HILL are very qualified to perform TPC services for St. Lawrence/FDR. Although HILL may be somewhat stronger on technical issues, ERM demonstrated better communication skills. Furthermore, ERM's weighted average wage rate is over \$10 per hour less than the HILL rate. Over the course of a 10,000-hour assignment, ERM's price would be more than \$100,000 lower than HILL's based solely on personnel costs. In addition, travel costs associated with ERM are estimated to be substantially less than those for HILL; these savings include, in part, use of ERM staff located in offices throughout New York, whenever possible. Finally, HILL has proposed mark-ups to subcontractors' invoices and other contractual add-ons which would further increase the price.

"Based on the estimated number of hours (10,000), hourly personnel rates including escalation (annually, starting January 1998), and projected travel costs, it is estimated that ERM can complete the work for \$800,000. ERM will be complying with the Authority's Woman and Minority Business Enterprise goals.

FISCAL INFORMATION

"Funds required for the contract in 1996 are included in the 1996 approved budget for St. Lawrence/FDR relicensing. Funds required for 1997 through 2003 will be included in future budget submittals. Payments will be from the Project Studies Fund.

RECOMMENDATION

"The Director - Licensing, the Director - Environmental and the Vice President - Procurement and Real Estate recommend that the Trustees authorize the award of a procurement contract for Third Party Services for Federal Energy Regulatory Commission and Department of Environmental Conservation to Environmental Resource Management, Inc.

"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, the award of a contract to Environmental Resource Management to provide third party contractor services to the Federal Energy Regulatory Commission and New York State Department of Environmental Conservation pursuant to the relicensing of the St. Lawrence/FDR Project be, and hereby is, approved, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Project Studies</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Third Party Contractor Services for FERC and DEC		
Environmental Resources Management	12/31/03	<u>\$800,000</u>

April 30, 1996

16. Next Meeting

The Regular meeting of the Trustees will be held on **Tuesday, May 21, 1996, at the New York City Office** at **10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

April 30, 1996

Closing

Upon motion made and seconded, the meeting was closed at 11:45 a.m.

Anne Wagner-Findeisen
Corporate Secretary

APRMINS.96