

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

August 27, 1996

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Minutes of the Meeting of the Power Authority of the State of New York held at the Niagara Power Project 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
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
Woodrow W. Crouch	Vice President - Project Management - Power Generation
John M. Hoff	Vice President - Procurement and Real Estate
Deborah Perry Estrin	Vice President - Human Resources
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Relations
Daniel P. Berical	Director - Intergovernmental Affairs
John W. Blake	Director - Environmental Programs
Joseph J. Brennan	Director - Internal Audits
Frederick E. Chase	Director - Community Relations
Carmine J. Clemente	Counsel
Richard H. Lauman, Jr.	Director - Nuclear Business Operations
Robert H. Leonard	Director - Communications
John L. Murphy	Director - Public Information
Gary Paslow	Director - Policy Development
George W. Collins	Treasurer
Russell J. Krauss	Chief Information Officer
Allison Shea	Attorney
Anne Wagner-Findeisen	Corporate Secretary
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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

1. **Approval of the Minutes**

The Minutes of the Regular Meeting of July 30, 1996 were approved.

Report from the President & Chief Operating Officer

President Schoenberger reported on the "due diligence" process currently being conducted by Entergy in furtherance of the proposed strategic alliance with the Authority in the area of nuclear operations. During such process, Entergy representatives are visiting Headquarters, IP3 and JAF, interviewing Authority personnel, and reviewing current staffing as well as the material condition of the plants. The NRC continues to express its interest in this process. President Schoenberger also reported that negotiations are under way on a transitional services agreement which would be applicable during the interim period prior to the proposed five-year operating agreement taking effect. The President stressed that Authority employees have reacted to these developments maturely and professionally, although they are understandably concerned about their individual situations. In response to questions from Vice Chairman Frey, President Schoenberger stated that Entergy's initial report on the due diligence effort would be completed by the end of September and that he anticipates receiving a final report in early October. Trustee Miller stated that employee concerns about their futures at the Authority are important and need to be taken seriously, and that he would like it understood that jobs now being performed in New York will not be taken over by persons in another state and that Authority employees should be aware of that. President Schoenberger responded that hopefully Authority employees will understand that Entergy's taking over means that employees may keep their jobs and even rise within the Entergy organization.

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At the President's request, Mr. English described the preceding day's events surrounding the failure of the 345 kV Gilboa-Leeds transmission line, which resulted in power shortages in eastern and southern New York. Mr. English explained that the originating event occurred at Niagara Mohawk's Leeds substation and caused an overload in other portions of the transmission system. Mr. Hiney added that the Authority's transmission line and equipment had operated properly, and that the problem was caused by Niagara Mohawk's protective relay system.

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2. Financial Report for the Seven Months Ended July 31, 1996

3. Contracts for the Sale of Economic Development Power to the General Motors Corporation and Kozy Shack, Inc. - Transmittal to the Governor

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize transmittal to the Governor of proposed contracts for the sale of 8,000 kW of Economic Development Power ('EDP') to the General Motors Corporation - Massena Plant ('GM-Massena') and 750 kW to Kozy Shack, Inc. ('Kozy Shack'). The contract with GM-Massena is for 15 years and supports 580 jobs. The 750 kW contract with Kozy Shack is in support of 89 jobs and consists of a sale of 350 kW for ten years and a short-term reallocation of 400 kW which expires December 31, 1997.

BACKGROUND

At its meeting of June 25, 1996, the Economic Development Allocation Board ('EDPAB') approved GM-Massena's application for EDP and recommended the allocation to the Authority.

At its meeting of April 30, 1996, EDPAB approved Kozy Shack's application for 350 kW of EDP and recommended the allocation to the Authority. In addition to the proposed 350 kW allocation for 10 years, an additional short term reallocation of 400 kW to Kozy Shack was recommended by EDPAB. A short-term reallocation of EDP is necessary because current EDP allocations are at the limit of the wheeling agreement with the Long Island Lighting Company, Inc. ('LILCO') for the delivery of EDP. However, Computer Associates International, which has an allocation of 12 MW, agreed to temporarily relinquish 3 MW for a period of approximately five years. As a result, this entire 3 MW block of EDP was reallocated, in varying lesser amounts, to other qualified recipients of EDP on a temporary basis. One of these recipients relinquished its allocation of 400 kW, making available the additional 400 kW allocation proposed to Kozy Shack. The 400 kW allocation would have a term ending December 31, 1997, when it will be reclaimed by Computer Associates, Inc.

Each proposed allocation is a direct power sale contract between the Authority and the customers that is subject to a public hearing and this final review by the Trustees. Copies of the proposed contracts between GM-Massena and the Authority (Exhibit '3-B') and Kozy Shack and the Authority (Exhibit '3-C') were transmitted to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, the Minority Leader of the Senate, and the Chairman of the Senate Finance Committee. Copies were also made available for public inspection. At least 30 days' notice of the public hearing on the terms of the proposed contracts was given by publication in newspapers throughout New York State. A public hearing on the proposed contracts with GM-Massena and Kozy Shack was held on August 9, 1996, at the Authority's New York office.

DISCUSSION

GM-Massena is an existing Authority customer with a 12 MW allocation of St. Lawrence Power and an associated job commitment of 200. The foundry produces iron and aluminum engine and transmission castings for the automotive industry. The company is planning to add production capacity in anticipation of new business.

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The total investment of approximately \$77 million will be used to purchase and install machinery and equipment. The total employment at the plant is expected to grow to 580.

At their meeting of February 28, 1995, the Trustees approved an allocation of up to 4 MW for this project to the Town of Massena under the Authority's Municipal and Cooperative Economic Development Program. That allocation is the subject of litigation initiated by the Municipal Electric Utilities Association of New York which, at a minimum, would delay its delivery for an extended period and could completely preclude its commencement. GM-Massena needs a firm long-term power agreement in place if it is to move forward with this project and be successful with its quest for new business. In fact, in anticipation of the low cost power allocation and the additional business, the company has already added 170 of the 380 new jobs. Of these 170 new jobs, 95 will be in immediate jeopardy if this project does not move forward.

On August 6, 1996, the General Motors Corporation announced the introduction of a new lightweight global engine. It also announced that the engine's cylinder block and head casting will be produced at the GM-Massena plant and the first module of engine production was assigned to the GM-Tonawanda Engine plant. The initial application is a 2.2L 4-cylinder engine for the Saturn Innovate.

The new jobs created with this power will be relatively high-wage manufacturing jobs. The 'ripple' effect will produce a substantial number of additional jobs.

Kozy Shack is a manufacturer of puddings and snacks. The company has experienced a significant growth rate which, coupled with high energy costs, have compelled it to re-evaluate its present location. It must either commit to an expansion of its current facility or to an expansion out-of-state. The company is prepared to invest over \$1.9 million to accommodate increased production capacity. Energy efficient equipment will be specified for installation in the new facility. The proposed 750 kW allocation would result in a ratio of 119 jobs per MW and save Kozy Shack's warehousing and distribution facility approximately \$70,000 annually over the standard rates of LILCO.

The proposed allocations have 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 agreements with each of the companies provide for reductions in an allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority as provided by Section 460.4 of the Authority's Rules and Regulations. Additionally, the Kozy Shack contract will include specific energy audit and implementation requirements.

A public hearing on the proposed contracts was held on August 9, 1996, at the Authority's New York office. Assemblyman Chris Ortloff spoke in support of the GM-Massena contract as did Mr. Algird White of the law firm Couch, White, Brenner, Howard & Feigenbaum. Mr. Ken Aldridge, Vice President of Operations at Kozy Shack, made an oral statement in support of the contract.

A letter was submitted by Peter Quinn, Energy Analyst of the Long Island Progressive Coalition, recommending the rejection of both contracts on the grounds that the energy benefit represented by EDP should be spread more equally and only to recipients who engage in solar photovoltaics or wind power generation. EDPAB has found that the proposed EDP allocations are in furtherance of the statutory criteria for economic development. The Coalition's arguments therefore do not provide a reason for rejecting the proposed contracts with GM-Massena and Kozy Shack. Moreover, in view of the high price of energy in New York State, an allocation of EDP to a company helps level the playing field so New York companies can compete in the national and global

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marketplaces. Allocations of EDP are recommended by EDPAB and approved by the Authority pursuant to criteria specified in the New York Economic Development Law. The contracts submitted herewith are in the public interest and should be transmitted to the Governor with the recommendation that they be approved.

RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the proposed contracts for the sale of Economic Development Power to General Motors Corporation - Massena Plant and Kozy Shack, Inc., representing the allocations shown in Exhibit '3-A', be transmitted to the Governor with the recommendation that they be approved.

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

Trustee Miller noted that although certain recent media references to the Economic Development Power Allocation Board have been critical, it must be kept in mind that the allocations recommended by the Board have resulted in keeping jobs within New York State that would have moved out-of-state in the absence of economic development power.

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 contracts with General Motors Corporation - Massena Plant and Kozy Shack, Inc. subject to the terms and conditions described in the attached memorandum of the President; and

WHEREAS, the Authority reached agreement with General Motors Corporation - Massena Plant and Kozy Shack, Inc. on the terms of the contracts for the sale of Economic Development Power; and

WHEREAS, on August 9, 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 contracts;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the form of the proposed contracts for the sale of power between the Authority and General Motors Corporation - Massena Plant and Kozy Shack, Inc. which were submitted to this meeting, and that the Authority believes such contracts to be in the public interest; and be it further

RESOLVED, That the Secretary shall transmit such contract to the Governor, the Speaker of the Assembly, the Chairman of the Assembly Committee on Ways and Means, the Temporary President of the Senate, and the Chairman of the Senate Finance Committee, together with the

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record of the public hearing held on such contract and the recommendation of the Authority that such contract be approved; and be it further

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

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

Allocations of EDP

<u>Company</u>	<u>County</u>	<u>Utility</u>	<u>EDP</u> <u>(kW)</u>	<u>Jobs</u> <u>Commit.</u>	<u>Job/</u> <u>MW</u>	<u>Term</u>
EXPANSION PROJECTS						
GM - Massena yrs.	St. Lawrence	Massena	8,000	580	72	15
RETENTION PROJECTS						
Kozy Shack, Inc. Yrs	Nassau	LILCO	350	-	-	10
			<u>400</u>	<u>-</u>	<u>-</u>	<u>1</u>
Yr.			<u>750</u>	<u>89</u>	<u>119</u>	
TOTALS:			<u>8,750</u>	<u>669</u>		

4. Transfer of Expansion Power - Dunkirk Ice Cream Co., Inc.

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the transfer of 3,000 kW of Expansion Power from Dunkirk Ice Cream Co., Inc. ('Dunkirk') to Fieldbrook Farms Ice Cream, Inc. ('Fieldbrook Farms'). As part of the transfer, Fieldbrook Farms is making a commitment to 600 jobs.

BACKGROUND

Dunkirk received two Expansion Power allocations: 1,000 kW approved by the Trustees on November 26, 1991, and 2,000 kW on August 29, 1989 for the purpose of manufacturing and distributing ice cream. Dunkirk subsequently experienced financial difficulties, including a downturn in sales volume, which forced it to curtail production (including occasional shutdowns) and which resulted in significant short-term layoffs. Additionally, the company was having financial difficulties with its lending partners, its customers, suppliers, and employees. As a result, Dunkirk assets were acquired by Fieldbrook Farms.

DISCUSSION

On June 28, 1996, all of Dunkirk's assets, including its plant, machinery and equipment, were acquired by Fieldbrook Farms pursuant to a secured party transaction. Fieldbrook Farms bought approximately \$12 million in notes, held by Chase and Chemical Banks, for 50% of their value. Fieldbrook Farms, a privately held company, acquired these as part of an overall plan to stabilize, turn around and promote the ice cream business at the Dunkirk, New York facility. The new senior management of Fieldbrook Farms has extensive experience in private label food manufacturing, most recently turning around a major fruit juice manufacturer, resulting in not only a retention of its employee base but an employment increase of 50%. Fieldbrook Farms's intention is to expand the existing acquired business, as well as to increase production volume, through the acquisition of a second and third ice cream business. Presently, Fieldbrook Farms has a signed contract for one new acquisition and has reached agreement on another. Fieldbrook's CEO has indicated that these acquisitions could possibly be completed over the next 60 to 90 days. Project plans for any capital investments are being investigated; however, these will not occur during the 1996 calendar year.

Dunkirk had committed to 578 jobs for the 2,000 kW allocation and an additional 60 jobs for the 1,000 kW allocation, totaling 638 jobs. Fieldbrook Farms has agreed to commit to 600 jobs (Dunkirk was continually downsizing and had slipped to 400 jobs) for the total 3,000 kW of Expansion Power if approved. The present base of 400 jobs is solidified by the acquired Dunkirk assets, and 100 jobs each are expected for the two proposed acquisitions and have been committed to by the company's CEO, bringing the total to 600 jobs.

In accordance with Paragraph 21 of Schedule A of the Expansion Power Allocation and Service Agreement between the Authority, Niagara Mohawk Power Corporation and Dunkirk Ice Cream, Co., Inc. and with Section 460.7 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988))), no voluntary transfer of Expansion Power may be made without the written approval of the Authority.

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RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the Trustees approve the transfer of 3,000 kW of Expansion Power from Dunkirk Ice Cream Co., Inc. to Fieldbrook Farms Ice Cream, Inc.

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 transfer of Dunkirk Ice Cream Co., Inc's Expansion Power allocation of 3,000 kW to Fieldbrook Farms Ice Cream, Inc. be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Director - 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 above allocations.

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5. Requests for Transfers of Replacement Power Resulting from the Sale of The Carborundum Company Assets

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the transfer of Replacement Power to two companies which are purchasing businesses formerly owned by The Carborundum Company, (now known as 'Unifrax'), which are located in Sanborn, New York.

BACKGROUND

The British Petroleum Company ('BP'), parent to the company now known as Unifrax but (formerly known as The Carborundum Company), and Kirtland Capital Partners ('Kirtland') signed a purchase agreement for the sale of Unifrax to Kirtland. They are requesting that the Trustees of the Authority's approve the transfer of 1 MW of Replacement Power used by Unifrax at its Sanborn, NY facility to Kirtland upon the completion of the sale.

In return for Trustee approval of a transfer of 1 MW of Replacement Power, Kirtland would agree to increase the existing job commitment related to the facility's Replacement Power allocation from a facility-specific commitment to a commitment which includes the existing jobs at all of its Western New York facilities, a total of 158 jobs. The job commitment is comprised of 6 jobs at its Cory Rd., Wheatfield facility, 75 headquarters jobs at 2351 Whirlpool Street, Niagara Falls and 77 jobs already committed for its Amherst and Tonawanda facilities' allocations.

A total Western New York facilities job commitment demonstrates that the company is committed to maintaining its headquarters operations in New York and intends to grow the value added processes related to the business in New York. In addition, Kirtland also agrees that the 1 MW Replacement Power allocation would be subject to pro rata reduction if employment at its Western New York facilities falls below 90% of its commitments totalling 158 jobs. Kirtland agrees to honor all the other terms and conditions of a Replacement Power contract.

The Unifrax facility is currently allocated 2 MW of Replacement Power. A specialty graphite business operated by Metallics Systems Co. ('Metallics') uses the other 1 MW of allocated power. Metallics purchased the business from Carborundum in 1993 and entered into a lease agreement for the property through which it has been receiving up to 1 MW of Replacement Power. Metallics plans to install equipment which will enable it to separate its facility electrically from the Unifrax facility and has asked Unifrax to request the Trustees of the Authority to permanently transfer the 1 MW of Replacement Power it is currently utilizing through its lease directly to Metallics. Metallics will commit to continue to maintain 29 jobs.

DISCUSSION

In accordance with Paragraph 21 of Schedule A of the Replacement Power Allocation and Service Agreement among the Authority, Niagara Mohawk Power Corporation ('Niagara Mohawk') and Unifrax (formerly Carborundum), and with Section 460.7 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)), no voluntary transfer of Replacement Power may be made in these instances without the written approval of the Authority.

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Kirtland and Metaullics are seeking assurances that the Authority will approve the permanent transfer of 1,000 kW of Replacement Power to each entity before they undertake the capital expenditures related to the construction of a substation and primary service in the case of Metaullics, and the purchase of Unifrax in the case of Kirtland. BP will continue to own the property underlying both companies' facilities and lease it to them under a long term leasing arrangement. Niagara Mohawk, who is a party to all Replacement Power allocations, has given its approval regarding the transfers. In aggregate, these transfers will result in 104 net new jobs committed for the existing block of power presently used by these companies and a jobs ratio of 93 jobs per MW allocated. This compares favorably with the jobs ratios recently obtained from companies receiving Expansion Power allocations in June of this year.

RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the Trustees approve BP/Unifrax's request that 1,000 kW of its existing Replacement Power allocation be permanently transferred to Kirtland Capital Partners for use at the Unifrax facility at 2050 Cory Road, Sanborn N.Y. upon purchase of the business, and that 1,000 kW be transferred to Metaullics Systems Co., L.P. located at 2040 Cory Road, Sanborn, NY when it completes its separation of service and is ready to take power at primary service.

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 1,000 kW of the British Petroleum/Unifrax Company's 2,000 kW allocation at Cory Road, Sanborn N.Y. be permanently transferred to Kirtland Capital Partners for use at their Unifrax Corporation's facility at 2050 Cory Road, Sanborn N.Y. upon purchase of the business be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That 1,000 kW of the British Petroleum/Unifrax Company's 2,000 kW allocation at Cory Road, Sanborn N.Y. be permanently transferred to Metaullics Systems Co., L.P. located at 2040 Cory Road, Sanborn, NY, be hereby is, approved on the terms set forth in 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 above allocations.

6. Use of Transmission Towers for Personal Communication Services

The President submitted the following report:

SUMMARY

The Trustees are requested to approve a ten year agreement ('Agreement') with Sprint Spectrum L.P., ('Sprint') for the use of space on Authority transmission towers to append antennas for Personal Communication Services ('PCS').

BACKGROUND

The Federal Communication Commission ('FCC'), in response to world-wide demand, authorized the auction of the 2GHz microwave frequency range for PCS. PCS technology, although similar to cellular telephone technology, requires more antenna sites to compensate for the lower power levels of the telephone instrument. Sprint, a consortium of Sprint Spectrum Inc., TCI Network Inc., Cox Communications Wireless Inc. and Comcast Telephone Services, successfully bid in the FCC auction and was granted a license for full geographic coverage in New York State. No other recipient of a FCC license in New York State will provide statewide coverage. Other licenses at different frequencies were authorized to providers who will service smaller areas of the State. Sprint plans to initiate service by the end of 1996.

DISCUSSION

In December 1995, Sprint contacted the Authority and indicated its interest in installing antennas on some of the Authority's transmission towers in support of Sprint's planned PCS system. During negotiations with Sprint, it was agreed that an initial test installation would be used to determine the technical feasibility and adequacy of radio coverage of the proposed PCS system. It is intended that the initial test transmission tower will be located on the Niagara Adirondack Tie Line and will be operational by November 1, 1996. If successful, a more comprehensive program, involving mutually agreed upon transmission towers on various Authority transmission lines throughout the State, would be undertaken in accord with the terms and conditions of the Agreement.

The Agreement requires Sprint to pay the Authority the sum of \$12,000 per tower site per year. Discussions with Sprint indicate that it may use up to 80-85 tower sites. That usage will provide the Authority with yearly revenue of between \$960,000 to \$1,020,000, adjusted for inflation. Any capital or operating and maintenance costs incurred by the Authority for procurement, installation and maintenance of the antennas and antenna mounts will be reimbursed by Sprint. Also, Sprint has agreed to obtain, at its expense, any additional land use rights associated with the installation of the PCS system. This may include utility services.

The payments to be received by the Authority under the Agreement are within the market range for such use. The Authority contacted other utilities in several states and determined that the price is competitive and consistent with the fee negotiated by such other utilities. In addition, Sprint has other alternatives for the installation of its PCS system including other utilities towers and poles in the general vicinity of the Authority's towers, and the use of buildings, watertowers or other structures. As Sprint expands its PCS system statewide, maximum use of and additional value from the Authority's tower sites can be achieved.

Although there are other PCS providers in New York State, Sprint is the only provider to have statewide coverage. The Agreement does not bar the Authority from allowing other licensed PCS companies

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access to Authority tower sites. The only limitation imposed by the Agreement is that such third party use will not interfere with Sprint's use.

The initial test installation has progressed. Engineers from Sprint and the Authority's Engineering, Power Generation Division have performed antenna design, mounting design and tower structural analysis. The technical challenge that the Authority engineers have successfully addressed is meeting the height and coverage requirements of Sprint without compromising the original design criteria for structural integrity and reliability of Authority transmission towers and system. The Law Department has negotiated the Agreement which Sprint has accepted.

The use of transmission towers to append antennas was reviewed and found to be acceptable from an environmental perspective. However, prior to approval of any antenna installation, an environmental evaluation in accord with the State Environmental Quality Review Act will be completed.

FISCAL INFORMATION

Implementation of this Agreement will generate revenue for the Authority.

RECOMMENDATION

The Director - Communications, the Vice President and Chief Engineer- Power Generation and the Senior Vice President - Power Generation recommend that the Trustees approve a ten year Agreement with Sprint Spectrum L.P. to use space on the Authority's transmission towers for Personal Communications Services on substantially the terms and conditions as set forth in this memorandum.

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

Mr. Hiney added that the proposed agreement would have no negative impact on the primary purpose or function of the transmission towers, noting that the agreement provides no exclusivity restrictions on either party.

Mr. Hiney thanked Mr. Leonard and Ms. Shea and other members of the Law Department for their efforts in negotiating the agreement. In response to questions from Trustee Waldbauer, Mr. Hiney explained that Authority engineers will review each individual proposed installation to assess potential impact of Sprint's equipment on the Authority's towers to assure that wind and ice loads would not be negatively affected. In response to further questions from Trustee Waldbauer, Messrs. Hiney and Leonard explained that the contract has a 10-year term, during which Sprint is free to contract with other utilities for the placement of its equipment and during which the Authority is likewise free to grant access to other providers of PCS, provided that any additional use does not interfere with Sprint's use of the affected towers. Trustee Waldbauer inquired whether staff had sought to lease the additional fiber optic capacity which had originally been built into the

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Long Island Sound Cable. Mr. Hiney responded in the affirmative, and Mr. Leonard summarized the existing agreement with Metropolita Fiber Systems which has been leasing such excess capacity. Trustee Miller inquired whether the agreement with Sprint provides for holding the Authority harmless. Ms. Shea responded in the affirmative.

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

RESOLVED, That an agreement between the Authority and Sprint Spectrum L.P., whereby Sprint shall have the right to use approved Authority transmission tower sites for Sprint's Personal Communication Services on substantially the same terms and conditions as set forth in the foregoing report of the President be approved; and be it further

RESOLVED, That the Senior Vice President - Power Generation, or his designee be, and hereby is, authorized to execute the aforesaid agreement and to execute such other documents as may be necessary or desirable to effectuate the foregoing.

7. **Niagara Power Project Conveyance of Reversionary Rights Map No. 167-C, Parcel Nos. 2572, 2573 and Map No. 168-C, Parcel No. 2574 to the City of Niagara Falls**

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize the release of reversionary rights retained by the Authority for 1.852 acres of real property shown and described as Map Numbers 167-C and 168-C, earlier transferred to the City of Niagara Falls and located in the City of Niagara Falls.

BACKGROUND

At the time of the construction of the Niagara Power Project, the Authority was authorized by Subdivision 2 of Section 1012-a of the Public Authorities Law to spend \$1,500,000 for local improvements within the City of Niagara Falls. In accordance with a 1960 agreement between the Authority and the City of Niagara Falls, the Authority constructed a playground and recreational facility on a 1.852-acre parcel located in the City of Niagara Falls. Thereafter, the parcel and improvements thereon (known as De Franco Park) were conveyed to the City of Niagara Falls pursuant to Trustee Resolution dated November 19, 1964.

The indenture by which the Authority conveyed the 1.852-acre parcel to the City of Niagara Falls sets out that in the event that the City of Niagara Falls abandons the use of any said parcels or any part of said parcels for such public playground or public recreational or public park purposes, the title to such parcel or such part thereof, shall revert to and be the property of The People of the State of New York and the Authority.

By a letter dated March 25, 1996, the City of Niagara Falls requested that the Authority release its reversionary rights to this parcel to the City of Niagara Falls.

DISCUSSION

The property in question is located adjacent to the Robert Moses Parkway in downtown Niagara Falls. The park was originally proximate to a residential area, but use has declined over the years as a result of the area's changing demographics. The City of Niagara Falls now wishes to market this property for commercial development.

The City of Niagara Falls' sale of the property will be subject to the State's 'alienation of parkland' policy, which may require substitution of recreational facilities. The City of Niagara Falls is reviewing possible alternative recreational projects in which to invest the money from the sale of the property.

The conveyance of the 1.852-acre parcel and the subsequent marketing of the parcel furthers the Authority policy of returning property to the tax rolls wherever possible.

De Franco Park is situated outside the Federal Energy Regulatory Commission ('FERC') Niagara Project Boundary and therefore no notification of FERC and/or approval by FERC is needed.

FISCAL INFORMATION

There is no fiscal impact.

RECOMMENDATION

The Regional Manager - Western New York and the Vice President - Procurement and Real Estate recommend that the Trustees approve the release of reversionary rights to the 1.852-acre property shown and described on Niagara Power Project Map No. 167-C, Parcels 2572 and Parcel 2573 and Map No. 168-C, Parcel 2574.

The Director - Environmental Programs, the Vice President - Public Affairs, 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 Waldbauer, Mr. Hoff confirmed that because the City's sale of the parcel is subject to legal restrictions set forth in the State's alienation of parklands policy, the City will be required to invest the proceeds of the sale in substitute recreational facilities.

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

RESOLVED, That the Authority hereby approves the release without compensation of those reversionary rights retained by the Authority in a December 4, 1964 indenture from the Authority to the City of Niagara Falls of Niagara Falls as recorded in the Office of the County Clerk, Niagara County, Liber 1435, Page 300. This property is situated in the City of Niagara Falls of Niagara Falls, Niagara County, New York and was acquired by the Authority in its own name and in the name of The People of the State of New York as shown and described on Power Authority of the State of New York, Niagara Power Project Map 167-C, Parcel 2572 and Parcel 2573 and Map 168-C, Parcel 2574, comprising 1.852 acres. The Authority hereby determines that such release by the Authority under conditions substantially as specified above is on terms beneficial to the Authority and will not result in significant adverse environmental impacts; and be it further

RESOLVED, That the President is authorized to execute and deliver to the City of Niagara Falls of Niagara Falls on behalf of the Authority in such form as approved by the General Counsel of the Authority, a quitclaim deed release or other suitable instrument releasing the Authority's reversionary interest in and to property as shown and described on Power Authority of the State of New York, Niagara Power Project Maps 167-C and 168-C on terms substantially as set forth above and in the foregoing report of the President; 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.

8. Informational Item - Additional O&M Funding for Indian Point 3 Nuclear Power Plant

The President submitted the following report:

SUMMARY

The extended outage of the Indian Point 3 Nuclear Power Plant ('IP3') earlier this year and the need for improvement programs at that plant to ensure progress to a consistently high level of performance will require an increase of the Operations and Maintenance ('O&M') budget for 1996 in the amount of \$15-20 million.

BACKGROUND

At their meeting of December 19, 1995, the Trustees approved a 1996 O&M budget of \$97.6 million for IP3. This budgeted level of expenditures assumed that the hydrogen cooler repair forced outage would be completed and IP3 be restarted by the end of 1995.

Subsequent to the preparation and approval of IP3's 1996 O&M budget, increased outage work scope, more repairs and operations performance problems caused the outage to be extended until April 1996. Since restart in April 1996, the plant has operated at a capacity factor of greater than 90% and a continuous improvement program is underway to raise IP3's performance to the level necessary to accomplish the Authority's 1997-99 Strategic Plan goals. Also, in the second quarter of 1996, IP3 net revenues have exceeded forecast, and primary Institute of Nuclear Power Operations safety system performance indicators have shown a consistent improving trend.

The Trustees and senior Authority management were kept informed of the status of the outage and the problems encountered. Nuclear Generation's primary goal has been to ensure that the plant equipment, staff, management, programs and processes are in place to support the safe restart and continued operation of IP3.

DISCUSSION

IP3's O&M expenses are expected to exceed the budgeted amount by \$15-20 million. The additional costs are in three major categories: outage repairs and maintenance (\$11.2 million), including repairs to critical plant systems, corrective and preventive maintenance and plant material condition upgrades; growth in critical engineering tasks due to the outage and regulatory concerns, including reduction of backlogs, completion of mandated programs and analysis to support elimination of a 1996 surveillance outage; and continuous improvement programs to ensure safe, consistent and economical operation and achieve business plan goals.

The additional spending for outage costs was a non-recurring expense required for restart. Completion of critical engineering tasks is also a non-recurring expense required for uninterrupted operation for the remainder of 1996. The spending for IP3's Continuous Improvement Program provides the resources to move IP3 from a plant on the Nuclear Regulatory Commission's Watch List to a plant on the road to superior regulatory performance and operational excellence. Continuous improvement funds originally planned as part of IP3's 1996 O&M budget were required to resolve the hydrogen cooler outage and other high priority regulatory issues. Since restart in April, an IP3 Business Plan has been prepared which incorporates the Continuous Improvement Plan actions. Many of the improvement programs and the outage reduction planning are just starting up.

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A comparable improvement program was funded at James A. FitzPatrick Nuclear Power Plant ('JAF') in 1993 at the conclusion of its extended outage. \$10 million dollars were provided for JAF's Results Improvement Program in 1993, following its return to service and \$7 million in 1994. IP3's Continuous Improvement Program includes actions in areas such as operations training, procedure upgrade, planning and scheduling control, and future outage length reduction. Continued improvement will be necessary to maintain current performance levels and make preparations for a successful 1997 refuel outage regardless of the outcome of the proposed alliance with Entergy. Funding for ongoing Continuous Improvement Programs will also be included in 1997 O&M budget request.

Nuclear Generation has made a careful assessment of IP3 activities for the remainder of 1996. The highest priority has been placed on maintaining error-free operation, strict regulatory compliance and sound planning. A formal request for additional funding will be submitted next month. That request is expected to be in the range of \$15-20 million based on current analysis of expenses already incurred for the unbudgeted extended outage and restart activities plus the funding needed to support improvement activities underway or planned for the remainder of 1996.

The Authority's 1996 net revenue goal is \$75 million. Through the end of July, we have net revenues of \$82 million. Assuming our plants run well for the rest of the year, even with this additional significant expense, I believe we can still meet our annual net revenue target. The bottom line: this additional expense, while unfortunate, is a necessary investment to enhance plant performance and satisfy NRC concerns relative to IP3 being removed from the Watch List next year.

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9. Next Meeting

The Regular meeting of the Trustees will be held on **Tuesday, September 24, 1996, at the Indian Point 3 Nuclear Power Plant at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

10. Motion to Conduct Executive Session

Mr. Chairman, I move that the Authority conduct an executive session in connection with matters concerning the employment history of particular persons. Upon motion made and seconded, an executive session was held.

(After Executive Session)

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

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Closing

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

Anne Wagner-Findeisen
Corporate Secretary

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