

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

January 30, 1996

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

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

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Robert G. Schoenberger	President and Chief Operating Officer
Charles M. Pratt	General Counsel
William J. Cahill	Chief Nuclear Officer
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Energy Efficiency & Technology
Robert L. Tscherne	Senior Vice President - Business Services
Woodrow W. Crouch	Vice President - Project Management - Power Generation
Deborah Perry Estrin	Vice President - Human Resources
H. Kenneth Haase	Vice President - System Planning
Sally L. Irving	Vice President - Corporate Finance
Charles I. Lipsky	Vice President - Chief Engineer
Stephen P. Shoenholz	Vice President - Public Affairs
Ronald W. Ciamaga	Regional Manager - Northern 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
Frederick E. Chase	Director - Community Relations
John L. Murphy	Director - Public Information
James H. Yates	Director - Business Marketing and Economic Development
William Ernsthaf	Principal Attorney
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs

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

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**1. Approval of the Minutes**

The minutes of the Regular Meeting of December 19, 1995 were approved.

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**2. Resolution - Sally L. Irving**

**WHEREAS, Sally L. Irving has left the New York Power Authority staff after 15 years to pursue new opportunities a continent away; and**

**WHEREAS, Sally Irving has served the Power Authority with loyalty and distinction throughout her career; and**

**WHEREAS, Ms. Irving, who joined the Power Authority staff as "cash manager," moved steadily upward through the ranks of the corporate finance department as deputy treasurer and treasurer; and**

**WHEREAS, she became the Power Authority's first female vice president on March 24, 1994, when she was named Vice President of Corporate Finance; and**

**WHEREAS, in this position she took a lead role in refunding billions of dollars of debt, saving the Power Authority millions of dollars in interest; and**

**WHEREAS, she will be widely missed for her skills and diligence and also for her wit, charm and unfailing good humor; be it therefore**

**RESOLVED, That the Power Authority trustees sincerely thank Sally L. Irving for her years of devoted and fruitful work and express their wishes that she and her husband, Michael, enjoy happiness and success in California.**

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3. Financial Reports for the Twelve Months Ended December 31, 1995

*Mr. Tscherne stated that the financial statements for calendar year 1995 are in the process of being audited and will be submitted to the Trustees at the February meeting.*

**4. Village of Andover - Increase in Retail Rates - Notice of Adoption**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve revisions in the base retail rates of each customer service classification for the Village of Andover ('Village'), New York. This will result in additional total annual revenues of \$35,800, or 15.0%.

BACKGROUND

"Andover is located about 80 miles southeast of Buffalo in Allegheny County. For fiscal year 1995, its electric department will serve about 550 customers with total revenues of \$238,800, comprised of \$184,200 of base revenues and \$54,600 of purchase power adjustment revenues.

"Current rates have been in effect since the first full billing period following the March 31, 1987 meeting, when the Trustees approved an 11.4% rate increase.

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

"The electric department is in the midst of a construction project to expand and upgrade the Village's substation capacity to 4,160 volts. No major improvement or upgrade had been undertaken since the Village's substation was built in 1977. In January 1995, the Village financed \$288,000 of the planned capital expenditures through the issuance of long-term debt. The remaining \$41,500 of the capital program will be funded from the rate increase and cash reserves.

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 December 6, 1995, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village on October 24, 1995, and no objections were raised to the proposed rates.

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

"Comparisons of present and proposed total revenues and base rates to be produced by each service classification are set forth in Exhibits '4-A' and '4-B'.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the attached schedule of

rates for the Village of Andover, New York, be approved to take effect with the first full billing period following

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this date.

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

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

***Mr. Pratt briefed the Trustees on the principal provisions of Executive Order No. 20 and its potential impact on Authority rule making. Mr. Pratt explained that he and members of his staff had met with representatives of the Governor's Office of Regulatory Reform to discuss the possibility of obtaining an exclusion for the Authority's rate-related rule making so as to ensure compliance with the Authority's bond covenants and its statutory responsibility of regulating the rates of its full-service municipal and cooperative customers. Mr. Pratt indicated that he anticipates that the Authority's request for an exclusion will be acted upon favorably in the near future.***

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

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

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

**Exhibit `4-A`  
January 30, 1996**

Village of Andover  
Comparison of Present and Proposed Annual Total Revenues

<u>SERVICE CLASSIFICATION</u>	REVENUE (Base plus PPAC)		% INCREASE (DECREASE)
	<u>PRESENT RATES</u>	<u>PROPOSED RATES</u>	
Residential	\$ 148,315	\$ 170,562	15.0
Commercial	76,933	88,473	15.0
Street Lighting	13,131	15,101	15.0
Security Lighting	<u>432</u>	<u>497</u>	<u>15.0</u>
Total	<u>\$ 238,811</u>	<u>\$ 274,633</u>	<u>15.0</u>

**Exhibit `4-B'  
January 30, 1996**

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

<u>Present Rates</u> <sup>2</sup>	<u>Residential S.C. 1</u>	<u>Proposed Rates*</u>
\$ 1.38	Customer Charge	\$ 1.60
\$ .0327	Energy Charge, per kWh	\$ .0376
\$ 1.38	Minimum Charge	\$ 1.60
	 <u>General Service S.C. 2</u>	
	Non-Demand Charge Customers:	
\$ 1.38	Customer Charge	\$ 1.60
\$ .0400	Energy Charge, per kWh	\$ .0460
\$ 1.38	Minimum Charge	\$ 1.60
	Demand Charge Customers:	
\$ 1.93	Demand Charge, per kW	\$ 2.22
\$ .0280	Energy Charge, per kWh	\$ .0322
	Minimum Charge is the Demand Charge	
	 <u>Security Lighting - S.C. 4</u>	
\$ 5.77	175 Watts, per unit	\$ 6.64
	 <u>Street Lighting - S.C. 5</u>	
\$ .0658	Energy Charge, per kWh 175 Watt, Mercury Vapor 100 Watt, HPS	\$ .0756

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<sup>2</sup> Purchase Power Adjustment ('PPA') reflected in Present & Proposed rates.

150 Watt, HPS

250 Watt, HPS

400 Watt, HPS

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

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve, on an emergency basis, a time-of-day 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 avoid overloading the only transmission line serving its load.

BACKGROUND

"A time-of-day 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 time-of-day 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 to Tupper Lake is particularly difficult because the Village is located in Adirondack Park, where environmental issues are significant obstacles to construction. If the Village's requirements exceed transmission capacity and environmental concerns prevent the construction of a new transmission line, an alternative could be a new power plant constructed locally. However, this option is less than desirable in view of the fact that presently New York State has excess electric capacity.

"Moreover, the Village serves commercial customers that 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

"`Emergency adoption' is possible when immediate adoption is necessary for the `general welfare' and compliance with the normal rule making procedures alone would be contrary to the public's interest. This proposal requires emergency adoption in order to provide maximum benefit to the electric system and its customers and to promote the general welfare. The time-of-day rates would mitigate the rate of the Village's load growth beginning in early 1996. Delaying the rate rider could jeopardize reliability because the transmission line serving the Village is approaching its capacity. Therefore, it is necessary to adopt the rates on an emergency basis, subject to refund, at this time. This emergency adoption is in the best interests of the general welfare and does not unduly disrupt the notice and comment process.

"Summaries of the proposed riders to the existing S.C. No. 3A and 3B tariffs are attached as Exhibits `5-A' and `5-B'.

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RECOMMENDATION

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

"It is also recommended that the Trustees authorize the Secretary to file notice of emergency adoption with the Department of State for publication in the State Register, and to file such other notice as may be required by statute or regulation, or as may be necessary to effectuate the foregoing to maintain these rates until they can be adopted by the Trustees on a permanent basis.

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

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, subject to refund, effective upon acceptance for filing by the Department of State, as recommended in the foregoing report of the President; and be it further**

**RESOLVED, That the foregoing action must, in the judgement of the Authority, be taken immediately to discharge its responsibilities and for the preservation of the general welfare because the revisions are designed to improve the electric systems reliability and a portion of the rate relief would be lost if immediate action is not taken, and adherence to the normal rule making procedures would be contrary to the public's interest; and be it further**

**RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice of emergency adoption for publication in the State Register, and to file such other notice as may be required by statute or regulation or as may be necessary to effectuate such notice and maintain these rates until they can be adopted by the Trustees on a permanent basis.**

**VILLAGE OF TUPPER LAKE - TIME OF DAY RATES**

Summary of Proposed Rider to Existing Tariff

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

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 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: \$.0133 per kWh

On peak rates:

Demand: \$4.00 per kW per month

Energy: \$.0133 per kWh

**6. Village of Penn Yan - Increase in Retail Rates - Notice of Emergency Adoption**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve, on an emergency basis, revisions in the base retail rates of each customer service classification for the Village of Penn Yan, New York ('Village'). This will result in additional total annual revenues of \$228,000 or 13.3%.

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, approved on March 28, 1995, have been in effect since May 15, 1995, when the regulatory moratorium imposed by Governor Pataki was lifted with respect to the Village's 9.5% emergency rate increase filing. Final action was then approved by the Trustees at their July 25, 1995 meeting at which time they indicated an additional system revenue increase, if warranted, would be considered in 1996.

"As a condition of their approval of the 9.5% increase, the Trustees recommended a cost of service study be completed for the Village. Authority staff prepared such a study and that is the basis for the proposed rate increase.

"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 consumer's 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, characterized by cash flow problems, 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.

DISCUSSION

"`Emergency adoption' is possible when immediate adoption is necessary for the `general welfare' and compliance with the normal rule making procedures alone would be contrary to the public's interest. This proposal requires emergency adoption in order to provide maximum benefit to the electric system and its customers and to promote the general welfare. The proposed rate revisions are designed to maintain the electric system's fiscal integrity. Delaying the proposed rate relief could jeopardize the Village's financial position. Therefore, it is necessary to adopt the proposed rates on an emergency basis, subject to refund, at this time. This emergency adoption is in the best interests of the general welfare and does not unduly disrupt the notice and comment process.

"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 that objections were raised to the proposed rates. 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.

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"Comparisons of present and proposed total revenues and base rates to be produced by each service classification are attached as Exhibits `6-A' and `6-B'.

RECOMMENDATION

"The Manager - Municipal and Cooperative Regulation 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.

"It is also recommended that the Trustees authorize the Secretary to file notice of emergency 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 to maintain these rates until they can be adopted by the Trustees on a permanent basis.

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

***In response to questions from Vice Chairman Frey, Ms. Morman confirmed that although the Authority prefers to avoid double-digit rate increases, the results of the cost-of-service study indicate that the proposed increase is appropriate under the circumstances.***

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, subject to refund, effective upon acceptance for filing by the Department of State, as recommended in the foregoing report of the President; and be it further**

**RESOLVED, That the foregoing action must, in the judgement of the Authority, be taken immediately to discharge its responsibilities and for the preservation of the general welfare because the revisions are designed to improve the electric systems fiscal integrity and a portion of the rate relief would be lost if immediate action is not taken, and adherence to the normal rule making procedures would be contrary to the public's interest; and be it further**

**RESOLVED, That the Secretary of the Authority be, and hereby is, authorized to file notice of emergency 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 to maintain these rates until they can be adopted by the Trustees on a permanent basis.**

**Exhibit `6-A'**  
**January 30, 1996**

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

			%	SERVICE	PRESEN
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>	<u>13.3</u>		

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

<u>Present Rates</u>	<u>Residential - S. C. 1</u>	<u>Proposed* Rate</u>
<u>Non-Winter (April-Nov)</u>		<u>Non-Winter (April-Nov)</u>
\$ 1.50	Customer Charge	\$ 1.50
\$ .0248	Energy Charge, per kWh	\$ .0283
 <u>Winter (Dec-March)</u>		 <u>Winter (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 (April-Nov)</u>		<u>Non-Winter (April-Nov)</u>
\$ 2.25	Customer Charge	\$ 2.25
\$ .0362	Energy Charge, per kWh	\$ .0369
 <u>Winter (Dec-March)</u>		 <u>Winter (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.



**7. Allocations of Fitzpatrick Economic Development Power**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 3,400 kW of Fitzpatrick Economic Development Power ('EDP') to the two companies as listed in Exhibit '7-A'.

BACKGROUND

"At its meeting of December 12, 1995, the Economic Development Power Allocation Board ('EDPAB') approved applications for EDP submitted on behalf of the two companies in Exhibit '7-A' and recommended these allocations to the Authority. The two companies are both in the service area of the New York State Electric and Gas Corporation ('NYSEG'). Under an existing contract between the Authority and NYSEG, EDP is sold to NYSEG for resale to the designated industrial customers at a special tariff rate.

DISCUSSION

**Business Revitalization**

"EDPAB recommended a 2,900 kW allocation of EDP for business revitalization purposes to the Anchor Glass Container Corporation ('Anchor'). Anchor produces glass containers for the food and beverage industry. The company initially applied for and received a 4,000 kilowatt revitalization allocation along with a 2,000 kilowatt expansion allocation, in August 1993. The 2,000 kilowatt expansion allocation is contingent on the restarting of a third kiln which is still pending. The Elmira plant, which serves customers in upstate New York, has the highest power costs among all of Anchor's Northeast plants, with the cost of electricity representing 16% of the total cost of production. The Elmira facility is in competition with another Anchor plant for a new business contract with Cantisano Foods, (a customer of the Fairport Municipal System and a participant in the Authority's Economic Development Program for Municipal Electric Systems), that would increase plant production and sales volume by 15%. Anchor would invest over \$7 million on new bottle making machines to meet the increased business volume expected from the new business venture. The additional allocation of 2,900 kW would retain 323 jobs at an incremental ratio of 111 jobs per megawatt. The company would save an estimated \$370,000 annually over NYSEG's standard rates. The proposed five year allocation of revitalization power is supported by Chemung County.

**Business Expansion**

"EDPAB recommended an allocation of 500 kW of EDP for business expansion. Sysco Corporation ('Sysco') in Warners distributes food service products to restaurants and institutional food preparers in Central New York and is adding new jobs and new electrical demand in a business expansion. Sysco initially applied for and received a business expansion power allocation of 400 kW in November 1994. The company is now planning a three-phase expansion of its facility, including the construction of additional energy-intensive refrigerated warehouse space, at a total cost of \$3.7 million. Incremental power needs are estimated to be 500 kW. Sysco plans to increase the present workforce of 280 by 140 new jobs, resulting in an incremental ratio of 840 jobs per megawatt and a total ratio of 466 jobs per megawatt. The additional allocation will save Sysco approximately \$107,000 annually over NYSEG's

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standard rates. The company has installed a hot gas recovery system and an energy management system to conserve energy and further reduce its energy costs. The allocation is supported by the Onondaga County Office of Economic Development and the Metropolitan Development Association of Syracuse and Central New York, Inc.

"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 usage levels are not maintained at specific 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.

#### RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of 3,400 kW of Fitzpatrick Economic Development Power to two companies in the amounts listed in Exhibit '7-A' and as described herein.

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

***In response to questions from Vice Chairman Frey, Mr. Yates confirmed that NYSEG will provide delivery service pursuant to an agreement reached several years ago.***

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

**WHEREAS, the Economic Development Power Allocation Board has recommended allocations of Economic Development Power to the companies listed in Exhibit "7-A" of the foregoing report of the President in the quantities listed in such Exhibit;**

**NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the allocation of 3,400 kW of Economic Development Power to the companies listed in Exhibit "7-A" to the foregoing report of the President, substantially in accordance with the terms described in such memorandum; 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 able to effectuate the above allocations.**

**Exhibit '7-A'**  
**January 30, 1996**

**Allocation of EDP**

<u>Company</u>	<u>County</u>	<u>Utility</u>	<u>EDP (kW)</u>	<u>Jobs Committed</u>	<u>Increm. Jobs/MW</u>	<u>Total Jobs/MW</u>
<b>Revitalization Projects</b>						
Anchor Glass Corporation	Chemung	NYSEG 2,900	323	111	47 <sup>3</sup>	
<b>Expansion Projects</b>						
Sysco Food Services	Onondaga	NYSEG <u>500</u>	<u>420</u>	840	466 <sup>4</sup>	
TOTALS			<u>3,400</u>	<u>743</u>		

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<sup>3</sup> Includes initial 4,000 kW allocation.

<sup>4</sup> Includes initial 400 kW allocation.

**8. Nassau County Public Utility Service Agency -  
Allocations of FitzPatrick Industrial Power**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 1,350 kW of FitzPatrick power to the Nassau County Public Utility Service Agency ('Nassau County') for resale to three companies listed in Exhibit '8-A'.

BACKGROUND

"The Authority has reserved a total of 73,160 kW of FitzPatrick industrial power for sale to downstate municipal distribution agencies ('MDA's'), including Nassau County, under Service Tariff 35. Of this amount, 5,000 kW is reserved for Nassau County. This power is resold to industrial consumers designated by the MDA's and approved by the Authority. With the proposed sales, Nassau will have 100 kW of power remaining under this program for new allocations.

DISCUSSION

"Administrators for the Professions, Inc. ('AFP') provides insurance management services for Physician's Reciprocal Insurers ('PRI'), a medical malpractice insurance company. PRI is currently the second largest medical malpractice insurance company in New York State and the ninth largest in the United States, providing insurance to over 8,000 medical practitioners nationwide. AFP's legal and administrative support for PRI has grown rapidly over the years and AFP now occupies an entire 55,000 square foot facility in Manhassat. The company has recently spent approximately \$1.3 million to renovate its facility to accommodate its 242 employees; however, the high costs of operating in Manhassat have compelled the company to seek relocation alternatives. A reduction in energy costs would assist in allowing AFP to continue to expand in Nassau County. The company has an ongoing energy efficiency program which includes replacing standard magnetic ballasts with electronic ballasts and installing solar film on exterior windows. The proposed ten year allocation of 500 kW would save the company approximately \$150,000 annually over Long Island Lighting Company's ('LILCO') standard rates.

"The National Technology Division ('NTD') of Citibank operates a data processing center in Plainview which primarily supports Citibank's home banking and banking by phone services. The data center occupies approximately 34,000 square feet of leased space. A new five-year lease is presently under consideration for renewal and Citibank is reevaluating its continued occupancy at this location. Citicorp, the parent company of Citibank, is evaluating a wide variety of cost reduction measures, including consolidation of its dispersed data processing offices and relocation of its Plainview computer staff to Parsippany or Weehawken, New Jersey. Electricity represents one-third of the non-personnel expenses associated with operating the Plainview facility. Availability of tax abatements and lower electricity costs are cited by Citibank as the major advantages of a New Jersey location. With a load factor of 85 percent, an allocation of 750 kW would retain 58 jobs and save the Plainview facility approximately \$270,000 annually over LILCO standard rates. The allocation would have a term of ten years.

"Ruco Polymer Corporation ('Ruco') is a leading manufacturer and supplier of powder coating resins for

the paint industry and polyesters for the polyurethane industry. Ruco's 17 acre site in Hicksville contains over 125,000 square feet of manufacturing space and support facilities. The wide variety of finished products

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incorporating Ruco polymers includes reflective highway signs, spandex elastic, automotive and appliance finishes, and shoes. With increased projections for growth, Ruco is changing from a predominately domestic company to one that serves international markets. However, to be able to compete in these new markets, the company must manufacture its products more competitively. The company currently receives 650 kW of Fitzpatrick Industrial Power and is requesting an additional 100 kW to support the additional electrical demand needed for recent capital equipment expenditures which include a new product silo, two bagging machines, an extension to its existing conveyor belt, and a solidification belt. Ruco maintains an ongoing energy efficiency program which includes an energy management system. At a 75% load factor, the additional ten year, 100 kW allocation would save the company an additional \$30,000 annually over LILCO's standard rates.

"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 standard power service contract between a business and Nassau County (Exhibit `8-B') provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by Nassau County as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contract between the Authority and Nassau County. Additionally, each contract will include specific energy audit and implementation requirements.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of FitzPatrick power to Nassau County for resale to three companies in the quantities tabulated in Exhibit `8-A' and as described herein.

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

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

**RESOLVED, That the Authority hereby approves the allocation of 1,350 kW of FitzPatrick power to the Nassau Public Utility Service Agency for resale to Administrators for the Professions, Inc.; Citibank/NTD; and Ruco Polymer Corporation in such quantities as are described in Exhibit "8-A" of the foregoing report of the President and substantially in accordance with the terms described in such memorandum; and be it further**

**RESOLVED, That each of the contracts for the resale of FitzPatrick industrial power between the Nassau Public Utility Service Agency and the companies designated in Exhibit "8-A" is subject to approval by the Director - Business Marketing and Economic Development; 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.**

**Exhibit `8-A'  
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<b><u>Company &amp; Location</u></b>	<b><u>JAF MDA Power (kW)</u></b>	<b><u>Jobs Commit.</u></b>	<b><u>Job/ MW</u></b>	<b><u>Term</u></b>
Administrators for the Professions	500	242	484	10 Yrs.
Citibank/NTD	750	58	77	10 Yrs.
Ruco Polymer	<u>100</u>	<u>0</u> <sup>5</sup>	<u>144</u> <sup>6</sup>	10 Yrs.
TOTAL	<u>1,350</u>	<u>300</u>	<u>826</u>	

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<sup>5</sup> 108 jobs were committed by Ruco Polymer in return for its original allocation of 650 kW. No new jobs have been committed with this additional 100 kW allocation. Ruco Polymer's job commitment will be for 108 jobs and 750 kW or 144 jobs/MW.

<sup>6</sup> Includes full Ruco Polymer allocation (650 kW original plus 100 kW additional requested and recommended now).

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9. SUBJECT: Authorization of Petroleum Overcharge  
Restitution Fund Programs

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the implementation of five programs utilizing the petroleum overcharge restitution ('POCR') funds once necessary United States Department of Energy ('DOE') approvals for such programs have been obtained, an agreement between the New York State ('State') and the Authority relating to the transfer of such funds has been entered into, and transfer of POCR monies from the State to the Authority has been effectuated.

BACKGROUND

"On June 20, 1995 the Governor approved the 1995 Budget Bill as Chapter 83 of the Laws of 1995. Section 80 of this legislation indicates that the Authority shall transfer \$34 million to the State. This legislative provision reflects an understanding between the Authority and the State that the Authority will transfer \$34 million to the State and that the State will transfer to the Authority a sum of like amount derived from POCR monies. Relevant statutory provisions from the 1995 Budget Bill are set forth in Exhibit '9-A' hereto.

"At their meeting of September 26, 1995, the Trustees authorized the transfer of up to \$34 million to the State upon the execution of an agreement between the State and the Authority relating to such payment.

DISCUSSION

"Before the State can disburse the POCR funds, the Authority is required to develop the various energy-related programs which would utilize the POCR funds and, with the assistance of the New York State Energy Research and Development Authority, apply to the DOE for approval of the programs, the DOE being the primary agency overseeing the utilization of POCR funds. The five programs which have been submitted to the DOE for approval are synopsized below, with a more complete description of the programs set forth in Exhibit '9-B' hereto. If any individual activities are proposed under the programs that require State Environmental Quality Review Act review, that process will be completed prior to the disbursement of any funds by the Authority for that activity.

(1) Hybrid Electric Transit Bus Pilot Program

"Petroleum overcharge funds in the amount of \$4.75 million, including any accumulated interest on such amount, will be used to cofund with the New York City Transit Authority and the General Electric Corporation the cost of 12 hybrid electric transit buses to be owned by the Transit Authority as part of a \$20 million pilot bus demonstration project. The hybrid bus under development is powered by electricity from batteries and, in addition, uses a small internal combustion diesel engine running at optimum speeds, connected to a generator, to charge the battery pack on the bus.

(2) Solar Electric Grant Program

"Petroleum overcharge funds in the amount of \$583,334, including any accumulated interest on such amount, will be used to provide grants to purchasers of solar photovoltaic ('PV') systems manufactured and/or

assembled in New York State to pay a portion of the costs of installation of the systems under the Authority's PV equipment installation program for public entities in the State

(3) Energy Efficiency and Coal-Fired Boiler Conversion  
Grant Program for the New York City Board of Education

"Petroleum overcharge funds in the amount of \$6 million, including any accumulated interest on such amount, will be used for grants to the New York City Board of Education ('BOE') to pay a portion of the cost of the Authority's converting existing coal-fired boiler plants to dual-fuel (oil and gas) plants, along with other energy efficiency measures, at up to 11 public schools in New York City. The Trustees authorized the implementation of the pilot boiler conversion program at their meeting of August 30, 1994, with \$5 million of Authority funds being allocated for the program at that time. With the POCR monies, the total funding of the program will be \$11 million.

(4) Independent College and University  
Energy Assistance Loan Program

"Petroleum overcharge funds in the amount of \$11,333,333, including any accumulated interest on such amount, will be used to establish an interest-free independent college and university energy assistance loan program for the installation of energy conservation measures at college and university facilities. Amounts repaid will be used for programs to be approved by the Trustees and the DOE in the future.

(5) HELP and New Construction Revolving Loan Program

"Petroleum overcharge funds in the amount of \$11,333,333, including any accumulated interest on such amount, will be used to establish a revolving loan program for participants in the Authority's High Efficiency Lighting Programs ('HELP Programs') and New Construction Program. The proceeds of each such loan will be used by a participant to pay a portion of the costs of installing high efficiency lighting measures and other energy efficiency measures under the HELP Programs or to fund energy conservation measures under the New Construction Program. The revolving loan program will terminate after ten years.

"To the extent that POCR funds, including accumulated interest, are not fully utilized for a particular program, as indicated above, the staff intends to request renewed authorization from the Trustees for utilization of such unused funds for additional programs, conditioned upon approval by the DOE.

"The staff is currently negotiating an agreement with the Division of the Budget relating to the POCR funds transfer, which would be executed after the DOE approves the programs described above. Under the proposed agreement, the State would transfer to the Authority \$34 million in POCR funds, which the Authority would use for permitted POCR purposes. Simultaneously with the transfer, the Authority would transfer to the State \$34 million, which will satisfy any obligations of the Authority under Chapter 83.

"Judicial decisions and Federal regulations that apply to the POCR funds require that the funds ultimately be used for consumer restitution through energy-related programs. Revolving loan programs and grants utilizing POCR funds are encumbered for the life of these programs, which can be as long as ten years. Funds associated with revolving loan programs must eventually be closed out, and the remaining monies must be applied to final restitution to consumers through other POCR approved programs. Because of the encumbered nature of the POCR funds, the Authority is presently prohibited from utilizing these funds for general Authority purposes.



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FISCAL INFORMATION

"The programs will be funded from the \$34 million in POOCR monies to be transferred to the Authority by the State, and from any accumulated interest earned by the Authority on such amounts until utilization by the Authority.

"Section 1010-a of the Power Authority Act requires that the \$34 million in POOCR funds be held by the State Comptroller as agent of the Authority in a separate escrow account. By statute, such funds may not be commingled with any other funds under the control of the Comptroller. The Comptroller would be obligated to disburse amounts from this POOCR account upon requisition by the Authority.

RECOMMENDATION

"The Senior Vice President - Energy Efficiency and Technology recommends that the Trustees authorize the programs described above, contingent upon: the approval of such programs by the Department of Energy, the execution of an agreement between the Authority and the State on the petroleum overcharge restitution funds transfer, and the transfer of POOCR monies from the State in the amount necessary to fund such programs.

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

***In response to questions from Trustee Waldbauer, President Schoenberger explained that pursuant to the Trustees' authorization of September, 1995, he and staff had been working out the details of the proposed transactions. In response to further questions from Trustee Waldbauer, Messrs. Pellegrino and Pratt stated that the federal Department of Energy must approve the proposed program within 60 days and that no funds will be transferred by the Authority until the appropriate written agreements are in place. Mr. Pratt stated that staff is currently negotiating the details with representatives of the Division of the Budget.***

***Mr. Pellegrino then briefed the Trustees on the principal elements of the program and explained that although the Authority will recoup its original \$5 million investment in the Coal-Fired Boiler Conversion Grant Program for the New York City Board of Education, the remaining \$6 million will constitute an outright grant of the POOCR funds. The coal program was specifically included in the legislation authorizing the swap of POOCR funds with the State.***

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*In response to questions from Trustee Waldbauer concerning the Independent College and University Energy Assistance Loan Program, Mr. Pellegrino stated that solicitations had been mailed to all private colleges throughout the State; the deadline for applications is March and that eight institutions had responded to date. In response to further questions from Trustee Waldbauer, Mr. Pellegrino confirmed that the escrow funds held by the State Comptroller are interest-bearing and that all earned interest is subject to the same POCR restrictions. In response to questions from Trustee Miller, Mr. Pratt stated that the Authority will only transfer funds in an amount equivalent to that received from the State as POCR funds. In response to further questions from Trustee Miller, Mr. Pellegrino stated that public institutions would be eligible for HELP and New Construction Revolving Loan Programs, irrespective of whether they are Authority customers. Trustee Miller expressed his reservations about the concept of providing enhancements to customers of competing entities.*

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

**BE IT RESOLVED** by the Trustees of the Power Authority of the State of New York that the following programs be authorized and implemented utilizing the \$34 million in petroleum overcharge restitution ("POCR") funds to be transferred to the Authority by the State of New York in the amounts indicated, including any accumulated interest on such amounts, with such implementation being contingent upon the approval of such programs by the United States Department of Energy, the execution of an agreement between the Authority and the State relating to such POCR funds, and the transfer of such POCR monies to the Authority:

<u>Program</u>	<u>Amount Authorized</u>
Hybrid Electric Transit Bus Pilot Program	\$ 4,750,000
Solar Electric Grant Program	583,334
Energy Efficiency and Coal-Fired Boiler Conversion Grant Program	6,000,000
Independent College and University Energy Assistance Loan Program	11,333,333
HELP and New Construction	

**Revolving Loan Program**

**11,333,333**

**TOTAL**

**\$34,000,000**

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**AND BE IT FURTHER RESOLVED, That the Chairman, the President and Chief Operating Officer, the Senior Vice President - Energy Efficiency and Technology, the Senior Vice President - Business Services, and the Treasurer, are, and each hereby is, authorized to execute an agreement between the Authority and the State relating to the transfer of POCR funds consistent with the foregoing report of the President, with such agreement having such terms and conditions as such officer deems necessary or advisable, and to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further assurances or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolutions, including authorization to submit requisitions to the State Comptroller for release of POCR monies from the escrow account held by the Comptroller as agent for the Authority, as described in the foregoing report of the President; and be it further**

**RESOLVED, That the Trustees of the Authority hereby authorize the payment of funds available in the General Reserve Account for the payment under the agreement between the Authority and the State to be entered into, as discussed in the attached President's Memorandum, which shall be paid over to the Authority at the direction of the Treasurer or Deputy Treasurer for such purpose, provided, however, that as a condition to each such payment of monies from the General Reserve Account for such purpose, the Treasurer or Deputy Treasurer shall certify that there is available from the General Reserve Account, and not needed for the purposes specified in paragraphs 1-4 of Section 512 of the General Purpose Bond Resolution, monies in the amount of such proposed withdrawal, and provided further that the aggregate amount withdrawn pursuant to this Resolution for such purpose shall not exceed \$34 million.**

**RELEVANT PROVISIONS OF CHAPTER 83 OF LAWS OF 1995**

§76.a. Legislative findings and declarations. The legislature finds and declares that energy costs may have a significant adverse impact on the state's economy and that the use of funds provided to the state as petroleum overcharge restitution funds to expand investment in energy efficiency and renewable energy programs, to encourage the development of an electric vehicle industry in the state, to establish an independent college and university energy assistance loan fund and to provide assistance for the Power Authority of the State of New York's high efficiency lighting program can serve as an effective means of addressing high energy costs and providing positive stimulus for the economy.

The legislature further finds that the Power Authority of the State of New York can work effectively utilizing petroleum overcharge restitution funds to provide low cost energy and energy services to customers throughout the state.

b. Energy conservation and renewable energy projects. It is declared that the cost of electricity is an essential factor in the state's economy, that energy efficiency improvements can reduce the cost of electricity, that the Authority's energy efficiency projects can reduce the cost of electricity for its customers, and that it is in the public interest for the Authority to utilize petroleum overcharge restitution funds to undertake energy efficiency and renewable energy projects for public and private entities.

§77. The Power Authority of the State of New York is authorized to use \$11,333,333 in petroleum overcharge restitution funds made available to the Authority in the fiscal year beginning April 1, 1995 to encourage the manufacture and assembly in the state of electric vehicles and advanced renewable energy projects and for the following purposes:

1. To lend such funds to entities which have agreed with the state, as determined satisfactory by the Trustees and the Commissioner of Economic Development, to manufacture and/or assemble electric vehicles or solar voltaic power cells in the state.
2. To undertake energy efficiency and renewable energy projects, and
3. To undertake the conversion of coal-fired boiler and associated facilities of the Board of Education of the City of New York to modern, efficient and environmentally compatible equipment.

§78. The Power Authority of the State of New York is authorized to use \$11,333,333 in petroleum overcharge restitution funds made available to the Authority in fiscal year beginning April 1, 1995 to establish an independent college and university energy assistance loan fund. Such funds shall be used to provide interest free loans for energy efficiency projects at private colleges and universities through New York State, provided however, that remaining funds uncommitted as of March 31, 1996 shall be made available to the municipal high efficiency lighting program of the Power Authority.

§79. The Power Authority of the State of New York is authorized to use \$11,333,333 in petroleum overcharge restitution funds made available to the Authority in fiscal year beginning April 1, 1995 for the Power Authority of the State of New York's high efficiency lighting program or any other existing programs of the Power Authority of the State of New York which are eligible under federal guidelines governing petroleum overcharge

restitutionary funds.

§80. The Power Authority of the State of New York shall transfer thirty-four million dollars to New York State prior to September 30, 1995. Such payment shall satisfy any obligations of the Power Authority incurred in state fiscal year 1995-96 pursuant to Section 1013 of the Public Authorities Law.

§81. Funds appropriated from the statewide energy improvement account, special revenue fund, for services and expenses of the Power Authority of the State of New York shall be available for energy efficiency projects which yield energy savings sufficient to repay the cost of the project in ten years or less as determined by the Board of the Power Authority. The use of these funds is not intended to limit the right or obligation of the Power Authority to comply with the provisions of any existing contract, including any existing contract with or for the benefit of the holders of any obligations of the Power Authority. The Power Authority shall ensure that the funds provided pursuant to this appropriation are expended in accordance with the conditions and restrictions imposed by the Federal District Court and the Federal Department of Energy in connection with the expenditure of funds received pursuant to the petroleum overcharge settlement cases. Projects eligible for funding from this account include those projects described in sections seventy-seven, seventy-eight and seventy-nine of this act subject to the provisions of this section.

§317. In accordance with Section 4 of the State Finance Law, the Comptroller is hereby authorized and directed to transfer, upon request of the Director of the Budget, up to \$34,000,000 from the Federal Operating Grants Fund (290) to the Miscellaneous Special Revenue Fund (339), Statewide Energy Improvement Account on or before March 31, 1996.

## **HYBRID ELECTRIC TRANSIT BUS PILOT PROGRAM**

### **Summary of Program**

Petroleum overcharge funds in the amount of \$4,850,000 (includes accumulated interest) will be used to pay a portion of the cost of 12 hybrid electric transit buses ("hybrid buses") to be owned by the New York City Transit Authority as part of a pilot bus demonstration project. The hybrid bus under development is unique in that it uses a small internal combustion engine running at optimum speeds, connected to a generator which produces electricity for a battery pack on the bus. The combination of electricity from the generator and charging of the batteries from the electric grid provides power for the bus.

### **Overview**

Developing and introducing to the marketplace electric vehicles has been identified as an important strategy for reducing emissions from and improving the energy efficiency of mobile sources. The use of these vehicles in public transit fleets and as passenger vehicles can contribute to achieving these goals. The successful introduction of electric vehicles will enable severe ozone non-attainment areas to comply with the provisions of the Clean Air Act.

The 1990's have seen significant improvements in the technologies necessary for the commercial development of electric vehicles. Government, at many levels, has taken steps to encourage progress in this area. Further steps are necessary before significant markets for electric vehicles can be achieved. In some cases, such as with electric transit buses, the introduction of pilot buses into transit fleets is necessary before full scale commercial production can begin.

### **Target Audience**

The New York City Transit Authority, with over 3500 transit buses, operates the largest transit bus fleet in the nation. Additionally, there are over 4000 other transit buses operating in the New York City metropolitan area. Introduction of energy efficient hybrid buses with significantly reduced emissions will result in improved air quality. Technologies associated with hybrid bus development, such as electric wheel motors, allow these buses to have dramatically improved performance and low floor designs, which enable curb level entryways for fast and efficient passenger loading and unloading. These features will improve transit service and result in increased ridership, which will further improve overall transportation efficiency and air quality.

The successful demonstration of the hybrid bus operating in revenue service in New York City will serve as a national example to other transit systems of the viability of the technology. Innovations developed for this bus can be incorporated into trucks, delivery vans and other heavy duty vehicles.

### **Program Design/Strategy**

In 1992, the "New York Consortium" was established with the purpose of developing a commercially viable, full size hybrid bus. This bus will have performance characteristics that meet or exceed existing buses, a 33% improvement in efficiency, and a 50% reduction in emissions from current diesel-fueled buses. This bus would serve the transit industry as its next generation bus.

The Consortium consists of the New York City Transit Authority, General Electric Corporation, Orian Bus

Company, New York Power Authority, New York State Energy Research and Development Authority, New York electric utilities, major bus component suppliers, and others. This group put together the matching funds necessary to obtain a \$2.3 million grant from the Federal Transit Administration ("FTA"). At the completion of this first phase, two prototype buses were developed. These buses successfully demonstrated the technologies necessary for the operation of the bus. All the design goals established for the hybrid bus were met. The second phase, which has just begun, will finalize development of subsystem components necessary for commercial development. This phase is being funded by \$750,000 from the FTA and \$1.5 million from the Consortium.

The final phase, before commercial production of the hybrid bus, is a pilot bus demonstration project. This phase, which will cost \$20 million, will involve the production of two engineering buses to evaluate final designs and up to ten pilot buses to be placed in revenue service by the New York City Transit Authority. This step is necessary to demonstrate the viability of these buses to both the manufacturers and the transit industry. Six buses each would be manufactured by the Orian Bus Company and Nova Bus Company. These two companies are among the leading transit bus manufacturers in the United States. The General Electric Corporation will be the prime contractor for this project, and will be responsible for overseeing and coordinating the work of the component suppliers and the bus manufacturers in producing the hybrid buses.

This final phase will be cofunded by the Authority, the New York City Transit Authority, and the General Electric Corporation. Petroleum overcharge funds will be used to pay the Authority's obligation under the cofunding arrangement.

A detailed monitoring program will be established to evaluate the performance of the pilot buses. The vehicles are being designed with on-board diagnostic and performance monitoring equipment. The New York City Transit Authority will also be monitoring the maintenance, reliability and serviceability of the vehicle. Transit riders and transit operators will provide feedback on their reaction to the bus. All of this information will be reported to the project sponsors and the transit industry.

### **Expected Impact**

The hybrid bus program will place in revenue service up to ten pilot demonstration buses. These buses will, on average, travel 27,000 miles per year and reduce by one-third the fuel use of transit buses. These buses will use about 31,000 gal/year less of diesel fuel than would be used by diesel-fueled buses. If the program is successful and a fleet of one thousand hybrid buses goes into operation, the average fuel use would be reduced by about three million gallons per year.

As the hybrid bus technology improves due to improved batteries, the fuel savings will increase proportionately. More importantly, the better service provided by hybrid buses should increase ridership, which will reduce the number of vehicles on the road and further reduce fuel use.

## **SOLAR ELECTRIC GRANT PROGRAM**

### **Summary of Program**

Petroleum overcharge funds in the amount of \$600,000 (includes accumulated interest) will be used to provide grants to purchasers of solar photovoltaic ("PV") systems manufactured and/or assembled in New York State.

### **Overview**

The Solar Electric Program of the New York Power Authority (the "Authority") is designed to supply a portion of the electric energy requirements from solar PV power systems mounted on purchasers' buildings. These PV systems convert sunlight into electricity without burning fuel and with no pollution or moving parts. The main components of PV systems are an array of solar panels mounted on the rooftop, and an inverter which converts the direct current produced by the solar panels into 60 cycle alternating current at the appropriate voltage. Output of the inverter is metered and fed directly into the building's electric system at an appropriate circuit breaker panel. These solar electric systems operate in parallel with conventional utility grid supply to the buildings; for every kWh supplied by the solar electric system, one less kWh is supplied by the conventional utility.

### **Target Audience**

The Solar Electric Grant Program would be available to public entities in New York State.

### **Program Design/Strategy**

The Authority will identify interested public entities whose buildings are suitable for mounting solar arrays. Following the execution of a Solar Electric Agreement between the Authority and the public entity, the Authority will provide and install the solar PV power system on the public entity's building.

Under the Agreement, the public entity will be obligated to pay to the Authority, over an appropriate payback period, the cost of such installation. The petroleum overcharge funds will be used to provide grants to public entities for the purchase of solar PV systems manufactured and/or assembled in New York State, thereby reducing the repayment obligation of the public entity to the Authority. The grants will take the form of direct payments to the manufacturer/assembler of the solar PV systems.

The amount of each grant will be dependent upon the number of kilowatts of generating capacity installed, with the grant amount being equal to the number of kilowatts installed multiplied by \$4,000, or some other multiplier to ensure that the charge to the purchaser will not exceed the purchaser's current electric cost.

### **Expected Impact**

The proposed program is expected to install 145 kW of PV systems. These systems will generate 230,000 kWh per year reducing oil consumption for power generation by approximately 16,000 gallons per year. The program will also create up to 100 new jobs in PV manufacturing and installation in New York State.

## **ENERGY EFFICIENCY AND COAL-FIRED BOILER CONVERSION GRANT PROGRAM FOR THE NEW YORK CITY BOARD OF EDUCATION**

### **Summary of Program**

Petroleum overcharge funds in the amount of \$6,160,000 (includes accumulated interest) will be used to provide grants to the New York City Board of Education ("BOE") to pay a portion of the cost of converting existing coal-fired boiler plants to dual-fuel (oil and gas) plants, along with other energy efficiency measures, at up to eleven public schools in New York City.

### **Overview**

The goal of the program is to convert up to eleven New York City public schools' existing coal-fired boiler plants to clean, modern, dual-fuel (oil and gas) plants, along with the installation of other energy efficiency measures involving domestic hot water and lighting end uses.

In fiscal year 1995, the City of New York spent approximately \$9 million to purchase 74,000 tons of coal for use by the BOE to heat and provide domestic hot water for 325 public schools. The BOE is currently in the process of converting these schools to gas and oil-fired heating systems. This conversion process has been historically limited by available funding. However, conversion of these plants is highly desirable due to the anticipated energy conservation and environmental benefits and maintenance savings that can be achieved.

### **Target Audience**

This program will be directed at up to eleven New York City Public Schools, to be chosen on the basis of various criteria, including coal consumption, distribution of coal-burning schools, condition of equipment, service connections, and boiler room access.

### **Program Design/Strategy**

The New York Power Authority (the "Authority") would provide a turn-key approach to implementing the boiler conversions for BOE using optimized dual-fuel technology. There will also be a simultaneous implementation of high efficiency lighting and domestic hot water measures to provide a comprehensive energy efficiency package for each school. This comprehensiveness will ensure the greatest efficiency gains at the least cost.

The conversion program would be directly administered by the Authority. An agreement will be executed with The City of New York and the BOE, which would define the terms and conditions under which the coal conversion project would be undertaken by the Authority and identify the selected schools.

The Authority would act as the general contractor to expedite the procurement and installation of equipment at the selected school. As the program's general contractor, the Authority would contract for installation of dual-fuel boiler plants, high efficiency lighting, and domestic hot water measures in the schools through the use of implementation contractors. All work and material would be competitively bid. These contractors would in turn subcontract installation services for the facilities, which work would comply with all applicable Federal, State, and local environmental requirements.

Petroleum overcharge funds will be used to provide grants to the BOE to be used for payment of contractors doing the energy efficiency and boiler conversion work, thereby reducing the amount owed to the Authority under the boiler conversion contracts. The remaining amount will be repaid to the Authority over a ten-year period.

By use of petroleum overcharge funds to cofund the boiler conversion program, the repayment obligation would be reduced to a level that is essentially equivalent to the savings gained in energy and operations and maintenance.

**Expected Impact**

The reduction in energy costs and operations and maintenance costs associated with the implementation of this program will create additional resources for books, staff training, and other essential needs. The conversions will yield benefits in the terms of cleaner air by significantly cutting emissions of harmful gases and other pollutants, and reducing solid waste disposal. In addition, the boiler conversion program will result in a better educational environment within the schools through modern, high quality heating and lighting conditions.

## **INDEPENDENT COLLEGE AND UNIVERSITY ENERGY EFFICIENCY LOAN PROGRAM**

### **Summary of Program**

Petroleum overcharge funds in the amount of \$11,520,000 (includes accumulated interest) will be used to establish an interest-free independent college and university energy efficiency loan program for the installation of energy conservation measures at college and university facilities.

### **Overview**

A loan fund will be set up by the New York Power Authority (the "Authority") to offer financing for the acquisition of energy efficient equipment, the retrofit of existing equipment to save on energy demand and consumption, and other measures that promote energy conservation.

### **Target Audience**

The objective of the program is to provide loans to independent colleges and universities in New York State that are unable to access financing for energy conservation projects from other sources at rates and terms satisfactory to allow projects of the size and scope proposed to proceed.

### **Program Design/Strategy**

The Program will make interest-free direct loans for energy conservation projects with payback periods of 10 years or less. The Program will be available to independent colleges and universities in New York State. Colleges and universities interested in applying for financing would submit an application to the Authority accompanied by an energy survey report which supports the measure(s) for which financing is requested, financial statements and estimates for the work to be performed.

The Authority will screen applicants to assess the applicants' ability to support the debt service that would result from implementing the project and perform a technical review of project feasibility. The loan arrangements will require satisfactory security interests to ensure repayment of the loan amount.

Under the Program, principal repayments will be made on a uniform monthly basis during the payback period. The loan term will be flexible and based on the payback period of a project, but in no case would exceed 10 years.

Amounts repaid under the Program to the Authority will be held by the Authority and disbursed only pursuant to approved petroleum overcharge fund programs.

### **Expected Impact**

The Authority expects to issue about 10 loans resulting in significant energy savings at the colleges and universities participating in the program. It is expected that the loan program will result in savings of 28,000 Mwh and 7.04 in Mw savings. In monetary terms, this translates into expected annual savings of \$2.1 million to the participants.

## **HIGH EFFICIENCY LIGHTING AND NEW CONSTRUCTION REVOLVING LOAN PROGRAM**

### **Summary of Program**

Petroleum overcharge funds in the amount of \$11,640,000 (includes accumulated interest) will be used to establish a revolving loan program for participants in the High Efficiency Lighting Programs ("HELP Programs") and New Construction Program of the New York Power Authority (the "Authority"). The proceeds of each such loan will be used by a participant to pay a portion of the costs of installing high efficiency lighting measures and other energy efficiency measures under the HELP Programs or to fund energy conservation measures under the New Construction Program.

### **Overview**

The Authority has implemented several energy efficiency programs in New York State; a brief description of the High Efficiency Lighting Program and the New Construction Program is given below:

**High Efficiency Lighting Program ("HELP"):** HELP is a turnkey, direct installation program designed to promote conservation services, including lighting, HVAC, drive power and Energy Management System technologies. The program is designed to lower participants' energy bills by replacing existing equipment with state of the art energy efficiency equipment. The HELP program helps to identify, finance and install cost effective energy conservation improvements at facilities. The Authority provides capital funding for the energy efficiency projects. Typically, there is no upfront cost to the participant, and the participant is allowed to pay for the project through a lump sum amount or a monthly fee that may range in duration from five to ten years. The goal of the financing arrangement is to realize a net positive cash flow for the customer, i.e., the energy savings for the project should more than offset the financing of the project.

One of the main benefits of the HELP program is its simplicity from the customers' perspective. The Authority conducts the initial audit, the engineering analysis, project management, financing arrangements, equipment procurement, and construction management. This minimizes the customer's responsibility, thus allowing the customer to focus on other facets of business.

The goals of the program include: to reduce peak demand, reduce energy consumption, improve the end-use efficiency of lighting and other building systems, lower electricity bills for participating customers and gain environmental benefits through avoided energy generation.

**New Construction Program:** The New Construction Program offers energy conservation opportunities to Authority public customers in Southeast New York who are planning new construction or major renovations. The program involves identifying conservation measures which could be employed in the design of electrical, HVAC and building components of new construction and providing financing to induce customers to include these energy efficiency measures.

### **Target Audience**

The target audience for the HELP Program is as follows:

(1) SENY HELP: All public customers serviced in the Authority's Southeast New York territory are eligible for the SENY HELP program.

(2) Public Schools HELP: Any school district or community college in New York State serviced by an

investor-owned utility is eligible for the program.

(3) County and Municipal Government Program: All county, municipal and local government facilities throughout New York State are eligible for participation in the program.

The target audience for the New Construction Program consists of all public customers served by the Authority in the Southeast New York territory.

### **Program Design/Strategy**

The Revolving Loan Program, to be funded from petroleum overcharge funds, will make direct loans to participants in the Authority's HELP Program and the New Construction Program, having interest rates that will range from 0% to 6% depending upon the nature of the project in question.

The proceeds of a Revolving Loan Program loan can be used by a HELP Program participant for the following purposes:

(1) to pay a portion of the cost of installation of the energy conservation measures under the HELP Program, with the loan proceeds being paid directly to the contractor performing the installation of the work so as to reduce the amount owed to the Authority by the recipient under the HELP Program cost recovery agreement; or

(2) to pay a portion of the monthly payments owed by a participant to the Authority under a HELP Program cost recovery agreement, with such portion being attributable to costs of material and installation. This component is designed to assist school districts by providing funds pending receipt of New York State Building Aid reimbursements for their HELP Program projects.

The proceeds of a Revolving Loan Program loan can be used by a New Construction Program participant to pay for the cost of purchasing and installing equipment necessary to effectuate the energy conservation measures identified under the New Construction Program. No proceeds would be used for actual construction.

Under the Revolving Loan Program, the loan term will be flexible and based on the payback period of a project, but in no case would exceed 10 years.

Loan amounts repaid to the Authority will be used to fund additional loans under the Revolving Loan Program. The Revolving Loan Program will terminate at the end of the tenth year, and any loan amounts repaid made after the tenth year will be held by the Authority and disbursed only pursuant to approved petroleum overcharge fund programs.

### **Outreach and Marketing**

The HELP and New Construction Programs have been extensively marketed through mass mailings, conferences and meetings, and follow-up phone calls and on-site meetings.

### **Expected Impact**

The use of petroleum overcharge funds for loans will help reduce the cost of the HELP Program to its participants and make more participants eligible for the New Construction Program. It is expected that the HELP and New Construction Programs will result in aggregate savings of 15,000 Mwh and 6 Mw in savings annually. In monetary terms, this translates into expected annual savings of \$1.5 million to the participants.

**10. Informational Item - Competitive Opportunities  
Proceeding - Public Service Commission Case 94-E-0952**

The President submitted the following report:

SUMMARY

"At their meeting of October 31, 1995, the Trustees were advised that the staff had submitted an initial position paper to the subject proceeding in support of a retail bilateral model for industry restructuring. The initial paper also supported the concept of the single transmission entity model which had been submitted to this proceeding in June 1995. The Judges have issued a Recommended Decision ('RD') on December 21, 1995 which, among other things, advocates a wholesale model with no specific schedule for the introduction of retail access. This informational item provides an update on the progress of this case.

BACKGROUND

"Phase II of this proceeding started in August 1994, and its purpose is to explore alternative models to restructure the electric utility industry in New York State. It is a collaborative process. There are over 80 parties to the proceeding representing all stakeholders in the industry including, among others, the Energy Association - representing the seven investor owned utilities, Multiple Intervenors - representing large industrial customers, many of whom are Authority customers, the New York Energy Buyers Forum - representing large commercial customers some of whom are Authority customers, the Municipal Electric Utilities Association, Public Interest Intervenors (a collection of environmental groups), the Consumer Protection Board and the Independent Power Producers of New York ('IPP').

"In October, the Parties filed position papers in support of a particular industry model from the five 'generic' model types:

- Wholesale Bilateral Model
- Wholesale Poolco Model
- Retail Bilateral Model
- Retail Poolco Model
- Evolving Regulatory Model

"A total of 32 initial position papers were submitted; 18 of which supported a retail model (including Authority Staff), nine supported wholesale models (including Energy Association) and one supported the evolving regulatory model (the Utility Workers). The remaining parties took no position. In mid-November, 27 reply papers were submitted and the Administrative Law Judge and Deputy Director (the 'Judges') issued their RD on December 21, 1995.

"The principal points of the RD were to advocate proceeding cautiously in the transition to full retail competition, to suggest that the Public Service Commission ('Commission') need not allow for 100% strandable cost recovery and to state strong support for parties' obligation to mitigate their strandable costs, prior to being able to obtain stranded cost recovery from others. The Judges also requested responses to seven questions addressing

various aspects of industry restructuring. While the Judges acknowledged the Authority staff's proposal for a single transmission system owner, they did not render an opinion on it. However, the Judges did seek as one of their seven questions, comments on ownership of the independent system operator ('ISO'), specifically including the prospect of the Authority owning the ISO.

**January 30, 1996**

"On December 8, 1995, Sithe Energies, Inc. petitioned the Commission requesting a new proceeding to consider adoption of a merger incentive program and to consider closure of nuclear plants in order to achieve ratepayer benefits. The RD addressed the Sithe proposal and directed the parties to include comments to the petition in their Brief on Exceptions due January 19, 1996.

"The Authority filed a Brief on Exceptions ('Brief') on January 19, 1996 (attached hereto as Exhibit '10-A'). A second round of briefs to the Commission are due February 2, 1996, after which the Commission will address the subject. Pending issue of such ruling, the RD has directed the parties to continue to discuss several technical issues including ISO functions and load pockets.

#### DISCUSSION

"The Authority's Brief focussed on six points in addition to providing responses to five of the seven questions. The two primary points discussed were the lack of a specific schedule for the implementation of full retail access and the request that the Commission investigate the feasibility of the Authority's single transmission entity model as a means of mitigating strandable costs.

"In the Brief it was pointed out that the lack of a timetable for retail choice will not provide the proper incentives for an expeditious transition to a competitive market. It was cited that, to date, the proceeding has been schedule-driven and that there is apprehension that, without a timetable, the effort will founder. The Brief also addressed the Judges' concern that bilateral contracts (the number of which would likely increase in a retail market) affect the reliability of the power system. In the Brief it was pointed out that today, the overwhelming majority of power purchases transacted in the New York Power Pool are bilateral in nature. Further, the Authority, which serves 25% of the State's electric energy needs, sells virtually all of its power via bilateral arrangements.

"Regarding the second major point, the Brief emphasized the benefits of the Authority staff's Transmission System Owner/Operator model as a way to mitigate strandable costs associated with above market priced IPP contracts and, consequently, to provide near term rate relief. The Brief responded to claims of the Energy Association that the staff's proposal would produce an incremental federal income tax liability. Staff further pointed out that the investor-owned utilities would be less likely to have to divest their generation assets with the implementation of the Authority's model as the proposal renders the transmission system neutral and removes the link between supply and load. Thus, vertical market power is mitigated.

"The remaining points of the Brief include concern that the RD does not provide an adequate basis for the development of effective competition (citing a wholesale-only market); a suggestion that the individual utilities' long term restructuring proposals set forth in the RD be consolidated into a single proceeding, and a rejection of the Sithe proposal. Regarding the last point, staff argued that the market itself should provide incentives for merger and that the closure of nuclear plants will be unnecessary if retail competition is introduced in a timely manner. Staff also rejected the idea of an IPP economic development program proposed by Sithe, citing the effectiveness of the Authority's FitzPatrick Economic Development Program.

"Staff answered all questions except two dealing with issues on which the Authority has taken no position: one concerning strandable cost estimates and one involving the administration of a system benefits charge. In responding to the remaining questions, staff took the opportunity to emphasize the advantages of the Authority's single transmission entity model and to highlight the benefits retail competition would bring to the State's electric consumers and overall economic well-being.



**January 30, 1996**

CONCLUSION

"Staff will file a Brief Opposing Exceptions on February 2, 1996, and continue to participate in the Competitive Opportunities Proceeding."

**January 30, 1996**

**11. Next Meeting**

The next Regular meeting of the Trustees will be held on **Tuesday, February 27, 1996, at the New York City Office at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

**Motion to Conduct Executive Session**

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

**January 30, 1996**

**Closing**

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

Anne Wagner-Findeisen  
Corporate Secretary

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