

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

December 16, 1997

**Table of Contents**

<u><b>Subject</b></u>	<u><b>Page No.</b></u>	<u><b>Exhibit</b></u>
1. Minutes of the Regular Meeting of November 25, 1997	4	
2. Financial Report for the Eleven Months Ended November 30, 1997	5	‘2-A’
3. New York Power Authority – Energy Services Program Resolution	6	
4. Petroleum Overcharge Restitution (POCR) Funds – Transfer of Funds to the State of New York and Authorization of POCR Programs Resolution	8	‘4-A’
5. Power for Jobs Resale Agreements with the Seven New York State Investor-Owned Utilities – Transmittal of Agreements to the Governor Resolution	11	‘5-A’
6. Allocations of Economic Development Power Under the Power for Jobs Program Resolution	15	‘6-A’ ‘A1-A5’
7. 1998 Operations & Maintenance and Capital Budgets Resolution	18	‘7-A’
8. Motion to Conduct Executive Session	21	
9. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and the Richard M. Flynn Power Plant – Awards Resolution	22	‘9-A’
10. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities – Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling Resolution	30	‘10-A’

ii.  
December 16, 1997

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
11.	Motion to Resume in Open Session	41	
12.	Next Meeting	43	
	Closing	44	

December 16, 1997

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  
Thomas R. Frey, Vice Chairman  
Hyman M. Miller, Trustee  
Louis P. Ciminelli, Trustee  
Frank S. McCullough, Jr., Trustee

---

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Secretary and General Counsel
Peter W. Delaney	Executive Vice President and Chief Financial Officer
Robert A. Hiney	Executive Vice President - Project Operations
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President – Transmission
Robert L. Tscherne	Senior Vice President – Energy Efficiency & Technology
Russell Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy and Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
H. Kenneth Haase	Vice President – System Planning
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Stephen P. Shoenholz	Vice President - Public Relations
Vincent Vesce	Vice President - Human Resources
Joseph J. Carline	Assistant General Counsel
Ronald Ciamaga	Regional Manager – Northern New York
James Ford	Regional Manager – Western New York
Richard Kuntz	Regional Manager – Southeast New York
James J. McCarthy	Regional Manager – Central New York
Carmine J. Clemente	Deputy Counsel
Gary Paslow	Executive Director – Policy Development
Jordan Brandeis	Director – Performance Planning
Arthur Brennan	Director - Budgets
Joseph J. Brennan	Director – Internal Audit
Angelo Esposito	Director – Energy Services
John Hamor	Director – Intergovernmental Relations
John L. Murphy	Director - Public Information
Mark D. O’Connor	Director – Real Estate
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
George W. Collins	Treasurer
Joseph W. Gryzlo	Senior Attorney
Craig Banner	Manager – Muni and Coop Markets
James F. Pasquale	Manager – Business Power Allocation and Compliance
James Peterson	Manager – Power Contracts
Anne Wagner-Findeisen	Deputy Secretary
Laura M. Badamo	Assistant Secretary – Legal Affairs

---

Chairman Rappleyea presided over the meeting. Secretary Blabey kept the Minutes.

**December 16, 1997**

**1. Approval of the Minutes**

The minutes of the Regular Meeting held on November 25, 1997 were approved.

December 16, 1997

2. Financial Report for the Eleven Months Ended November 30, 1997

*Mr. Delaney added that the Authority's Performance Measure target of \$67 million of net revenues for fiscal year 1997 would not only be reached, but would be exceeded. Trustee Miller commended staff on the Authority's financial performance.*

**3. New York Power Authority - Energy Services Program**

The President submitted the following report:

**SUMMARY**

“The Trustees are requested to approve the combination of the existing Statewide, Long Island, Public Schools and County and Municipal High Efficiency Lighting Programs (‘HELP’) into a single energy services program for public entities outside the SENY territory. This program will be called the New York Power Authority Energy Services Program (‘NYPA ESP’). Funding for this program would initially consist of \$30 million in uncommitted funds previously approved by the Trustees for the above mentioned HELP programs. Approval is also requested to include the compendium of measures currently offered in each of the Authority’s current energy efficiency programs in the NYPA ESP program. These changes are being requested to streamline the administration of these programs and to enhance the flexibility of the program opportunities to the participants.

**BACKGROUND**

“At their meeting of December 21, 1989, the Trustees approved a major new demand side management (‘DSM’) Program for Authority public customers located in Southeast New York. SENY HELP is a turnkey approach to identify, procure, and implement energy efficiency improvements for the Authority’s SENY customers. SENY HELP, the Authority’s seminal lighting conservation program, served as the launching platform for numerous other initiatives including Statewide, Long Island, Public Schools, and County and Municipal HELP, all for the benefit of public institutions and public school districts throughout the State. Following the successful HELP format, and in response to participant requests, other initiatives were launched that focused on heating plants, coal conversions, and electrotechnologies. All totaled, these programs have generated over \$40M in annual energy savings to the taxpayers of New York.

“Outside the SENY service area, the Authority offers Statewide, Long Island, County and Municipal, and Public Schools HELP. Combined, these programs address the State’s entire public sector. Traditionally, the Trustees have funded each of these programs individually. Currently, some of these programs are under-subscribed, while others are over-subscribed. In combination, a total of \$30 million of Trustee authorized funds remain uncommitted from these programs.

**DISCUSSION**

“Staff recommends several changes to the existing HELP programs offered outside the SENY territory that will make the programs easier to administer and improve the value of the program to potential participants.

“Traditionally, the Trustees have been requested to approve programs individually because each offering targets a select portion of the public sector and conservation measures. Items such as Trustee spending authorizations, contracts with suppliers and contractors, budgets, eligible measures, and commitments must be administered and tracked separately by program.

“To date, the Trustees have approved programs which, when aggregated, target the State’s entire public sector and most energy efficiency measures. Staff recommends that all non-SENY HELP programs be combined into a single effort called NYPA ESP. Eligible measures for this combined program would be all measures previously approved by the Trustees for implementation in NYPA DSM programs. An example is the Watertown State Office Building where building space heating is provided in large part from the heat generated by the existing lighting system. The Office of General Services has requested the Authority to assist in reducing the cost of

December 16, 1997

operating this facility by replacing the inefficient lighting system and providing a more efficient means of heating the building.

“To date, the Trustees have authorized a total of \$186M for the Statewide, Long Island, Public Schools, and County and Municipal HELP programs of which \$30M remains uncommitted to date. It is recommended that this remaining uncommitted amount be transferred and used for this new program at this time.

#### FISCAL INFORMATION

“No increase in program funding is requested at this time. It is requested that uncommitted funds from previously authorized HELP programs (Statewide, Long Island, Public Schools, County and Municipal) be used to initially fund this program. Consistent with existing HELP programs, all costs including Authority overheads and the cost of advancing funds will be recovered within a repayment period not to exceed ten years.

#### RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize the combining of HELP (Statewide, Long Island, Public Schools, County and Municipal) initiatives and uncommitted funding for these programs into a single program offering called New York Power Authority Energy Services Program. In addition, it is recommended that the eligible measures available be those already approved by the Trustees for all the Authority’s current DSM programs. Lastly, it is recommended that the Senior Vice President – Energy Services and Technology, or his designee(s), be authorized to execute any agreements or documents as needed to implement this program.

“The Vice President – Procurement and Real Estate, the Secretary and General Counsel, the Executive Vice President - Chief Financial Officer, the Executive Vice President – Project Operations, and I concur in the recommendation.”

*In response to questions from Trustee Miller, Mr. Tscherne explained that the reimbursement of funds to the Authority by beneficiaries under the Program will be ensured by a separate billing process.*

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED, That the HELP (Statewide, Long Island, Public Schools, County and Municipal) programs be combined into a single program called the New York Power Authority Energy Services Program; and be it further**

**RESOLVED, That initial funding for this program be comprised of uncommitted, previously authorized funds, from such previous HELP offerings; and be it further**

**RESOLVED, That the New York Power Authority Energy Services Program will be a comprehensive energy efficiency program tailored to each participant’s need and include measures from the Demand Side Management programs previously approved by the Trustees; and be it further**

**RESOLVED, That the Senior Vice President – Energy Services and Technology or his designee(s), be authorized to execute any agreements or documents deemed necessary or desirable to implement this program.**

**4. Petroleum Overcharge Restitution (POCR)  
Funds - Transfer of Funds to the State of New  
York and Authorization of POCR Programs**

The President submitted the following report:

**SUMMARY**

“The Trustees are requested to authorize the transfer of up to \$8 million to the State of New York (‘State’) in exchange for Petroleum Overcharge Restitution (‘POCR’) funds from the State in an equal amount, upon execution of an agreement between the State and the Authority memorializing the understandings between the State and the Authority concerning such transfer. This sum shall be withdrawn from the General Reserve Account.

“The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing POCR funds authorized by the 1997 legislation discussed below.

**BACKGROUND**

“On August 20, 1997, the Governor approved the 1997 Budget Bill as Chapter 432 of the Laws of 1997 (‘Chapter 432’). Sections 22, 23, and 25 of this legislation authorize the transfer of \$8 million in POCR funds to the Authority for various energy related programs. Section 26 of this legislation indicates that the Authority ‘shall transfer \$8,000,000 to New York State on or before March 31, 1998’. Those legislative provisions reflect an understanding between the Authority and the State that the Authority will transfer \$8,000,000 to the State and that the State will transfer to the Authority a like amount received from POCR monies. Sections 22, 23, 25, 26, and other relevant provisions of Chapter 432 are set forth in Exhibit ‘4-A’ hereto.

“At their meeting of January 30, 1996, the Trustees approved five POCR-funded programs: a Solar Electric Grant Program, an MTA Hybrid Bus Program, a Pilot Coal Conversion Program, an Independent College and University Energy Assistance Loan Program, and a HELP Revolving Loan Program.

“At their meeting of December 17, 1996, the Trustees approved the continuation of these programs and several new POCR-funded grant initiatives including a statewide energy efficiency program for primary and secondary public schools.

**DISCUSSION**

“The payment by the Authority of the \$8 million in funds matching the POCR funds identified in Chapter 432, would be reasonable and consistent with the Authority’s mission and statute. The POCR funds that the Authority receives as a part of the understanding with the State will be used for energy efficiency projects throughout the State.

“Section 22 of this legislation authorizes the Authority to use \$2.67 million in POCR funds for existing HELP programs of the Authority which are eligible under Federal guidelines for the use of POCR funds.

“Section 23 of this legislation authorizes the Authority to use \$2.67 million in POCR funds for the following purposes: (1) \$1,400,000 for the purposes and expenses of an advanced vehicle technology center as part of a development district at the Griffiss Air Force Base; (2) \$500,000 for Cicero-North Syracuse High School to provide financial assistance for energy efficiency improvements; (3) \$180,000 for the investigation of a vortex generator in cooperation with Rochester Institute of Technology; (4) \$250,000 for flexible technical assistance to improve energy efficiency associated with aluminum extrusion operations at a business in Montgomery County in cooperation with

**December 16, 1997**

Rensselaer Polytechnic Institute; (5) \$25,000 for flexible technical assistance for the development of a plan for pedestrian scale lighting in conjunction with the Amsterdam Downtown/Waterfront Revitalization Program in cooperation with the Lighting Research Center at Rensselaer Polytechnic Institute; and (6) \$311,666 for energy efficiency improvements in public facilities.

“Section 25 of this legislation authorizes the Authority to use \$2.67 million in POOCR funds for the following purposes: 1) \$1.33 million in POOCR funds for additional funding for the independent college and university energy assistance loan fund established by the Authority pursuant to Chapter 83 of the Laws of 1995; and 2) \$1.33 million to reinstate the furnace and boiler rebate demonstration program, established by section 21 of chapter 598 of the laws of 1993.

“Before the State can disburse the POOCR funds, the Authority is required to develop the various energy-related programs which would utilize the POOCR funds and, with the assistance of the New York State Energy Research and Development Authority, apply to the DOE for approval of the programs and for any necessary court approvals. POOCR funds cannot be used for purposes or programs which the DOE has not approved or for which necessary court approval has not been obtained, notwithstanding what the referenced New York State law might envision.

“Judicial decisions and Federal regulations that apply to the POOCR funds require that the funds ultimately be used for consumer restitution through energy-related programs. Because of the nature of the POOCR funds, the Authority is presently prohibited from utilizing these funds for general Authority purposes.

“The Trustees are also requested to authorize the Senior Vice President - Energy Services and Technology to develop and implement the various programs utilizing POOCR funds authorized by the 1997 legislation.

#### FISCAL INFORMATION

“The funds to be paid to the State, as described above, will be disbursed from the General Reserve Account.

#### RECOMMENDATION

“The Senior Vice President - Energy Services and Technology and the Executive Vice President – Chief Financial Officer recommend that the Trustees authorize the payment to New York State for the purposes, and under the conditions, described above, and that the Trustees authorize the implementation of the Petroleum Overcharge Restitution programs as described above.

“The Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

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

**RESOLVED, By the Trustees of the Power Authority of the State of New York that the payment to the State of up to \$8 million for the purpose described in the foregoing report of the President, is hereby authorized contingent upon the execution of an agreement between the Authority and the State relating to such payment, and that the Chairman, the President and Chief Operating Officer, and the Executive Vice President – Chief Financial Officer are, and each hereby is, authorized to execute such agreement with the State having such terms and conditions as such officer deems necessary or desirable; and be it further**

**RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President – Chief Financial Officer, the Senior Vice President - Energy Services and Technology, and the Treasurer are, and each hereby is, authorized 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,**

**December 16, 1997**

**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; and be it further**

**RESOLVED, That it is hereby authorized that up to \$8 million of General Reserve Account monies be withdrawn from such account and utilized for making the payment specified in the foregoing report of the President; and be it further**

**RESOLVED, That such amounts to be withdrawn from the General Reserve Account are not required for any of the purposes specified in Paragraphs (1)-(4) of Section 512 of the General Purpose Bond Resolution adopted on November 29, 1974, as amended and supplemented; and be it further**

**RESOLVED, That the Senior Vice President - Energy Services and Technology is hereby authorized to develop and implement the various programs utilizing POOCR funds authorized by the 1997 legislation discussed in the foregoing report of the President, provided that such programs shall be implemented only upon approval of such programs by the United States Department of Energy and by any other agency or court having jurisdiction over such programs; and be it further**

**RESOLVED, That the existing POOCR programs approved by the Trustees at their meeting of December 17, 1996 be, and hereby are, modified in accordance with the foregoing report of the President.**

December 16, 1997

**5. Power for Jobs Resale Agreements with  
the Seven New York State Investor-Owned  
Utilities – Transmittal of Agreements to the Governor**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the attached Power for Jobs Resale Agreements and the rates contained therein (‘Resale Agreements’) with the seven Investor-Owned Utilities (‘Utilities’) and to authorize the transmittal of these Agreements to the Governor for his approval. The Resale Agreements, which were the subject of a public hearing held on November 14, 1997, provide for the sale of power and energy from the James A. FitzPatrick Nuclear Plant (‘FitzPatrick’) and from competitively bid sources to the Utilities for resale to Power for Jobs customers designated by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“On July 29, 1997, the Governor signed into law the Power for Jobs program (Chapter 316 of the New York Laws of 1997) which provides for the sale of 400,000 kW to the Utilities for resale to customers designated by the EDPAB to receive Power for Jobs service. Power for Jobs is designed to assist New York State businesses that are at risk of closing or downsizing their operations or moving out of the State. Businesses that anticipate expanding operations, increasing electrical usage and creating new jobs may also qualify as well as small businesses. Power for Jobs is also available to not-for-profit corporations which provide a significant service or critical benefit to the local community.

“Applications for Power for Jobs Service will be reviewed by the EDPAB which will recommend power allocations for approval by the Trustees. Successful applicants will be required to commit to maintain a specific number of jobs in order to qualify for a power allocation. Allocations of Power for Jobs Service will be phased-in over three years in equal amounts. For the first year, a total of 133,300 kW of power will be made available from FitzPatrick and from competitively bid sources. Individual allocations are for a period of three years.

DISCUSSION

“Authority staff has negotiated Resale Agreements with each of the Utilities under which the Authority will sell and deliver Power for Jobs Service from FitzPatrick and from competitively bid sources to each Utility. The Resale Agreements specify the services that both Authority and the Utilities will provide to accommodate the delivery of Power for Jobs Service and call for the Authority to establish wholesale rates for Power for Jobs Service

“Each purchasing Utility will take title to the Power for Jobs Service at the points where the power enters the distribution system. The Utilities will then incorporate the costs of distribution into the cost of Power for Jobs Service when the service is resold to the Power for Jobs customer under a special retail tariff approved by the New York Public Service Commission.

“The Chairman authorized publication of the notice of a public hearing as well as submittal of notification to the Governor and the legislative leaders.

“At the public hearing, a representative of the Utilities presented a statement in support of the Resale Agreements and the manner in which the Power for Jobs program will provide immediate rate relief to eligible customers. A written statement was submitted by the Long Island Progressive Coalition that expressed concerns

with the underlying Power for Jobs legislation but raised no issues with respect to the Resale Agreements themselves.

“After the public hearing, the terms of the Resale Agreements were reconsidered. At the time the proposed Resale Agreements were negotiated and advertised for public hearing, the rates for Power for Jobs Service were predicated on the FitzPatrick Economic Development Power rate. These rates were used as a placeholder until such time as Authority Staff could design specific rates for Power for Jobs Service. The Utilities have been advised during the negotiations that these rates would be subject to redesign. The issue of rate design was discussed at the public hearing of November 14, 1997, and, predicated on such discussion, the following rates have been incorporated into the proposed Resale Agreements

Capacity Charge	\$5.00 per kilowatt-month
Energy Charge	35.00 mills per kilowatt-hour
Initial Energy Charge Adjustment	0.00 mills per kilowatt-hour

“The Capacity and Energy Charges are subject to modification on advance notice to the Utilities. The Energy Charge Adjustment will vary from month to month depending on changes in the cost of competitively bid power and any changes in transmission and ancillary service charges. These rates incorporate the cost of transmitting Power for Jobs Service to each Utility, including the base transmission rates and required ancillary service charges under the Open Access Transmission Tariffs of the intervening transmission providers including the Authority’s.

“The proposed rates were designed to produce savings of about 20% statewide, or approximately two cents per kilowatt-hour, for customers with load factors<sup>1</sup> ranging from 35% to 75%<sup>2</sup>. Actual savings may vary depending on the customer’s delivery voltage level and usage pattern. Attached as Exhibit ‘5-A’ is a table that sets forth the estimated resale rates for Power for Jobs Service in each Utility’s service area and the estimated savings over the applicable retail rates.

“For all the reasons presented at the hearing and by proponents of the Agreements, the Resale Agreements are in the public interest and should be forwarded to the Governor with the recommendation that they be approved.

#### FISCAL IMPACTS

“Because the rates for sale of Power for Jobs Service to the Utilities has been designed to recover the costs associated with FitzPatrick power and the purchase of competitively bid power, including transmission costs, there will be no financial impact on the Authority.

#### RECOMMENDATION

“The Director – Power Contracts recommends that the Resale Agreements with the Utilities be transmitted to the Governor with the recommendation that they be approved.

“The Senior Vice President – Marketing and Economic Development, the Secretary and General Counsel, the Executive Vice President – Project Operations, the Executive Vice President – Chief Financial Officer, and I concur in the recommendation.”

---

<sup>1</sup> The customer’s load factor is calculated by taking the ratio of the amount of energy used (in kilowatt-hours) and dividing by the product of the customer’s maximum demand (in kilowatts) and the number of hours during the period in question.

<sup>2</sup> Customers with load factors outside this range may realize somewhat different savings.

December 16, 1997

*In response to questions from Vice Chairman Frey concerning the anticipated level of delivered costs and savings, Mr. Yates explained that certain IOUs, such as RG&E, have filed for delivery rates with the PSC which are higher than those filed by the other IOUs; as a result, PFJ recipients will experience different levels of cost savings depending upon which IOU's service territory is involved. In response to further questions from the Vice Chairman, Mr. Peterson explained that the rate submitted by RG&E does not appear to be based on costs and that it is currently under review by the PSC, adding that NYPA staff is closely monitoring further developments.*

*Trustee Miller inquired about the legislative provision for voluntary contributions of Authority revenues from the PFJ program to the State treasury. Mr. Yates explained that, under the PFJ legislation, the amount of any such payment by the Authority is capped at the new revenues we will obtain through PFJ sales as opposed to sales we would have made absent the legislation. Thus, such voluntary contributions would not have a negative financial impact on the Authority.*

*Trustee Miller expressed concern that high delivery rates could drive away customers. The Vice Chairman noted that, since under the legislative scheme, any revenues lost as a result of participating in the PFJ program by a provider such as RG&E, would be offset by the gross receipts tax credit, there appears to be no incentive for an IOU to keep its delivery rates high. The Vice Chairman and Trustee Miller then requested that the Trustees be kept advised of all pertinent developments on a monthly basis. Ms. Morman responded that staff will keep the Trustees abreast.*

The attached resolution, as recommended by the President, was unanimously adopted.

**WHEREAS, the Governor has signed into law the Power for Jobs program which provides for the sale of 400,000 kW phased in over three years to the Utilities for resale to customers designated by the EDPAB to receive Power for Jobs Service; and**

December 16, 1997

**WHEREAS, the Authority has negotiated proposed Resale Agreements under which Power for Jobs Service would be sold and delivered to the Utilities for resale to Power for Job customers; and**

**WHEREAS, copies of such proposed Resale Agreements have been transmitted to the Governor, the Speaker of the Assembly, the Minority Leader of the Assembly, the Chairman of the Assembly Ways and Means Committee, the Temporary President of the Senate, the Minority Leader of the Senate, and the Chairman of the Senate Finance Committee and have been made available for public inspection during a 30-day period at the offices of the Authority and at other locations throughout the State; and**

**WHEREAS, on November 14, 1997, the Authority held a public hearing on the terms of the proposed Resale Agreements upon 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 proposed Resale Agreements and negotiated certain changes to the Resale Agreements that it deemed necessary or advisable;**

**NOW, THEREFORE BE IT RESOLVED, That the Authority hereby approves the form of the proposed Resale Agreements between the Authority and Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Long Island Lighting Company, New York State Electric & Gas Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., and Rochester Gas and Electric Corporation which were submitted to this meeting, and that the Authority believes such Resale Agreements to be in the public interest and; be it further**

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

**RESOLVED, That the Senior Vice President - Marketing and Economic Development or her designee, be and hereby is, authorized to negotiate and execute any and all documents necessary or desirable to effectuate such Resale Agreements and to issue notice of the monthly Energy Charge Adjustment to all affected parties.**

**6. Allocations of Economic Development Power Under the Power for Jobs Program**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve five allocations of certain available economic development power under the Power for Jobs program to the businesses listed in Exhibit ‘6-A’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The program is called Power for Jobs and makes available 400 megawatts of power; 200 provided from the Authority’s James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program will be phased in over three years with approximately 133 megawatts being made available each year. Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sales for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of closing or downsizing their operations or moving out of State or which are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation

DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements were placed in major newspapers and business publications statewide; a direct mail piece was distributed to over 5,000 businesses; 15 regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 1,400 inquires have been received and over 400 applications have been sent to prospective customers.

“An initial number of completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment that will be made in New York State and whether a business is at a competitive disadvantage in New York. Five applications were deemed highly qualified and were presented to the EDPAB for its review on December 15, 1997. All remaining applications are still under review and will be considered at a later date.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the five businesses listed in Exhibit ‘6-A’. These companies have agreed to create or retain 4,613 jobs in New York State in exchange for allocations totaling 10.9 megawatts. The allocation contracts will be for a period of three years. The power will be wheeled by the investor owned utilities as also indicated in Exhibit ‘6-A’. The reasons for EDPAB’s recommendations are included in Exhibit ‘6-A’.

December 16, 1997

RECOMMENDATION

“The Director – Business Marketing and Economic Development recommends that the Trustees approve the allocation of economic development power to the companies listed in Exhibit ‘6-A’.

“The Senior Vice President – Marketing and Economic Development, the Secretary and General Counsel, the Executive Vice-President – Chief Financial Officer, the Executive Vice-President – Power Operations and I concur in the recommendation.”

*In response to questions from Vice Chairman Frey, Mr. Yates explained that 3,200 jobs would be maintained at the New Venture Gear company as a result of the proposed allocation. Trustee Miller noted that New Venture Gear is in a highly competitive industry and must reduce costs in order to be competitive.*

*Chairman Rappleyea commended staff, and in particular Messrs. Pasquale, Huvane and Yates on their prompt and exhaustive efforts in connection with implementing the PFJ program. The Chairman noted that all of the numerous PFJ applications being submitted to the EDPAB remain under active review. The group of applications currently recommended by the EDPAB to the Trustees of the Authority for PFJ allocations represents an excellent geographical mix, and a broad array of industries that had been actively weighing relocation options out of the State.*

The attached resolution, as recommended by the President, was unanimously adopted.

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 10.9 MW of allocations of Power for Jobs power to Snyder Industries, Cooper Hand Tools, ILC Data Device Corporation, Vail Ballou Press and New Venture Gear subject to the terms and conditions applicable to the Power for Jobs Program,**

**NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves a 0.5 MW allocation of Power for Jobs power to Snyder Industries, a 2.2 MW allocation of such power to Cooper Hand Tools, a 1.4 MW allocation of such power to ILC Data Device Corporation, a 1.8 MW allocation of such power to Vail Ballou Press and a 5.0 MW allocation of such power to New Venture Gear (the ‘Customers’), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs Program and in the public interest; and be it further**

**RESOLVED, That a total of 10.9 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority’s Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further**

**December 16, 1997**

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

**7. 1998 Operations and Maintenance and Capital Budgets**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the 1998 budgets for operations and maintenance (‘O&M’) including research and development (‘R&D’) and fuel purchases, and the 1998 capital budget as follows:

	<u>1998 Budget</u> <u>(\$ Millions)</u>
O&M	\$ 459.5
R&D	13.9
Fuel	191.9
Capital	205.9

BACKGROUND

“The Authority’s 1998 Strategic Plan continues to emphasize performance excellence, leadership and cooperation in a restructured and competitive electric utility industry. The 1998 budgets are intended to provide the Authority’s Departments and support organizations with the resources needed to carry out the Authority’s mission and to accomplish the corresponding strategic results.

DISCUSSION

“The O&M budget of \$459.5 million represents a decrease of 0.8% from the 1997 budget of \$463.0 million. It provides for a refueling outage at James A. FitzPatrick Nuclear Power Plant (‘JAF’) and includes funds for a generator rewind to be performed during that outage. The budget also includes an aggressive schedule of engineering and maintenance work at Indian Point 3 Nuclear Power Plant (‘IP3’) to improve the plant’s material condition and to set the framework for more effective future operation. Nuclear Generation’s 1998 O&M budget is \$273.5 million representing an increase of \$8.6 million above the 1997 budget of \$264.9 million. Of this, \$37.5 million is budgeted for the JAF refueling outage (including the generator rewind) and \$21.2 million is budgeted for continuing improvements at IP3 including engineering, maintenance and professional development. The nuclear budget also provides for the addition of 79 new positions, almost all of which are conversions of long term contractor, temporary and provisional employees to permanent employee status in accordance with Z-Team recommendations. These conversions result in O&M savings of approximately \$4 million.

“The budget for the non-nuclear segment of the organization totals \$186.0 million, a decrease of \$12.1 million or 6.1% below the 1997 budget of \$198.1 million. These budgets incorporate reductions both in Headquarters organizations and at the non-nuclear operating facilities. These decreases are in addition to absorbing all inflationary, salary and wage increases; attached Exhibit ‘7-A’ also reflects consolidation of the Executive staff into one office as contemplated by the revision of the By-Laws adopted by the Trustees at their meeting of September 11, 1997.

“The 1998 O&M budget incorporates savings of \$10.2 million resulting from the Focus Z-Team process which was initiated in 1996. During 1997 a total of 53 positions were eliminated Authority-wide as a result of Z-Team recommendations and headquarters productivity improvements.

“The R&D budget of \$13.9 million is an increase of \$1.2 million or 9.4% above 1997 primarily due to increased institutional funding requirements.

“The fuel budget of \$191.9 million is an increase of \$89.4 million above 1997. This is a cash budget reflecting planned fuel purchases in 1998 and includes the purchase, fabrication and enrichment of nuclear fuel for the JAF outage (\$52.2 million) and fossil fuel purchases for Poletti and Flynn (\$139.7 million). The 1998 fossil fuel purchases reflect a full year of operations for Poletti compared to six months assumed in the 1997 budget.

“The capital budget of \$205.9 million is a 1% decrease from 1997 reflecting a \$22 million decrease in Energy Conservation projects offset by increases in transmission and non-nuclear facility improvements. The Energy Conservation decrease reflects lower expenditures for various HELP projects including SENY, Long Island, Public Schools, Statewide and County and Municipal programs as well as reduced Petroleum Overcharge Restitution fund disbursements offset by the addition of the Environmental Bond Act, Clean Air for Schools program. Increased spending on transmission is targeted toward increasing transfer capability on the system, while increases in non-nuclear facility improvements reflect various projects required for safe and reliable operation of the plants.

#### FISCAL INFORMATION

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

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

#### RECOMMENDATION

“The Vice President and Controller and the Executive Vice President and Chief Financial Officer recommend approval of the 1998 Operations & Maintenance, Research and Development, Fuel and Capital budgets as discussed herein.

The respective Vice Presidents, Regional Managers, Site Executive Officers, the Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

*In response to questions from Trustee Miller, Mr. Bellis explained that the level of the Authority’s contributions to the pension system is market-driven, and thus, when the market goes up as it has in recent months, the dollar amount payable by the Authority decreases; conversely, should the market trend reverse itself, the Authority’s future contributions would increase. In response to further questions from Trustee Miller, Mr. Bellis explained that that the budget item showing the Authority’s payments to NYSERDA for 1998 arises out of a multi-year contract which the Trustees had previously approved, and does not represent a new spending authorization.*

December 16, 1997

*Mr. Delaney stressed that the proposed budget is 1% below the 1997 budget and a full 10% below last year's "actuals". Trustee Miller commended Mr. Delaney and staff for their efforts in preparing the budget submittal. Chairman Rappleyea expressed concurrence, and thanked President Zeltmann, the other members of the Executive Committee, and the Financial Z Team for its original recommendations. President Zeltmann reiterated his and staff's philosophy of adherence to budgetary parameters. Mr. Delaney added that a large number of people had been involved in the lengthy and painstaking line-by-line process of submitting the instant proposal.*

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED, That the 1998 Operations and Maintenance budget including research and development and fuel expenditures, and the 1998 Capital budget, as discussed in the foregoing report of the President, are hereby approved; and be it further.**

**RESOLVED, That the Trustees of the Authority hereby: (1) authorize the payment to the Authority of funds available in the General Reserve Account for the lawful corporate purpose of paying the costs of the capital projects, and improvements thereto, specified in the attached 1998 Capital Budget of the Authority to the extent such costs are intended to be funded from such account, and (2) determine, after consideration of prior authorized but unexpended payments from such Account, that there is available from the General Reserve Account monies for such purposes, and not needed for any purpose specified in Paragraph (1) - (4) of Section 512 of the General Purpose Bond Resolution adopted on November 26, 1974, as amended and supplemented, having a priority over the effectuation of such capital projects, which shall be paid over to the Authority for such purposes, provided, however, that prior to the approval of any such capital project the Treasurer or Deputy Treasurer of the Authority confirms by certificate the determination set forth in clause (2), above after consideration of any additional authorizations of expenditures from the General Reserve Account by the Trustees made after the date hereof.**

**December 16, 1997**

**8. Motion to Conduct an Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session in connection with matters relating to proposed litigation of contractual claims and matters relating to the appointment of outside counsel to handle certain legal matters.” Upon motion duly made and seconded, an executive session was held.

**9. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and the Richard M. Flynn Power Plant – Awards**

The Executive Vice President - Project Operations submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘9-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for headquarters and the Richard M. Flynn Power Plant. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees’ approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$18,750 to \$27,000,000.

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

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

**Headquarters-issued contracts in support of the nuclear plants:**

“In the past, the Authority bid separately for General Maintenance Services (i.e., a ‘full-service’ approach for IP3 and ‘Labor Broker services’ approach for JAF). A joint IP3/JAF request for proposals

December 16, 1997

combining both approaches for General Maintenance Services and/or Labor Broker Services was prepared in accordance with Nuclear Financial Z-Team Recommendation MNT-040. The 'full-service' General Maintenance Services approach provides the site with supervisory staff for the craft labor, management for work packages, and planning and scheduling of work. In the Labor Broker services approach, the site is responsible for all such activities. The Labor Broker staffs the site, as required by the Authority's direction. Bidders were requested to submit bids on any combination of three compensation schedules: one, for JAF, was only as a Labor Broker services contract; two others, for IP3, covered both approaches. Bidders were requested to highlight any cost benefits to the Authority they considered pertinent to any proposed method of awarding these contracts. The Authority reserved the right to award contracts to one or two contractors, and to select either of the two maintenance services approaches it deemed most advantageous.

"Nine proposals were received of 30 bids solicited (including notice in the Contract Reporter). The bidders' proposals were initially evaluated against the requirements of the bidding document, the submittal of information required by the bidding document, pricing, and the bidders' written exceptions and clarifications. From that point, JAF and IP3 staff independently evaluated the proposals for their respective sites. IP3 management has determined, at this time, to remain with the 'full-service' approach, and intends to transition to the Labor Broker services approach after the next refueling outage is completed. JAF will continue with the Labor Broker services approach, which has proven to be successful. Based on the review of bid evaluations by site personnel and headquarters procurement staff, Williams Power Corp. is the lowest technically qualified bidder for each site.

"The two contracts with **Williams Power Corp. (Q-02-1973; PO #'s TBA)** would commence on January 1, 1998. The intended term of these two contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of each contract, \$27,000,000 for IP3 and \$26,000,000 for JAF.

"The contract with **General Electric (PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide pre-outage and outage support services for Refueling Outage 13 ('RO13') at JAF. The upcoming outage includes tasks supporting refueling, major maintenance, and significant turbine island work involving a complete rewind of the generator. Services include, but are not limited to: project management, refuel equipment maintenance support, full core off-load/reload, replacement of control rod blades, in-vessel inspections, reactor feed pump turbine maintenance, and miscellaneous valve maintenance. The estimated cost for RO13 is approximately \$16,000,000, subject to final negotiations with GE.

"In 1991, the Authority and GE entered into a multi-cycle agreement to provide services, similar to those mentioned above, for three refueling cycles. Each cycle was negotiated and the Trustees' approval was obtained prior to the outage. The last cycle of this agreement (RO12) concluded in 1996.

"Many aspects of the outage services provided by GE are proprietary due to GE's status as the original equipment manufacturer ('OEM') for the reactor vessel, turbine generator, and other critical plant components. At this time, the Trustees' approval is not sought for another multi-cycle agreement; however, over the years GE has performed in a satisfactory manner and has helped the Authority achieve a 47-day outage for RO12, which was a significant improvement for JAF.

"The Trustees' approval is requested to authorize an agreement with GE for the next JAF refuel outage, RO13, in an amount not-to-exceed \$16,000,000. This agreement will be subject to negotiations with GE to define the final scope, costs, and commercial terms, which are currently underway. In addition, remaining funds of the Torus Settlement Agreement are expected to result in a further decrease in outage costs by approximately \$3,000,000. The intended term of this agreement is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$16,000,000.

December 16, 1997

“The five multiple awards to **G.D. Barri & Associates, Inc.** (a Women’s Business Enterprise), **HEPCO, Lehigh GIT Inc., Rotator Services, Inc., and Sun Technical Services, Inc. (Q-02-2028; PO #'s TBA)** would commence on January 1, 1998, subject to the Trustees’ approval. The purpose of these contracts is to provide temporary field engineering support personnel in various disciplines for IP3, JAF, and headquarters, on an ‘as required’ basis. Temporary engineers and designers in the following disciplines will be needed: electrical, mechanical, structural/civil, licensing, environmental, facility, fire protection, chemical, construction and construction services, estimating, and instrumentation and control; draftsmen, engineering aides, and clerical aides will also be provided. Tasks will include, but are not limited to, performing engineering calculations and system design; preparation of engineering sketches and drawings, procedures, schedules, purchasing specifications; review of design drawings; construction supervision; field engineering and testing; and performing refueling outage and non-outage maintenance and construction activities. Most of these staff augmentation services will be competitively bid among the five firms. Awards will be based on an evaluation of submitted resumes/qualifications, corresponding costs, and appropriate level of staffing to meet Authority needs. The awards will be made on a time and materials basis, and will ensure the best possible services and price for the Authority, meeting schedule requirements. These five firms were the lowest evaluated technically acceptable bidders of 16 bids received (in addition to 15 non-responding bidders and notice in the Contract Reporter). The intended term of these contracts is three years, subject to the Trustees’ approval, which is hereby requested (with an option to extend for one additional year, in accordance with the Authority’s Expenditure Authorization Procedures). The mark-up rates will remain firm for the duration of the contracts. Approval is also requested for the total amount expected to be expended for the three-year term of the contracts, \$10,000,000. The awards will be in the initial amount of \$0, until services are required and awards are made based on competitive bidding; commitments and expenditures for all five contracts will be tracked against the approved total.

#### **Headquarters-issued multi-plant ‘system’ contracts:**

“In 1995, several categories of services were selected for pilot ‘system’ contracts, i.e., consolidation of common goods/services under one contract in support of multiple plants and/or operating projects. This approach was based upon achieving cost savings due to bulk procurement of certain goods or services, as well as streamlining the procurement process by eliminating multiple contracts. Cost evaluations of current individual contracts of each plant/project were compared with a consolidated, multi-year, system contract approach for multiple plants/projects. The following benefits to the Authority were and continue to be realized using this approach: lower unit costs than those currently paid by each plant/project under individual agreements; stabilization and uniformity of unit costs at each plant/project; unit rates remain firm for the duration of the contract; improved future negotiating position, as new needs arise; and overall reduction of O & M expenditures at plants/projects. The program has been expanded to include additional goods and services, including those listed below.

“The contract with **Flow Serve Corp. (formerly BW/IP International, Inc.; PO # TBA)** would become effective on January 1, 1998. The purpose of this contract is to provide routine and/or emergency field engineering, machining, and supervisory support services for repairs of plant system CAT I safety related and non-safety related pumps at IP3 and JAF. Staff is also evaluating expansion of services to the Poletti and Flynn plants. This contract is awarded on a sole source basis, since BW/IP is the original equipment manufacturer (‘OEM’). As the OEM, BW/IPs retain all the required drawings, specifications, and QA qualifications necessary to service and repair BW/IP safety and non-safety related pumps. Negotiated pricing is based on the total volume of on-site services performed and dollars spent annually at both plants. The tiered pricing discount structure ranges from 5% for a total volume of \$50,000, 7.5% for a total volume in the \$50,000 - \$100,000 range, to 10% for a total volume in excess of \$100,000. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$350,000.

December 16, 1997

“The contract with **Ingersoll-Dresser Pump Company (PO # TBA)** would become effective on January 1, 1998. The purpose of this contract is to provide routine and/or emergency field engineering and supervisory support services for repairs of plant system CAT I safety related pumps at IP3 and JAF. (Staff will also be evaluating future expansion of services to the Poletti and Flynn plants.) This contract is awarded on a sole source basis, since Ingersoll-Dresser is the original equipment manufacturer (‘OEM’) of these safety related pumps. As the OEM, Ingersoll-Dresser retains all the required drawings, specifications, and QA qualifications necessary to service and repair its safety related pumps. In addition, the firm meets all NRC and Authority QA requirements. Negotiated pricing represents a 15% discount on standard published field services labor rates and a 5% reduction on the standard travel and living expenses for the next three years. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$400,000.

“The contract with **Longo Industries (PO # TBA)** would become effective on January 1, 1998. The purpose of this contract is to provide routine and/or emergency inspection and repair services for non-safety related electric motors (to 3,000 hp) for IP3, JAF, the Poletti and Flynn plants, and possibly for the Blenheim-Gilboa and Niagara projects. Services will be provided both on-site and off-site, as required. Competitive bids for these services were originally solicited by IP3; a three-year contract was awarded to Longo, the low bidder. Longo has a proven record of providing high quality workmanship at very competitive prices in the form of service, response time, reliability, and delivery. On this basis, staff recommended renegotiating and expanding the existing contract. Negotiated commercial enhancements and price reductions include: extension of current field and shop repair rates for an additional year; rates thereafter will be subject to a 3% mark-up (reduced from Longo’s standard 5-6% annual mark-ups); firm lump sum prices for standard inspection, disassembly and evaluation of all damaged motors received; dollar volume tiered pricing discounts based on services performed and dollars spent annually for all plants (3% for \$100,000 - \$200,000 range; 5% for \$200,000 - \$500,000 range; 7% for \$500,000+). In addition, Longo has agreed to extend the warranty on all random wound NEMA frame type motors (to 400 hp) from one year to three years from completion of work. The intended term of this renegotiated contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$585,000.

“The contract with **Thermo NUtech (formerly Thermo Analytical, Inc.; PO # TBA)** would become effective on January 1, 1998. The purpose of this contract is to provide laboratory analyses of radioactive samples, in compliance with regulatory requirements (10CFR61). Testing may also include other radiochemical and hazardous waste, as well as effluent analyses, in support of the Authority’s waste characterization programs at IP3 and JAF. This contract is awarded on a sole source basis, since Thermo NUtech is the only known vendor, at this time, that is fully qualified to meet all technical specifications. Negotiated pricing represents a 6.5% ‘multi-site’ discount from the current price list. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$195,000.

### **Contracts in Support of IP3:**

“The contract with **Chem-Nuclear Systems, Inc. (Q-02-2004; PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide annual inspection and maintenance services of the Authority’s 14D-2.0 shipping cask used for radioactive waste disposal from IP3. Services include all required inspections, leak testing, and preventive and corrective maintenance, as needed, as well as any materials, gaskets, lubricants or paints, in accordance with NRC and QA requirements. Chem-Nuclear was the sole responding bidder (with no additional responses to a notice in the Contract Reporter). The intended term of this contract is two years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$20,000.

December 16, 1997

“The contract with **Edwards Service (Q-02-2005; PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide an annual service agreement for inspection, maintenance and repair services, as well as replacement parts, for Dual-Lite emergency lighting equipment and toolbox units used at IP3. Edwards was the sole responding bidder (with no additional responses to a notice in the Contract Reporter). The vendor is the local authorized Dual-Lite representative and is able to supply original equipment manufacturer parts. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Rates for maintenance and inspection will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$18,750.

“The contract with **Encore Computer Corp. (PO # TBA)** would commence on February 7, 1998. The purpose of this contract is to provide service, support, and upgrade of the IP3 simulator computer systems. Services include hardware and software support services, as well as upgrade of the two alpha systems to 288 Mhz processors. Encore was the sole responding bidder (in addition to 13 non-responding bidders and notice in the Contract Reporter). Rates will remain firm for the duration of the contract. The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$256,140.

“The contract with **Peco Energy Laboratories (C98-I6000)** would commence on January 1, 1998. The purpose of this contract is to provide off-site laboratory analysis of No. 2-D diesel fuel oil used for five IP3 diesel generators, on an 'as required' basis. Peco was the low bidder of three responding bidders (in addition to three non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the first two years of the contract, with a 3% escalation for the third year. Approval is also requested for the total amount expected to be expended for the term of the contract, \$60,000.

“The contract with **Peekskill Electric Motor Repair Service (Q-02-2048; PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide off-site repair services for various types of power tools, pumps, motors, and compressors related to the tool room operation at IP3. Peekskill Electric was the sole responding bidder of three bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$60,000.

“The contract with **Schulz Electric Co. (Q-02-2027; S97-08242)** would commence on January 1, 1998. The purpose of this contract is to provide on-site and off-site inspection and repair services for CAT I electrical motors (up to 3,000 hp) for IP3. Work will be on both nuclear safety-related and non-safety-related equipment. Schulz was the sole responding bidder (in addition to one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract, with the exception of 'per diem'. Approval is also requested for the total amount expected to be expended for the term of the contract, \$110,000.

“The contract with **Teledyne Brown Engineering Environmental Services (FI97-0464 ; PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide for chemical analyses of reactor coolant, secondary coolant, liquid radioactive waste, and air particulate filters at IP3, in compliance with regulatory requirements. Teledyne Brown was the sole responding bidder of 11 bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is four years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the first three years of the contract, with a 2% increase in the fourth year. Approval is also requested for the total amount expected to be expended for the term of the contract, \$100,000.

**Contracts in support of JAF:**

“The contract with **Syracuse Executive Air Service, Inc. (C98-J0234)** would commence on January 1, 1998. The purpose of this contract is to provide aircraft charter services for JAF staff to attend required meetings. Travel services originate from Syracuse or Fulton/Oswego Airports to Westchester County Airport, Stewart Newburgh Airport, and other destinations, as necessary. This service will be used when it is more cost-effective to utilize charter rather than commercial air transportation based upon schedule requirements. Syracuse Executive Air was the sole responding bidder of five bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$100,000.

“The contract with **Target Rock Corp. (B98-J0039)** would commence on January 1, 1998. The purpose of this contract is to provide materials, parts, and field services for the repair and refurbishment of Target Rock two-stage safety relief valves used at JAF. Services will be performed by Target Rock technicians at Wyle Laboratories. Since Target Rock does not have a license to handle radioactive equipment, Target Rock has arranged for the use of the 'hot lab' facilities at Wyle Labs. This contract is awarded on a sole source basis, since Target Rock is the original equipment manufacturer ('OEM'). An attempt to identify additional bidders was made via notice in the Contract Reporter, but proved unsuccessful. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$540,000.

“The contract with **Wyle Laboratories Scientific Services (B98-J0144)** would commence on January 1, 1998. The purpose of this contract is to provide for setpoint testing and recertification of Target Rock two-stage safety relief valves. This contract is awarded on a sole source basis, since Wyle is the only known fully certified firm, with technicians trained in Target Rock requirements, that can meet all technical specifications. Wyle is licensed to handle radioactive equipment and has an authorized lab that, per agreement with Target Rock Corp., handles the majority of such work for Target Rock. An attempt to identify additional bidders was made via notice in the Contract Reporter, but proved unsuccessful. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$360,000.

**Contract in support of the Richard M. Flynn Power Plant:**

“The contract with **RGM Liquid Waste Removal Corp. (Q-02-2047; PO # TBA)** would commence on January 1, 1998. The purpose of this contract is to provide supervision, labor, materials, and equipment to load, transport, and dispose of between 25,000 – 60,000 gallons (per request) of waste water from a 100,000 gallon storage tank, and up to 3,000 gallons of non-toxic biomass sludge from an underground holding tank located at the Richard M. Flynn Power Plant to the Suffolk County Department of Public Works Publicly-Owned Treatment Works ('POTW') or Scavenger Plant. RGM was the low bidder of five bids received (in addition to nine non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$250,000.

**Contract in support of headquarters and all sites:**

“The contract with **Procurement Services Consulting, Inc. (Q-02-2038; PO # TBA)** would commence on January 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide field expediting services for the timely delivery of equipment, materials, services, engineering data for the Authority's

December 16, 1997

headquarters as well as nuclear and non-nuclear facilities, on an 'as required' basis. Procurement Services was the low bidder of two bids received (in addition to six non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$120,000.

"The contracts with **Mr. Danforth Rogers (PO #'s TBA)** would commence on January 1, 1998, subject to the Trustees' approval. Mr. Rogers has the experience and expertise to assist in-house counsel, on an 'as needed' basis, in all aspects of commercial and financial transactions. The intended term of these contracts is one year, with an option to extend for one additional year. Approval is also requested for the following amounts expected to be expended for the term of the contracts, \$85,000 (including expenses) for Disclosure Counsel services and \$50,000 (exclusive of expenses) for PERB-related work, for Nixon, Hargrave; and \$60,000 (including expenses) for Mr. Rogers.

#### FISCAL INFORMATION

"Funds required to support contract services for JAF, IP3, the Flynn Plant and headquarters have been included in the 1998 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

#### RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Engineering, the Regional Manager - Southeast NY, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '9-A' and as discussed above.

"The Chief Nuclear Officer, the Secretary and General Counsel, the Executive Vice President - Chief Financial Officer, and I concur in the recommendation."

***Discussion was held on two proposed contracts between the Authority and Nixon, Hargrave, Devans & Doyle and Mr. Danforth Rogers as set forth in Agenda Item No. 9. [LANGUAGE REDACTED] While the Trustees were agreeable to the retention of the Nixon law firm by the Authority as labor & employment counsel and to the retention of Mr. Danforth Rogers to assist Law Department staff, they requested the General Counsel [LANGUAGE REDACTED].***

**10. Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘10-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling to \$33,000,000 from the previously approved ceiling of \$20,000,000, of the procurement contracts with seven companies (Proto-Power Corp., Raytheon Engineers & Constructors, Stone & Webster Engineering Corp., Yankee Atomic Electric Co., Burns & Roe Enterprises, Inc., Cataract, Inc., and Sargent & Lundy), for General Services Agreements providing engineering services to support both nuclear plants.

BACKGROUND

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

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

DISCUSSION

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

“Although the firms identified in Exhibit ‘10-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees’ approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

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

“Extension of each of the contracts identified in Exhibit ‘9-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency

schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to IP3 post-outage activities, as well as JAF pre-outage activities.

**Contracts in support of the nuclear plants – Increase in Compensation Ceiling:**

“At their meeting of November 26, 1996, the Trustees approved the award of seven three-year General Services Agreements (‘GSA’s’) to provide engineering personnel to perform design changes and modifications, on an ‘as required’ basis, in support of both nuclear plants. The contracts with **Proto-Power Corp., Raytheon Engineers & Constructors, Stone & Webster Engineering Corp., Yankee Atomic Electric Company, Burns & Roe Enterprises, Inc., Cataract, Inc., and Sargent & Lundy (C96-Z0050 – C96-Z0056)**, which became effective on October 15, 1996, were awarded as a result of competitive bidding. These contracts were approved by the Trustees through October 14, 1999.

“The original intent, as indicated in the President’s November 26, 1996 memorandum to the Trustees in the aforementioned item, was that some tasks would be assigned on a sole source basis to the firm with a specific specialty or which could meet compressed schedule requirements, but that as tasks were identified to be performed, the selected firms would competitively bid against each other by submitting their qualifications, corresponding costs, and appropriate level of staffing to meet the required schedule for each task. In actuality, as indicated to the Trustees in a subsequent ‘informational’ memorandum presented at their meeting of March 25, 1997, most of the IP3 tasks were awarded on a sole source basis due to the criticality of tasks to support Refueling Outage 9 (‘RO9’) and the engineering backlog reduction effort, which is a significant issue with the NRC. Since awarding the majority of the initial critical tasks on a sole source basis, staff has been increasingly successful in bidding tasks that were not critical to RO9. Backlog reduction tasks are awarded on a sole source basis only when the expertise required is available from only one specific vendor.

“Staff has subsequently evaluated the use to date of these seven different firms to provide engineering resources in support of both plants. In each case, these vendors have performed satisfactorily, but with varying degrees of efficiency and cost-effectiveness. Staff now recommends a revised, bifurcated approach: limit the award of the majority of 1998 work to two or three vendors per plant, enabling them to specialize and dedicate key personnel and other resources; in addition, staff reserves the right to award certain tasks on a sole source basis. This approach should increase the efficiency, quality, and responsiveness of each vendor, while providing an overall cost reduction. This will be achieved by a ‘partnering’ approach with the most qualified vendors on a preplanned amount of work for 1998, for which they will be able to plan and schedule their manpower loading in the most efficient manner. To accomplish the selection process, bids were solicited from each of the seven aforementioned vendors working under the existing ‘GSA’ contracts. Staff recommends selection of the following vendors, based on the best cost, quality, and schedule performance for the Authority: Proto-Power for both plants, Sargent & Lundy for JAF, and Burns & Roe for IP3. In addition, emergent work that may arise will continue to be bid among all the vendors.

“It is estimated that approximately 175,000 manhours of work will be needed by JAF and IP3. In 1998, typical activities include the preparation of engineering analyses and calculations; nuclear safety evaluations; mechanical, electrical, instrumentation and control, and civil/structural design drawings; installation specifications; work instructions; test procedures; modification packages; field installation support; and modification closeouts. In addition, JAF is planning a refueling outage for which additional support may be required. The estimated costs of providing such support for JAF and IP3 for 1998 is \$13,000,000, which is also expected to cover unanticipated tasks.

December 16, 1997

"The Trustees' approval is therefore requested to authorize the 1998 tasks for IP3 and JAF as outlined above, and to approve the additional funding, thereby increasing the compensation limit to \$33,000,000.

"The six contracts with **Sciencetech Inc. (formerly Halliburton NUS Corp./NUS Division; S94-61100), The Risk Research Group (S94-61092), Science Applications International Corp. (S94-61095), EQE International (S94-61112), Tenera, LP (S94-61096), and Pickard, Lowe & Garrick, Inc. (S94-61104)** provide consulting services for probabilistic safety analyses and reliability studies related to ongoing regulatory commitments in support of JAF and IP3. At their meeting of October 25, 1994, the Trustees approved the award of six contracts, in the total amount of \$1,400,000, for the intended term of three years. The contracts were awarded to employ consultants to: assist with updating previously performed Individual Plant Examinations ('IPEs') for JAF and IP3; performing IPEs for External Events ('IPEEs') for JAF and IP3; responding to NRC concerns and questions regarding these examinations; and reviewing the Severe Accident Management Guidelines. While this work is progressing, completion is not expected until mid-1999. The consultants who performed these studies must be retained to respond to the NRC comments, until all outstanding issues have been resolved. An extension through June 30, 1999 is now requested in order to complete the program and resolve all outstanding issues with the NRC. The current contract amounts for all six contracts total \$878,049; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend these six contracts through June 30, 1999 with no anticipated additional funding requested.

**Groups of related Headquarters-issued contracts in support of the nuclear plants:**

"The three contracts with **Eric S. Beckjord (S97-01228), James E. Gagliardo (S97-01250), and Gerard T. Goering (S97-00887)** provide for the services of three Safety Review Committee ('SRC') consultants. This committee is required by the Technical Specifications of both JAF and IP3 and fulfills an NRC requirement. These nuclear engineering consultants provide the SRC with an independent review of documents related to the safe operation of the Authority's two nuclear plants and prepare written reports of operational activities reviewed. They attend regularly scheduled meetings every other month, and are available for occasional special meetings, phone conferences, etc. They also participate as voting members of the SRC. Each of the three consultants brings a uniquely needed expertise to the SRC committee in the areas of nuclear facility operations and management and organizational issues. In addition, each of these individuals has developed an extensive knowledge of the Authority, its nuclear programs and improvement efforts and they have provided excellent work in support of the SRC committee. Messrs. Gagliardo and Goering have served on the SRC for three years; Mr. Beckjord has served for one year. A two-year extension to each contract is requested in order to provide ongoing SRC review work, as well as to expand their work scope. Beginning in 1998, the SRC consultants will interface with the Authority's Nuclear Advisory Committee. Messrs. Beckjord and Goering will continue ongoing review work and will also expand their work scope with review of the Authority's Improved Technical Specifications ('ITS'), which are under development. Mr. Gagliardo is currently, and will continue, working on the ITS project and performing SRC review work. The current contract amounts are \$68,000 for Mr. Beckjord, \$98,000 for Mr. Gagliardo, and \$54,000 for Mr. Goering. It is anticipated that an additional \$120,000 per consultant will be required for the extended term; therefore an additional combined total of \$360,000 is requested. The Trustees' approval is requested to extend the subject contracts through December 31, 1999 and to approve the additional funding.

"The three contracts with **Dr. Ray Hilborn (S93-42590), Post Buckley Schuh & Jernigan (formerly Coastal Environmental Services; CZ-9117), and Carl J. Walters (S93-51653)** provided consulting services to conduct Hudson River fish stock population assessments, as well as to calculate the biological and economic impact of power plants on these fish stocks. These assessments and calculations were included in a Draft Environmental Impact Statement ('DEIS') prepared jointly by the Authority, Con Edison, Orange and Rockland, and Central Hudson utilities. The DEIS is required for renewal of the State Pollutant Discharge Elimination System ('SPDES') permits covering Indian Point, Bowline, and Roseton power plants. The New York State Department of Environmental Conservation ('DEC') reviewed the DEIS and determined that the utilities must

December 16, 1997

revise it. An extension of these three contracts is therefore required because staff anticipates that the revision process will continue through 1999 and the DEC considers these consultants to be an important part of the DEIS revision and review process.

“Although the Authority is the lead organization in this effort, all expenditures for this work are shared by the four utilities according to the cost-sharing formula established by the Hudson River Cooling Tower Settlement Agreement. The Authority’s share of the total is 22.89%. This program is part of a multi-party environmental arrangement that enabled the utilities operating power plants along the Hudson River to avoid building costly cooling towers. The contracts became effective on February 10, 1993, September 2, 1987, and October 7, 1993, respectively. Time extensions and additional funding/increases in compensation ceiling were previously approved by the Trustees at their meetings of November 22, 1988, September 24, 1991, July 28, 1992, September 28, 1993, September 29, 1994, December 15, 1994, February 27, 1996, and June 25, 1996. These contracts were approved with the understanding that they would need to be extended until the DEIS was fully accepted by the DEC. A two-year extension is requested to continue the above-described services provided by Dr. Hilborn, Post Buckley Schuh & Jernigan, and Carl Walters, respectively. The current contract amounts are \$210,000 for Dr. Hilborn, \$2,663,427 for Post Buckley, and \$75,000 for Carl Walters. It is anticipated that an additional \$100,000 may be required for the extended term for the services provided by Dr. Hilborn and \$300,000 for those provided by Post Buckley, respectively; no anticipated additional funding is requested for Carl Walters, since the total previously approved amount is \$125,000. These amounts represent the total expenditures by all utilities combined; the Authority’s share of increased cost for the proposed extensions will be approximately \$22,890 for Dr. Hilborn and \$68,670 for Post Buckley. The Trustees’ approval is requested to extend the subject contracts through December 31, 1999 and to approve the additional funding for Dr. Hilborn and Post Buckley.

“The four contracts with **GSO Graphics Inc. (S97-01312)**, **Louis Frey Co. Inc. (S97-01234)**, **J. N. Reid & Co. Inc. (S97-01313)**, and **UMC Imaging Systems Inc. (S97-01220)** provide for reproduction services, on an ‘as required basis’, for the Authority’s Configuration Management and Engineering Support programs. Services include scheduled and unscheduled pickup and delivery of blue line prints, Xerox prints, sepias, diazo and washoff mylars, aperture cards, roll microfilm, microfiche, slide mounting, etc. in compliance with the ANSI/AIIM standards, NRC regulations, Nuclear Records Management Association guidelines, and plant-specific requirements. The original award of these four contracts, which were competitively bid, became effective on February 13, 1997 for an initial term of one year, with an option to extend services for an additional year. A one-year extension is now requested in order to exercise this option. The current contract amounts total \$70,000 (\$10,000 for GSO Graphics and \$20,000 each for Louis Frey, J.N. Reid, and UMC Imaging, respectively). It is estimated that an additional \$35,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through February 12, 1999 and to approve the additional funding.

#### **Contracts in Support of the Nuclear Plants:**

“The contract with **G & G Advertising Inc. (S97-00999)** provides for advertising services for the Authority’s IP3 Public Relations group. Services include advertisements in various publications (daily and weekly newspapers) to support emergency preparedness requirements, i.e., siren testing and Planning for Emergencies booklet advertisements on a prescribed schedule. The original award, which was competitively bid, became effective on February 6, 1997, for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$25,750; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through February 5, 1999 with no anticipated additional funding requested.

“The contract with **Honeydippers Septic Service (C96-I6702)** provides for septic tank cleaning services, on an ‘as required’ basis, for site buildings at IP3. The Trustees approved the award of a three-year contract, in the amount of \$200,000, at their meeting of December 19, 1995. The current contract amount is \$250,000 (in accordance with the Authority’s Expenditure Authorization Procedures). Due to the extended outage, with

additional personnel on-site for a longer period of time than anticipated, more service was required than originally planned and budgeted. In addition, occasional sewage treatment problems in the Village of Buchanan precluded the Authority from using the Buchanan system, forcing the plant to utilize more expensive removal rates for 24-hour service. It is currently anticipated that an additional \$175,000 will be required to provide services through the end of the contract term (December 31, 1998). The Trustees' approval is therefore requested to approve the additional funding in the amount of \$175,000, revising the total contract amount to \$425,000.

**Contracts in Support of Headquarters Business Units and Non-Nuclear Facilities:**

“The three contracts with **Acres International Limited ( for the services of Richard Carson; S92-23872), David D. Andres (S94-59834), and Dr. Robert Ettema (CZ-9556)** provide for the professional services of a Board of Consultants to advise the Authority on conducting studies to investigate the impacts of ice in the upper Niagara River on the operation of the Niagara Power Project, evaluating the resulting recommendations, and implementing measures that might reduce such ice impacts. The Board was established pursuant to a Federal Energy Regulatory Commission ('FERC') order that amended the Niagara Power Project license. The contracts with the three Board members became effective on January 1, 1992, April 1, 1994, and November 26, 1989, respectively.

“In a July 21, 1989 amendment to the Niagara Power Project license, FERC directed the Authority to undertake studies aimed at determining the relationship between Project operation and ice flow in the upper Niagara River. The requirements for the studies were set forth in new license articles 305, 306, and 307. In November 1990, the Authority submitted to FERC a plan describing the studies to be undertaken, based on the Board's recommendations. Some unanticipated delays in completing the studies deferred the submittal to FERC of the final report summarizing the results of the studies to December 31, 1997. The Authority needs to retain the services of the Board members beyond this date to accommodate follow-up deliberations by the Board that may result from FERC's review of the reports and studies. In anticipation of a lengthy FERC review process, staff recommends a two-year extension of the subject contracts through December 31, 1999.

“The selected experts that comprise the Board of Consultants have provided the Authority with valuable advice during the conduct of the studies for FERC. The recommendations, some of which have already been implemented, are expected to produce substantial benefits for the Authority. In particular, the improvement in the design of the Lake Erie – Niagara River ice boom by replacing the wooden timbers with steel pontoons, is expected to substantially reduce power generation losses caused by ice and reduce the costs of maintaining the ice boom. The ice boom upgrade is estimated to have a net present value of over \$4,000,000, a benefit-cost ratio of 6, and a payback period of less than three years.

“The Trustees first approved the award of contracts to Board member Dr. Ettema at their November 18, 1989 meeting, to Board member David Andres at their April 24, 1990 meeting, and to Acres International, for the services of Richard Carson, at their December 19, 1991 meeting. A two-year extension is requested in order to continue advice in support of this ongoing effort and to retain these consultants until all issues raised by FERC have been completely resolved. The current amounts are \$135,000 for Acres International, \$104,500 for David Andres, and \$185,000 for Dr. Robert Ettema. The Trustees' approval is requested to extend these three contracts through December 31, 1999 with no additional funding requested.

“The contract with **Comforce Alliance Inc. (C96-Z0065)** provides for operating engineers at the Authority's White Plains Office ('WPO'). This contract provides for the services of six individuals, including the Chief Building Engineer as well as Assistant Mechanics. They operate the building's heating, ventilating, and air handling units and are required by code to be in the building during operating hours. They oversee and assist in administering work performed by outside contractors (e.g., for large-scale mechanical and electrical modifications and upgrades) and may perform preventive maintenance and repairs, as required. The original award, which was competitively bid, became effective on February 1, 1997 for an initial term of one year, with

December 16, 1997

an option to extend for one additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$558,000; it is anticipated that an additional \$558,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 1999 and to approve the additional funding.

"The contract with **Coulter, Fraser, Bolton, Bird & Ventre (S95-70920)** provides for legal representation/litigation services in connection with pending cases. The Coulter firm was retained on an 'of counsel' basis in a discrimination lawsuit filed by a former JAF employee in the U.S. District Court for the Northern District of New York. Since the Authority's motion for summary judgment has been denied, a trial of this matter is anticipated for 1998. The firm is also representing an Authority employee named as defendant in a suit brought by a contractor's employee at JAF. The original contract, which was awarded as the result of a competitive search, became effective on October 18, 1994. The Trustees previously approved this contract at their meeting of September 27, 1995. A two-year extension is now requested in order to continue services, on an 'as required' basis, until all issues related to these matters are resolved. The current contract amount is \$20,000; it is estimated that an additional \$20,000 may be required for the extended term. The Trustees' approval is requested to extend this contract through October 17, 1999 and to approve the additional funding.

"The contract with **Digital Voice Corp. (C94-Z0008)** provides for off-site technical support via telephone from the vendor's Technical Assistance Center ('TAC') for telephone systems (including switches, telephones, and ancillary devices) at various Authority sites (NYO, WPO, B-G, CEC, IP3, JAF, NIA, POL, STL), as well as for emergency on-site call-outs of TAC personnel, as required. This contract, which was awarded on a sole source basis to the original equipment manufacturer, became effective on January 1, 1994; the Trustees previously approved these services at their meeting of January 25, 1994. A three-year extension is now requested in order to continue services. The current contract amount is \$86,602. It is estimated that an additional \$140,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 15, 2000 and to approve the additional funding.

"The contract with **Electronic Technologies Co. (C96-84103)** provides for maintenance service, scheduled testing, and repairs of the fire alarm systems at the Authority's White Plains Office ('WPO'), including a Simplex Model 2001 system in the Centroplex building and the Notifier AM2020 intelligent system in the garage. Services are performed by factory-trained and certified Simplex and Notifier technicians. The original award, which was competitively bid, became effective on October 23, 1996 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$9,000; it is anticipated that an additional \$9,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 22, 1998 and to approve the additional funding.

"The contract with **Electronic Technologies Co. (S96-85935)** provides for maintenance and repair services of the SECOM card access system to the Authority's WPO parking garage. Services include preventive maintenance, repair and/or replacement of defective components, providing interim equipment, and, where authorized by the Authority, upgrading in lieu of replacing existing equipment. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$7,000; it is anticipated that an additional \$7,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through December 31, 1998 and to approve the additional funding.

"The contract with **FPI Electrical, Inc. (S96-83264)** provides for the labor to upgrade lighting equipment at the City of Albany Central School District, as part of the Authority's Public Schools HELP program. The original award, which was competitively bid, became effective on September 11, 1996 for a term of one year. A five-month extension is now requested in order to complete additional work, which the district

requested. The largest such initiative involves installation of a new energy efficient lighting system in the high school parking lot. The current contract amount is \$386,625. It is estimated that an additional \$20,000 will be required to complete all necessary work during the extended term. The Trustees; approval is requested to extend the subject contract through January 31, 1998 and to approve the additional funding.

“The contract with **Laro Service Systems, Inc. (S96-85972)** provides for janitorial services for the Authority’s WPO. Services include base building and day cleaning on a prescribed schedule for Authority and tenant space, as well as additional cleaning for Authority space, carpet cleaning, garage cleaning, interior and exterior window cleaning, etc. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$692,000; it is anticipated that an additional \$1,384,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

“The contract with **LMF Construction & Restoration Corp. (S96-85977)** provides for waterproofing services for the Authority’s WPO parking garage structure, on an ‘as required’ basis, specifically restoring Stresscon Dyna-Frame pre-cast, pre-stressed parking garage systems. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$45,000; it is anticipated that an additional \$90,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

“The contract with **Longo Industries (S97-00487)** provides for the furnishing, delivery, installation of energy efficient motors in New York City Board of Education and Department of General Services facilities, as part of the Authority’s High Efficiency Lighting Program (‘HELP’). The original award, which was competitively bid, became effective on March 1, 1997 for a term of less than one year. Due to customer delays, equipment delivery problems, and use of small crews, the commencement of the work was greatly delayed. A one-year extension is now requested in order to complete the project; the pace of the work is expected to accelerate and all motors should be installed by the end of 1998. The current contract amount is \$1,502,119. The Trustees’ approval is requested to extend the subject contract through December 31, 1998 with no additional funding requested.

“The contract with **Morales Electrical Contracting, Inc. (S96-83836)** provides for the labor to upgrade the lighting system at Kingsborough Community College, as part of the Authority’s HELP program. The original award, which was competitively bid, became effective on October 21, 1996 for a term of less than one year. Due to unanticipated delays caused by underestimated manpower loading and facility scheduling constraints, the completion of the work was delayed. A seven-month extension is now requested in order to complete the project; the pace of the work is expected to accelerate and all lighting should be installed by the end of May 1998. The current contract amount is \$519,687. The Trustees’ approval is requested to extend the subject contract through May 31, 1998 with no additional funding requested.

“The contract with **Multifact Business Concepts, Inc. (S97-01847)** provides for temporary programming and Information Technology (‘IT’) personnel, on an ‘as required’ basis, to support short-term resource needs for IT projects and support activities (such as application system development, as well as Help Desk and User Support activities). The original award, which was competitively bid, became effective on February 26, 1997 for an initial term of one year, with an option to extend for two additional years. A one-year extension is now requested in order to exercise the first year of this option. The current contract amount is \$907,199; it is anticipated that an additional \$1,000,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through February 25, 1999 and to approve the additional funding.

December 16, 1997

“The contracts with **On Call Counsel (S97-01104)** and **The Wallace Law Registry (S97-01102)** provide for temporary attorney and paralegal services, on an ‘as required’ basis, especially in the areas of employee benefits and tax-related matters. The original awards, which were competitively bid, became effective on January 17, 1997 for an initial term of one year. A three-month extension is now requested in order to continue the services of temporary employees working under this contract until other options can be fully explored. The current contract amounts are \$2,500 for On Call and \$42,500 for Wallace Law. Although Wallace Law has supplied the majority of these attorneys and law assistants, On Call has provided several strong candidates. Staff recommends retaining both firms, which will allow the Authority to evaluate more potential candidates for such temporary assignments. The Trustees’ approval is requested to extend the subject contracts through April 16, 1998 with no additional funding requested.

“The contract with **Owl Security & Investigation Services, Inc. (a certified Women’s Business Enterprise; C96-Z0066)** provides for security receptionists and patrol services for the Authority’s WPO and NYO. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$445,000; it is anticipated that an additional \$890,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

“The contract with **Picturetel Corp. (S94-55942)** provides for maintenance services for video conferencing equipment at various Authority sites (Albany, B-G, CEC, Flynn, IP3, JAF, NIA, NYO, POL, STL, & WPO), as well as maintenance of video bridging equipment (which ties all sites together) at WPO. This contract, which was awarded on a sole source basis to the original equipment manufacturer, became effective on January 1, 1994; the Trustees previously approved these services at their meeting of December 15, 1994. A three-year extension is now requested in order to continue maintenance services. The current contract amount is \$71,728; it is estimated that an additional \$127,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 2000 and to approve the additional funding.

“The contract with **Quality Systems Inc. (‘QSI’; S94-65581)** provided for training, mentoring, and related services to support implementation of the new maintenance management program within Power Generation. This contract with QSI, a New York State certified Women’s Business Enterprise, was competitively bid and became effective on November 14, 1994. The Trustees previously approved extensions and additional funding at their meetings of September 27, 1995, June 25, 1996, and December 17, 1996, respectively. The maintenance management program is expanding into a multi-faceted program that controls various improvement, life extension, and day-to-day maintenance activities at all Authority Power Generation facilities. The program processes have already resulted in more efficient use of staff and reduced the need for outside contracted labor. As the program matures over the next few years, objective periodic assessments of ongoing maintenance practices will be required to yield its full benefits. Since QSI participated with the Authority in formulating the original program, it is best qualified to provide this feedback regarding work process improvement. A two-year extension is therefore requested to provide such services during this new phase of the program. The current contract amount is \$275,000. It is estimated that an additional \$200,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

“The contract with **Racal-Datacom Inc. (S95-74410)** provides for maintenance services for the Authority’s communications equipment at various Authority sites, including 16 Omnimax-9000 nodes at Albany, B-G, CEC, Flynn, IP3, JAF, NIA, NYO, POL, STL, & WPO, as well as at the Office of General Services. This equipment provides communication for the SCADA and RTU systems, as well as communication for data, voice, and video services (i.e., tie-ins). This contract, which was competitively bid, became effective on June 1, 1995; the Trustees previously approved these services at their meeting of December 15, 1994. A three-year

December 16, 1997

extension is now requested in order to continue maintenance services. The current contract amount is \$299,881; it is estimated that an additional \$350,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2000 and to approve the additional funding.

"The contract with **Siemens Power Corp. (S96-83823)** provides for technical support, supervision, tools, and labor to perform a major inspection of the Combustion Turbine Generator ('CTG') at the Authority's Richard M. Flynn Power Plant. Work includes removal and refurbishment of old blades, installation of new blades, and various warranty items. The original award, which was awarded on a sole source basis to the original equipment manufacturer, became effective on September 16, 1996 for a term of one year. A nine-month extension is now requested in order to resolve outstanding warranty claims, such as engineering procedure to inspect, test, and repair tie rod; repair of degraded coating inside CTG inlet duct; replacement of damaged swirlers in B-1 combustion chamber and of turbine blading that could not be repaired. The current contract amount is \$1,372,984. The Trustees' approval is requested to extend the subject contract through June 30, 1999 with no additional funding requested.

"The contract with **Signacon Controls, Inc. (C96-Z0068)** provides for factory-authorized maintenance services for the electronic security systems/equipment at the Authority's WPO and NYO. Services include quarterly preventive maintenance, as well as 'on-call' emergency repair services, for the CardKey PASS-2100 Series system and CCTV monitoring system at NYO and CardKey PASS Ultra Series system and CCTV camera system at WPO. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$34,721; it is anticipated that an additional \$70,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

"The contract with **Thomson Financial Services (S95-71106)** provides for maintenance services to support the 'Portia' investment management software system at NYO, as well as consulting services to perform module enhancements, as required. The original award, which was competitively bid, became effective on January 1, 1995; the Trustees previously approved these services at their meeting of December 15, 1994. A two-year extension is now requested in order to continue maintenance and support services. The current contract amount is \$34,400; it is estimated that an additional \$25,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

"The contract with **Underground Systems Inc. (S96-84421)** provides for the upgrade and improvement of the leak detection system for the Authority's Y-49 transmission cable. The original award, which was made on a sole source basis to the original equipment manufacturer, became effective on October 18, 1996. The vendor also retained proprietary information associated with the source code related to leak rate calculations. The proposed enhancements to the system are required to improve leak detection sensitivity. This will include improvements in flow rate monitoring, tank level measurement, enhancements to software, system hardening, and technology transfer to the Poletti plant, including training staff in system operation. Additional testing of the sensor technologies to be used for improved leak detection sensitivity was identified during laboratory evaluation. This led to a delay in the completion of software implementation and the transfer of the technology to the Poletti facility. It is expected that this work will be completed shortly. After final evaluation, these enhancements will be installed on the leak detection system and are expected to be operational by the summer of 1998. Follow-up will continue through October 1998 to ensure that the system performs satisfactorily and as designed. A one-year extension is therefore requested in order to complete the project. The current contract amount is \$161,150. The Trustees' approval is requested to extend the subject contract through October 17, 1998 with no additional funding requested.

December 16, 1997

FISCAL INFORMATION

“Funds required to support contract services for various non-nuclear Headquarters Departments/Business Units and non-nuclear facilities, as well as JAF, and IP3 have been included in the 1998 Approved Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Director – Research and Development, the Director – Corporate Support Services, the Treasurer, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Regional Manager - Western NY, the Regional Manager – Southeast NY, the Vice President - Engineering, the Vice President –Project Activities, the Chief Information Officer, the Vice President and Chief Engineer – Power Generation, and the Vice President – Procurement and Real Estate, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '10-A', and of an increase in the compensation ceiling of the seven contracts with Proto-Power Corp., Raytheon Engineers & Constructors, Stone & Webster Engineering Corp., Yankee Atomic Electric Co., Burns & Roe Enterprises, Inc., Cataract, Inc., and Sargent & Lundy.

“The Senior Vice President – Energy Efficiency & Technology, the Chief Nuclear Officer, the Secretary and General Counsel, the Executive Vice President – Project Operations, the Executive Vice President - Chief Financial Officer, and I concur in the recommendation.”

***Mr. Hoff discussed ongoing litigation with Westinghouse Electric Corporation, with respect to certain refueling outage services provided the Authority by Westinghouse at IP3 in 1997. He requested that the Trustees approve [LANGUAGE REDACTED] Following discussion by the Trustees, it was moved by Trustee Ciminelli, and seconded by Trustee Miller, that [LANGUAGE REDACTED] without the written prior approval of President Zeltmann. The motion was adopted unanimously.***

11. Motion to Resume in Open Session

Upon motion duly made and seconded, the meeting was resumed in open session.

**Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and the Richard M. Flynn Power Plant – Awards**

The attached resolution, as recommended by the President, and amended to conform to the discussion held in executive session, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit “9-A” are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.**

**Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling**

The attached resolution, as recommended by the President, and amended to conform to the discussion held in executive session, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit ‘10-A’ is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further**

**RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the seven contracts with Proto-Power Corp., Raytheon Engineers & Constructors, Stone & Webster Engineering Corp., Yankee Atomic Electric Co., Burns & Roe Enterprises, Inc., Cataract, Inc., and Sargent & Lundy, be, and hereby are, approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below:**

<u>O &amp; M</u>	<u>Contract Approval Compensation Ceiling</u>	<u>Projected Closing Date</u>
General Services Agreements to provide for engineering services for IP3 and JAF:		
Proto-Power Corp. C96-Z0050	\$13,000,000 (additional funding)	10/14/99

December 16, 1997

<b>Raytheon Eng. &amp; Constructors</b>	<b>through 12/31/98)</b>
<b>C96-Z0051</b>	
<b>Stone &amp; Webster Eng. Corp.</b>	
<b>C96-Z0052</b>	
<b>Yankee Atomic Electric Co.</b>	
<b>C96-Z0053</b>	
<b>Burns &amp; Roe Enterprises, Inc.</b>	
<b>C96-Z0054</b>	
<b>Cataract, Inc.</b>	
<b>C96-Z0055</b>	
<b>Sargent &amp; Lundy</b>	
<b>C96-Z0056</b>	
<b>Previously Approved</b>	<b><u>\$20,000,000</u></b>
<b>Compensation Ceiling</b>	
<b>TOTAL REVISED</b>	
<b>COMPENSATION CEILING</b>	<b><u>\$33,000,000</u></b>

December 16, 1997

**12. Next Meeting**

'The Regular meeting of the Trustees will be held on **Tuesday, January 27, 1998, at the New York Office at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.'

**December 16, 1997**

**Closing**

“Upon motion made and seconded, the meeting was closed 1:55 at p.m.

David E. Blabey  
Secretary and General Counsel

DECMINS.97