

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

May 20, 1997

Table of Contents

	<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1)	Minutes of the Annual Meeting held on April 30, 1997	3	
2)	Financial Report for the Four Months Ended April 30, 1997	4	'2-A'
3)	Contract for the Sale of Economic Development Power to International Business Machines Corporation, Thomas J. Watson Research Center – Transmittal to the Governor Resolution	5	'5-A'
4)	Addition to the Nuclear Generation Operations and Maintenance Budget Resolution	8	
5)	Indian Point 3 Nuclear Power Plant - Service Water System Improvement Plan - Small Bore Pipe Replacement - Expenditure Authorization Resolution	10	
6)	Procurement (Services) Contract - St. Lawrence/FDR Power Project Relicensing - Relicensing Studies Services – Kleinschmidt Associates – Award Resolution	13	
7)	Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; and Headquarters – Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling Resolution	18	'7-A'
8)	Next Meeting	24	
9)	Motion to Conduct and Executive Session	24	
	Closing	25	

May 20, 1997

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

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

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
John F. English	Senior Vice President – Corporate Planning
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Charles M. Pratt	General Counsel
Woodrow W. Crouch	Vice President – Project Management – Power Generation
John M. Hoff	Vice President - Procurement and Real Estate
Russell J. Krauss	Chief Information Officer
Joseph J. Carline	Assistant General Counsel
Charles I. Lipsky	Vice President – Chief Engineer – Power Generation
Gerard V. Loughran	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Relations
Richard E. Kuntz	Regional Manager - SENY Southeast New York
James J. McCarthy	Regional Manager – Central New York
Daniel Berical	Director - Intergovernmental Affairs
Joseph J. Brennan	Internal Auditor
Robert Meehan	Director – Compensation and Benefits
John L. Murphy	Director – Public Information
William Slade	Director – Environmental Programs
John Suloway	Director - Licensing
James H. Yates	Director - Business Marketing and Economic Development
Carmine J. Clemente	Counsel
Gary Paslow	Director - Policy Development
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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

May 20, 1997

1. Approval of the Minutes

The minutes of the Annual Meeting held on April 30, 1997 were approved.

May 20, 1997

2. **Financial Report for the Four Months Ended April 30, 1997**

May 20, 1997

3. Contract for the Sale of Economic Development Power to International Business Machines Corporation, Thomas J. Watson Research Center - Transmittal to the Governor

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve a two year extension to the allocation of 15 MW of Economic Development Power (‘EDP’) to International Business Machines Corporation - Thomas J. Watson Research Center (‘Watson Center’). The Trustees are also requested to authorize transmittal to the Governor of the proposed contract (Exhibit ‘3-A’ attached hereto).

BACKGROUND

“At their meeting of December 15, 1994, the Trustees approved the allocation of 16 MW of FitzPatrick Economic Development Power (‘EDP’) to International Business Machines Corporation to serve its Watson Center in Yorktown and Hawthorne for a term of three years ending December 31, 1997. The contract was approved for business revitalization purposes based on IBM’s demonstration that the Watson Center was in serious, long-term distress. The Trustees approved the allocation of 16 MW of EDP with a commitment by IBM to maintain 2,265 jobs at the Watson Center. The company presently has a 15 MW allocation as it permanently relinquished 1 MW in December 1994.

“On December 17, 1996 the Economic Development Power Allocation Board (‘EDPAB’) approved an amendment to the contract granting a two year extension to IBM’s current allocation of 15 MW based on an new demonstration that the Watson Center met the criteria for a revitalization allocation. IBM made a commitment to maintain 2,800 jobs which is 535 jobs above the commitment of 2,265 associated with its original allocation.

“The Chairman authorized that notice of a public hearing be published on the proposed contract amendment and that notification be submitted to the Governor and the legislative leaders.

DISCUSSION

“Copies of the proposed contract were 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. Notice of a public hearing on the terms of the proposed contract amendment was given by publication in newspapers throughout New York State. A public hearing on the proposed contract was held on April 16, 1997, at the Authority’s White Plains office.

“At the public hearing, Mr. Alan Wilson, Director of Operations, IBM Research Division Director of Operations and Ms. Margaret Soter, Business Liaison to the County of Westchester, spoke in favor of the proposed contract. Written letters in support of the proposed contract were received from Mr. Andrew O’Rourke,

May 20, 1997

“Westchester County Executive, Mr. Vincent Leibel, New York State Senator, 37th District, Sandra Galef, New York State Assemblywoman, 90th District, and Linda Cooper, Town Supervisor, Town of Yorktown.

“The Authority received a letter in opposition to the contract amendment from two private individuals who opposed the sale of low-cost electricity to IBM, specifically and generally criticized the use of governmental-sponsored economic development programs.

“After the public hearing the terms of the contract were reconsidered. For all the reasons presented at the hearing, and by the other proponents of the allocation, as well as the demonstrated benefits that the Watson Center has provided to the Westchester County area, the proposed contract amendment is in the public interest and should be approved.

“Consolidated Edison Company of New York, Inc. does not oppose the contract.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the proposed contract for the sale of 15,000 kilowatts of Economic Development Power to the International Business Machine Corporation representing the allocation shown in Exhibit ‘3-A’ be transmitted to the Governor with the recommendation that it be approved.

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

Mr. Pasquale added that 535 jobs over and above the original allocation would be secured. Chairman Rappleyea expressed the Trustees’ satisfaction that economic development power is serving to further the caliber of scientific research being conducted at the T.J. Watson facility.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority enter into a contract with International Business Machines Corporation, Thomas J. Watson Research Center for the sale of 15 MW of Economic Development Power subject to the terms and conditions described in the foregoing report of the President; and reached agreement with IBM, Inc. on the terms of the contract for the sale of Economic Development Power; and

WHEREAS, the Authority reached agreement with International Business Machines Corporation on the terms of the contract for the sale of Economic Development Power; and

WHEREAS, copies of such contract 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 were made available for public inspection during a 30 day period at the offices of the Authority and at other locations throughout the State; and

May 20, 1997

WHEREAS, on April 16, 1997 the Authority held a public hearing on the terms of such contract upon more than 30 days' notice given by publication once each week during such period in at least six newspapers within the State of New York; and

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

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

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

RESOLVED, That the Chairman and the Secretary be authorized and directed to execute such contract in the name and on behalf of the Authority whenever the contract 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 contract.

**4. Addition to the Nuclear Generation
Operations and Maintenance Budget**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve an addition of \$35 million to the Nuclear Generation Operations and Maintenance budget for 1997. These additional resources are needed as a result of final planning for the Indian Point 3 Nuclear Power Plant (‘IP3’) refueling outage, the extended forced outage in January and ongoing engineering work to respond to regulatory initiatives.

BACKGROUND

“At their meeting of December 17, 1996, the Trustees approved a 1997 Operations and Maintenance Budget of \$259 million for Nuclear Generation. As discussed at the time, this was \$20 million less than the amount projected pending more detailed evaluation of the final scope of the refuel outage, the scope of engineering work for IP3 and the result of the Nuclear Z Team evaluation. The final analysis determined that an additional \$35 million is required this year to complete the IP3 refueling outage, which has already started, the cost of the forced outage at IP3 in January and to complete engineering work associated with ongoing NRC initiatives involving generic industry issues, such as the Authority’s plants’ design basis.

DISCUSSION

“IP3 returned to service in April 1996, with approximately 14 full power months remaining in the core. It ran for 240 consecutive days. During this period, the primary effort was to reduce the outstanding maintenance backlog at the plant to improve plant material condition, a key concern of the Nuclear Regulatory Commission (‘NRC’). The backlog was reduced from over 1,600 items to under 700 items. Work was also begun to plan the work to be done during this year’s refueling outage. Due to the extensive amount of work done to correct the maintenance backlog, however, this planning was started late and was not completed before the start of the refueling outage. In comparison, the planning for the successful 47 day outage at the James A. FitzPatrick Nuclear Power Plant (‘JAF’) last year, was completed a full six months prior to the start of the outage.

“In addition to the late start in planning, the amount of work required to be done during this refueling outage is extensive. Below is a summary of the major work items planned to be done during this outage:

- Westinghouse Integrated Outage Program (Refueling, turbine generator maintenance, major maintenance) - \$22 million
- Service Water System pipe replacement program to improve material condition - \$10 million
- Work Backlog Reduction, for tasks requiring a plant outage, from 950 to less than 200 - \$5 million
- Water Hammer Testing, Analysis and Modifications to respond to current regulatory issue (NRC Generic Letter 96-06) - \$1 million
- Design Basis and Final Safety Analysis Report update Program - \$1 million

May 20, 1997

“This is a significant additional financial obligation for the Authority to undertake. It is required to finally bring IP3 to a base level of operations and the plant material condition to ensure its future success. It is understood that Nuclear Generation has required substantial additional resources over the last several years. It is also understood that following the outage at IP3, Nuclear Generation will be held accountable for its use of resources provided by the Trustees, as the rest of the Authority now is held accountable. We believe this is a necessary investment for the Authority to make to realize the performance measures set for IP3 in 1998 and beyond. In summary, we expect both plants to be first quartile performance and produce power at 2.5¢ per kWh or less on a going forward basis by 1999. The Trustees should hold us accountable for realizing the promised return on this investment.

FISCAL INFORMATION

“The 1997 Authority net revenue target is \$67 million. Through the end of April, net revenue was approximately \$45 million which was \$10 million better than forecast. Assuming a successful IP3 outage, the continued excellent operation of other Authority plants over the balance of the year, continued high water levels at the Authority’s hydro plants, staff believes that the Authority can absorb this additional significant expense and still meet its original net revenue target. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Engineering and Project Management, the Vice President - Nuclear Operations, and the Senior Vice President and Chief Nuclear Officer recommend the Trustees’ approval of additional funds of \$35 million to the Nuclear Generation Operations and Maintenance Budget benefiting Indian Point 3 Nuclear Power Plant.

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

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

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, approval is hereby granted to increase the 1997 Nuclear Generation Operations and Maintenance budget, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

Nuclear Generation Operations and Maintenance

1997 Original Operations and Maintenance Approved December 17, 1996	\$259,000,000
Additional Expenditure Authorization	<u>\$ 35,000,000</u>
Revised approved 1997 Operations and Maintenance Budget	<u>\$294,000,000</u>

5. **Indian Point 3 Nuclear Power Plant - Service Water System Improvement Plan - Small Bore Pipe Replacement - Expenditure Authorization**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the expenditure of an additional \$2,900,000 to supplement the previous Trustees' authorization of \$7,300,000 approved at their meeting of February 25, 1997, to replace part of the small bore (1" - 4" dia.) Service Water Piping System. These funds will be used to complete the engineering and installation of work scheduled for the May 1997 Refuel Outage ('RO'). The previously approved funding was for engineering, procurement of materials and installation.

“This pipe replacement project had been identified in the '1997 Capital Plan' as a \$22,000,000 multi-phased project spanning several years; it is estimated that this project will still be completed within the projected \$22,000,000. This project will replace the small bore piping in the Service Water System and will span RO9, Non-outage 1998, with completion during RO10(1999). The initial scope of work for RO9 had a cost estimate of \$7,300,000; upon a more detailed review of the scope of work to be accomplished, an additional \$2,900,000 is required for installation. The first phase of the project has begun and will be installed during the 1997 Refuel Outage. The second phase will be of limited scope as this work will be performed post RO9 while the Plant is operating, and phase 3 will cover all remaining work and will be performed during the 1999 Refuel Outage.

BACKGROUND

“The Service Water Piping System circulates brackish Hudson River Water as a cooling medium to various heat exchangers throughout the Plant which in turn cool various pieces of equipment. The service water piping is carbon steel pipe with a protective cement inner liner. The deterioration of the small bore piping (1" - 4" diameter) joints has been severe because it was not feasible to get inside these pipes to grout the seams of the cement inner liner. It is at these unprotected valves, joints and connections that there has been corrosion causing leaks, leaving joints weak and susceptible to failure.

“A failure in this Safety Related System could cause the Plant to shut down for repairs. Over the past five years, the rate at which leaks have occurred has accelerated. In 1991 there were nine leaks, in 1996 there were 28 leaks. The Indian Point 3 Nuclear Power Plant ('IP3') Engineering Department has developed a comprehensive Action Plan outlining the Authority's pipe replacement program as an integral part of the solution to the Service Water Piping problem. The Nuclear Regulatory Commission is concerned about Service Water Piping as an industry-wide problem; it is, however, satisfied with the approach described in IP3's Action Plan.

DISCUSSION

“During the 1997 Refueling Outage, the small bore piping leading to safety related equipment will be replaced with 6% Molybdenum Stainless Steel piping, valves and fittings. This material is highly resistant to salt water corrosion minimizing any future problems of this type. The scope of work for RO9 will be limited to replacing piping to safety related systems to insure their integrity and strategically install isolation valves so that future work can be performed with minimal plant disruptions.

May 20, 1997

“As detailed engineering on this project progressed from the time of initial funding, the actual complexity of this pipe replacement project became more evident. The extent of support activities such as scaffolding and insulation removal and re-application was under-estimated. The intricate details of some of this work was not fully appreciated; additional installation and testing considerations had to be incorporated. Also, certain prudent changes were made to the piping configuration to improve safety, operability and maintainability by either changing the pipes’ routing or adding additional valves. Further, a portion of this piping system, which is buried underground, will have to be hand excavated rather than machine dug, increasing labor costs. These incremental tasks account for the additional funding requirements. It is projected that this project will still be completed within the \$22,000,000 projected in the 1997 Capital Plan.

“The future funding requests required for phase 2, scheduled for 1998 installation, and phase 3, scheduled for 1999 installation, will incorporate the experience gained from this initial phase with regards to estimating parameters and installation requirements.

FISCAL INFORMATION

“The Indian Point 3 Improvement Projects Proceeds Account has a current balance of \$130.7 million of which \$94.7 million is available to fund this request and additional tasks, not yet authorized, identified in the Capital Plan. Based upon current cash flow projections, funds are available through the year 2006. Payment will be made from the appropriate Construction Fund - Indian Point 3 Improvement Project Proceeds Account.

RECOMMENDATION

“The Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering and Project Control, the Vice President - Nuclear Operations, and the Chief Nuclear Officer recommend the Trustees’ approval of the expenditure \$2,900,000 for the Service Water System Improvement Plan.

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

President Schoenberger added that staff will meet its performance targets in the nuclear area, and stressed that prior capital expenditures approved by the Trustees represent solid investments which have begun to bear fruit.

May 20, 1997

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

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

<u>Capital</u>	<u>Expenditure Authorization</u>
Indian Point 3 Nuclear Power Plant Service Water Improvement Project	
Previously Approved (02/25/97)	\$ 7,300,000
Current Request:	<u>2,900,000</u>
TOTAL AMOUNT AUTHORIZED	<u>\$10,200,000</u>

May 20, 1997

**6. Procurement (Services) Contract - St. Lawrence/FDR
Power Project Relicensing - Relicensing Studies
Services - Kleinschmidt Associates - Award**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a multi-year services and procurement contract for \$8,400,000 to Kleinschmidt Associates (‘KA’) as a Relicensing Services Contractor for planning, procuring, managing, and coordinating services for various studies to be performed in support of the relicensing of the St. Lawrence/FDR Power Project (‘Project’). The contract will include \$2,400,000 for KA and \$6,000,000 for studies to be conducted by subcontractors.

BACKGROUND

“Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require Trustees’ approval of the award of 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

“The Authority’s existing Federal Energy Regulatory Commission (‘FERC’) license for the Project expires in October 2003. The Authority has initiated relicensing activities with FERC and the New York State Department of Environmental Conservation (‘DEC’) and began formal consultation with the public and regulatory agencies in early 1996, in a process known as the Cooperative Consultation Process (‘CCP’). Working with other members of the CCP Team, the Authority has identified a number of environmental, land management, recreational, socioeconomic and other studies required to address issues raised to date in the CCP and to prepare an Environmental Impact Statement (‘EIS’) in conjunction with the Authority’s application for a new license. In addition, information from some studies will be used in settlement discussions which are expected to begin in the summer of 1997.

“Approximately 30 studies may be required over the next two years. Additional studies may result from the public scoping meetings in June 1997. The studies will involve field work, office analyses or some combination of both. To date, nearly all required studies have been identified, and approximately half of the study outlines have been developed.

May 20, 1997

“Some 16 environmental studies have been identified to date. These studies range from studies of fisheries and wildlife, to identification of and feasibility studies of potential enhancements of aquatic and terrestrial habitats, including the Wilson Hill Wildlife Management Area, to studies of the effects of water level fluctuations on habitats and birds.

“Nine studies related to land management and recreational resources have been identified. These studies include development of a comprehensive land management plan, an assessment of existing and potential future recreational facilities, assessment of shoreline erosion, and development of a comprehensive cultural resources management plan.

“Six studies related to socioeconomic issues will be conducted. These studies will include assessments of the feasibility of infrastructure improvements and other proposed public projects and a description of the economic relationship with the local communities.

“Several general areas of information will need to be considered in preparation of the EIS. These areas include comprehensive management plans, laws, and treaties as well as cumulative impacts over a wide area of Lake Ontario and the St. Lawrence River.

“Most of the studies will begin in 1997. Given the ambitious schedule, number and magnitude of studies, wide range of issues, and demands for Authority staff participation in settlement discussions, the Authority will require assistance of a Relicensing Studies Contractor (‘RSC’) in planning and managing these studies and in preparing associated reports in a timely fashion. The RSC will conduct few, if any, of the studies itself, but will primarily work with the Authority in procuring and managing qualified firms (as subcontractors) which can provide these services. The RSC will prepare and/or finalize detailed study scopes of work, acquire qualified subcontractors (subject to the Authority’s approval), coordinate studies, review study results and reports, provide status reports to the Authority, prepare reports synthesizing results of various studies and graphic material in support of EIS preparation, assist the Authority in coordinating EIS preparation with the CCP Team, provide support to the Authority for settlement discussions, and other related services (e.g., verify office study results in the field).

“Twenty-eight Requests for Proposal were issued with proposals received from:

Acres International Corp. (‘Acres’)	Amherst, New York
EA Engineering, Science, and Technology (‘EA’)	Newburgh, New York
Foster Wheeler Environmental (‘FW’)	Arlington, Virginia
Kleinschmidt Associates (‘KA’)	Pittsfield, Maine
Lawler, Matusky & Skelly (‘LMS’)	Pearl River, New York
Louis Berger & Associates (‘Berger’)	Needham, Massachusetts
Stone & Webster (‘S&W’)	Boston, Massachusetts
tasmithassociates, inc. (‘tasmith’)	Ogdensburg, New York

“Proposals were initially evaluated for technical qualifications, and the most qualified firms were further evaluated for price.

“The technical evaluation considered experience with similar work on FERC-licensed hydropower projects, organization for managing the work, and cost control methodologies. The technical evaluation scores, based on a possible 300 points, were as follows:

FW	222
KA	219
Berger	173
Acres	154
EA	144
S & W	141
LMS	117
tasmith	24

“Based on this technical evaluation, the three proposals with the highest scores were further reviewed through reference checks and evaluation of pricing. As discussed below, the other proposals were eliminated from further consideration.

“The tasmith and LMS proposals indicated both insufficient overall experience and project management capabilities for a study program of this nature. Tasmith had a very small staff with limited experience in administration of such studies. LMS did not demonstrate technical capabilities in several areas of study.

“The proposals from S & W, EA, and Acres had similar evaluation scores. None demonstrated both sufficient technical expertise in the various study areas and project management experience of the type required under this contract. Acres’ experience in coordinating licensing or relicensing studies pre-dates the cooperative/collaborative process in use for the Project and was limited to a few technical staff; there was limited demonstrated experience for a key staff person (i.e., environmental coordinator). Both EA and S & W’s proposals showed limited experience in management of this type of assignment. EA’s record with management of similar assignments, subcontractor management, and desk-top and field study experience were judged to be insufficient. S & W’s experience at the firm, staff and project manager levels showed no experience with a cooperative/ collaborative-type relicensing process. Only their proposed project manager and a few of the proposed staff participated in the firm’s experience with hydropower relicensing.

“The proposals of FW, KA, and Berger were evaluated as being sufficiently qualified in terms of technical expertise and project management experience. FW and KA were considered equivalent in the technical evaluation. Berger was evaluated as somewhat less qualified in both areas. An evaluation of pricing for the projected scope of services resulted in the following:

FW	\$2.83 Million
KA	\$2.43 Million
Berger	\$2.30 Million

“Representatives from the Authority’s Licensing, Environmental, and Procurement Divisions interviewed all three firms. Among other questions, each firm was requested to address staff availability levels in light of the aggressive relicensing schedule, and each responded with additional resumes and improved availability levels. KA’s price was unaffected. Berger offered additional personnel resulting in an increased price of \$2.55 million. FW offered additional personnel and also lowered their rates, resulting in a revised price of \$2.68 million.

May 20, 1997

“Based on the interviews, reference checks and review of additional resumes, KA was judged to be the best qualified firm for this assignment. KA is capable of providing the required project management services and has the greatest depth of technical expertise over the full range of study areas. KA's experience is the most relevant because it is extensive in hydropower issues and with fish species associated with the Northeastern U.S. FW has very strong project management capability, but its technical depth particularly in the area of Project-related fisheries, a critical study area, is not as strong as KA's. Furthermore, FW's proposed staff were located throughout several offices around the country with most in the state of Washington. Berger was judged to be less capable in both the project management and fishery study areas.

“Substantial components of the relicensing studies work performed by and through KA will be conducted within New York. While KA is headquartered in Pittsfield, Maine, KA's Project Manager will be located in KA's Syracuse office.

“It is recommended that the contract for \$8,400,000 be awarded to KA, with \$2,400,000 allocated for KA's services and \$6,000,000 allocated for studies to be conducted by subcontractors to KA.

FISCAL INFORMATION

“Funds for this contract will be withdrawn from the General Reserve Account in the Authority's General Fund and will be disbursed in accordance with the St. Lawrence/FDR Relicensing CEAR. Management services will be authorized as needed and will be reimbursed according to Kleinschmidt's approved rate schedule. Funds for studies by subcontractors will be authorized by KA (with Authority approval) and will be reimbursed according to proposals - largely on a lump sum, competitively bid basis - approved by the Authority.

“Funds for the RSC and relicensing studies (\$3.58 million) in 1997 have been included in the 1997 budget for St. Lawrence relicensing. Additional funds for the RSC and relicensing studies will be requested in 1998 and 1999 as needed.

RECOMMENDATION

“The Director - Licensing, the Vice President - Procurement and Real Estate, and the General Counsel recommend that the Trustees approve the award and funding of a procurement contract for relicensing studies services to Kleinschmidt Associates in the amount of \$8,400,000.

“The Senior Vice President - Business Services and I concur in the recommendation.”

In response to questions from the Vice-Chairman, Mr. Suloway explained that Kleinschmidt has offices located in several states. The proposed contract would involve Kleinschmidt staff which is located in Maryland and New Jersey.

May 20, 1997

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of a multi-year procurement contract for the conduct of relicensing studies services for the St. Lawrence/FDR Power Project to Kleinschmidt Associates is hereby approved through December 31, 2000 in the amount of \$8,400,000, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Relicensing Studies Services Kleinschmidt Associates	12/31/2000	<u>\$8,400,000</u>

RESOLVED, That it is hereby authorized that up to \$8.4 million of General Reserve Account monies be withdrawn from such account and utilized for making the payments 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 26, 1974, as amended and supplemented.

May 20, 1997

7. Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; and Headquarters - 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 ‘7-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for Headquarters. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with NPS Energy Services, Inc. (‘NPS’), for General Maintenance Services for IP3, to \$40,000,000 from the previously approved ceiling of \$24,000,000; and of the 15 procurement contracts with five companies (Energy Services Group, HEPCO Inc., PTS Technical Services, Sun Technical Services, and Volt Viewtech Inc.), for temporary field engineering personnel to support both nuclear plants, to \$25,000,000 from the previously approved ceiling of \$18,000,000. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

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

DISCUSSION

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

“Although the firms identified in Exhibit ‘7-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.

May 20, 1997

“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 ‘7-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to the IP3 Continuous Improvement Program as well as preparation for and execution of Refuel Outage 9 (‘RO9’).

Contracts in Support of the Nuclear Plants -- Increase in Compensation Ceiling:

“Peak work periods during refueling and other outages, and the need to perform major modification work during non-outage periods to minimize outage duration, require the use of craft labor and supervision to supplement the Authority's permanent work force. Since this work is cyclical, it would not be prudent to hire an additional cadre of craft personnel full-time, since there would be insufficient work to occupy them during non-peak periods.

“The contract with **NPS Energy Services, Inc. (C95-Z0040)** provides for craft and supervision, on an ‘as required’ basis, in support of General Maintenance Services for IP3. The scope of this contract consists of performing modification, maintenance, and repair work, which cannot be performed by Authority in-house personnel, during normal operations, scheduled outages, and forced outages. The following work is being performed on an ‘as required’ basis: facility maintenance; plant modification installation; corrective and preventive maintenance; outage support activities; and work package planning. The subject contract, which was competitively bid, became effective on July 1, 1995. The Trustees approved the initial 18-month award, in the amount of \$14,000,000, at their meeting of June 27, 1995; subsequent Trustees' approval for a one year extension through December 31, 1997 and an additional \$10,000,000 was obtained on September 24, 1996.

“Since that time, however, additional work has been performed by NPS, which was either not anticipated at all or not to the extent ultimately required. Such work included: corrective maintenance backlog reduction; modifications to the weld channel system, mockup building and fire protection sprinkler system; structure, area and system coating and material condition upgrades; extensive RO9 outage and engineering trailer installations; phone system upgrade; and forced outage support.

“In addition, as the list of RO9 modifications has grown, work plans have been revised, and NPS's role with respect to supporting the outage has been clarified. As a result, IP3 Construction Services staff have determined that there is a need to increase the compensation limit for this contract by an estimated \$16,000,000 through the end of 1997. This will provide adequate funding for the contract, to perform the following work: RO9 O&M modifications (such as seismic upgrades, emergency diesel generator ventilation system upgrades, and hydrogen dryer and cooler modifications); RO9 capital modifications (such as 13 service water system mods, and modifications to the control room and radiation monitors); RO9 outage support (such as erosion/corrosion, and in-service inspection); and non-outage modifications and contingency maintenance support to be performed after RO9.

May 20, 1997

“The Trustees' approval is requested to authorize the RO9 and non-outage maintenance tasks as outlined above, and to authorize the additional funding, thereby increasing the compensation limit to \$40,000,000. It should be noted that the NPS mark-up for craft labor services is one percent for overhead and fees, a very reasonable amount.

“The 15 contracts with **Energy Services Group (3 PO #'s); HEPCO Inc. (3 PO #'s); PTS Technical Services (3 PO #'s); Sun Technical Services (3 PO #'s); and Volt Technical Services (3 PO #'s)** provide for temporary field engineering personnel to support both nuclear plants. The five headquarters-issued contracts became effective on December 5, 1994. They were approved through December 31, 1996 by the Trustees at their meeting of October 25, 1994, in the total combined amount of \$10,000,000. The Trustees approved a one-year extension through December 31, 1997 and an additional \$8,000,000 at their meeting of November 26, 1996. For administrative and efficient cost tracking purposes, two additional contracts per vendor (i.e., five per plant) were subsequently issued by JAF and IP3, referencing the terms and conditions and pricing established in the original headquarters contracts. The field engineering contracts support the site engineering organizations. An extensive amount of field engineers has been required to meet commitments to the Nuclear Regulatory Commission ('NRC') to reduce backlogs prior to RO9, as well as to perform engineering services to support required modifications for RO9. The areas of work involve plant modifications, Design Basis Documents, engineering backlog reduction, and engineering packages in support of preparation for RO9 at IP3. Tasks include, but are not limited to: support for the Design Basis Document update program; control and monitoring of Design Engineering -- Electrical/ Instrumentation and Control ('I&C') work; resolving emergency I&C related plant issues (revising surveillance tests and preventive maintenance procedures); supporting Procurement Engineering activities (backlog reduction, type I changes, and technical evaluations); project management of the purchase and installation of radiation monitoring equipment; support for the setpoint control and plant priority I&C tasks; assisting System Engineering with ACTS/DER responses, electrical panel walkdowns, system monitoring agendas/consultation, and security systems; and coordination and monitoring of all aspects of the installation of assigned plant modifications, including planning through closeout. Given the size of the backlogs and the magnitude of RO9, the Authority does not have the staffing to handle this volume of work. This work does not represent normal baseload activity, and it would not be cost-effective to hire permanent staff to perform these services. It is not prudent to rebid these services at this time for the following reasons: it is not anticipated that better rates could be currently achieved through rebidding, and the possible loss of trained and experienced staff would be disruptive to the preparation and execution of the refueling outage at IP3. The current contract amount for each of the 15 contracts is listed in Exhibit '7-A'. It is anticipated that an additional \$7,000,000 will be required for the extended term. Trustees' approval is requested to approve the additional funding, thus increasing the total revised compensation ceiling to \$25,000,000.

“The contract with **Duke Engineering & Services (S96-83772)** provides engineering services to support the Design Basis Document ('DBD') update project at IP3. The Authority must complete this commitment in response to a previous NRC audit. The contract commenced on October 1, 1996 for a term of less than one year. Approval is now sought to extend the term of this contract for one year and three months, in order to continue and complete the DBD update project, as well as to resolve additional emergent Design Document Open Items ('DDOIs'), which were not part of the original scope. The current contract amount is \$584,650 (of the \$479,900 originally approved for the contract). It is anticipated that an additional \$700,000 (above the \$479,900 originally approved) will be required for the extended term. Trustees' approval is requested to extend the subject contract through December 31, 1998, and to approve the additional funding.

May 20, 1997

“The two contracts with **G.D. Barri & Associates (New York State certified Minority Business Enterprise; C94-I6308)** and **J. Givoo Consultants, Inc. (C94-I6307)** provide for I&C technicians and services for IP3, on an ‘as required’ basis. The subject contracts were competitively bid. The award was split evenly between these two lowest bidders; the contracts became effective on March 7, 1994. The Trustees approved the subject contracts through December 31, 1996, in the amount of \$1,000,000 each, at their meeting of October 25, 1994. Approval is now sought to extend the term of these contracts for up to one additional year, in order to provide uninterrupted services through the IP3 outage and to allow sufficient time for subsequent rebidding. The current contract amounts are \$1,281,800 and \$1,238,300, respectively, as authorized by the Authority’s Expenditure Authorization Procedures. It is estimated that an additional \$550,000 per contract will be required for the extended term. Trustees' approval is requested to extend the subject contracts through December 31, 1997, and to approve the additional funding.

CONTRACTS IN SUPPORT OF HEADQUARTERS:

“The contract with **Drake Beam Morin, Inc. (S96-77945)**, an out-placement employment consulting firm, provides for organizational and individual transition consulting services to the Authority, on an ‘as required’ basis. Services consist of an executive out placement program, which includes vocational and personal assessment, job search assistance, and administrative support; as well as group out placement services for staff employees, consisting of career counseling, skills assessment, assistance with job search and resume preparation, and coaching for interviews and networking. The original award, which became effective on April 1, 1996, was for a term of one year, with an option to extend services for one additional year. Although only \$12,000 has been released to the vendor to date, \$75,000 was the total approved contract amount. A one-year extension is now requested to exercise the option in the contract, in order to provide such services, as needed. Interim approval was obtained to extend services as needed through June 30, 1997, in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures. The current contract amount is \$12,000 (of the \$75,000 originally approved). The Trustees' approval is requested to ratify the interim approval and to extend the subject contract through March 31, 1998, with no additional funding requested.

“The contract with **JWP Forest Electric Corp. (S96-80744)**, one of three firms pre-approved by the Paramount Building owner to provide miscellaneous electrical services, was competitively bid. It provides for the furnishing, delivery, and installation of miscellaneous electrical equipment and performing miscellaneous electrical work to support the leased space for the Authority's New York Office at 1633 Broadway, on an ‘as required’ basis. The types of work to be performed include those minor items typically required in ‘high-rise’ office buildings, e.g., wall outlet replacement, cable pulling, ballast replacement and installation, dedicated lines, light fixtures lay-in, etc. The original award, which became effective on May 20, 1996, was for a term of one year, with the option to extend services for up to two additional years. A two-year extension is now requested to exercise the option in the contract to extend services. The current contract amount is \$75,917; it is estimated that an additional \$40,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend this contract through May 19, 1998, and to approve the additional funding.

“The contract with **Pioppi Video Entertainment Corp. (S96-80420)** provides for video production and post-production services, on an ‘as required’ basis. The loss of the Public Affairs only full-time staff position requires the retention of a freelance contractor with broad and diversified experience and skills. Mr. Pioppi's established and proven creative expertise as a producer, director, and editor, coupled with his in-depth knowledge of Authority programs and issues, makes him an extremely valuable part of the NYPA-TV team. He is proficient in a wide variety of editorial and technical television production skills, thus minimizing the need for and cost of

May 20, 1997

retaining a larger number of contractors with more limited expertise. The original award, which became effective on March 1, 1996, was for a term of one year, with the option to extend services for up to two additional years. Interim approval was obtained to extend services through May 31, 1997 in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures. A two-year extension is now requested to exercise the option in the contract to extend services. The current contract amount is \$81,531; it is estimated that an additional \$150,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to ratify the interim approval, to extend this contract through February 28, 1999, and to approve the additional funding.

FISCAL INFORMATION

“Funds required to support contract services for various non-nuclear Headquarters departments/Business Units, JAF, and IP3 have been included in the 1997 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 Plant Manager - James A. FitzPatrick Nuclear Power Plant, the Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Human Resources, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, the Vice President - Public Affairs recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '7-A', and of an increase in the compensation ceiling of the contract with NPS Energy Services, Inc., and of the 15 contracts with the following five firms: Energy Services Group, HEPCO, Inc., PTS Technical Services, Sun Technical Services, and Volt Viewtech, Inc., as set forth above.

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

In response to questions from Trustee Miller, Mr. Hoff explained that the pricing formula for the contracts involving temporary workers is based on the cost of labor plus a 1% markup. In response to further questions from Trustee Miller, Mr. Hoff explained that the contract with the Pioppi Company supports the news videos for employees as well as special projects such as the W. Cahill tribute, Lansing Manor and hydro plant relicensing efforts, and that the need for this type of work by an outside contractor arises from the elimination of a salaried position which was previously responsible for this type of work. Responding to further questions from Trustee Miller, Mr. Shoenholz stated that the videotape which had been made in connection with the St. Lawrence relicensing effort had proved to be an effective tool, and would be updated. In response to questions

May 20, 1997

from Trustee Waldbauer concerning the position which had been eliminated, Mr. Shoenholz stated that he would look into whether the cost savings which had been anticipated as a result of the downsizing of that job are actually being achieved.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "7-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, increases in the compensation ceilings of the contract with NPS Energy Services, Inc. and of the fifteen contracts with Energy Services Group, HEPCO Inc., PTS Technical Services, Sun Technical Services, and Volt Viewtech, Inc., be, and hereby are, approved as recommended in the foregoing report of the President, in the amounts and for the purposes listed below:

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling</u>	<u>Projected Closing Date</u>
Provide General Maintenance Services for IP3:		
NPS Energy Services, Inc.	\$16,000,000	12/31/97
Previously Approved Compensation Ceiling	<u>\$24,000,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$40,000,000</u>	
Provide Temporary Field Engineering Personnel to support the nuclear plants:		
Energy Services Group HEPCO Inc. PTS Technical Services Sun Technical Services Volt Viewtech Services (3 contracts per vendor, as listed in Exhibit "7-A")	\$ 7,000,000	12/31/97
Previously Approved Compensation Ceiling	<u>\$18,000,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$25,000,000</u>	

May 20, 1997

8. **Next Meeting**

“The next Regular meeting of the Trustees will be held on **Tuesday, June 24, 1997 at the St. Lawrence/FDR Power Project at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

9. **Motion to Conduct Executive Session**

“Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions regarding current litigation involving Niagara Mohawk Power Corporation.” Upon motion made and seconded, an executive session was held.

(AFTER EXECUTIVE SESSION)

Motion to Resume Meeting in Open Session

“Mr. Chairman, I move that the Authority resume the meeting in open session ” Upon motion made and seconded, the meeting was resumed in open session.

May 20, 1997

Closing

“Upon motion made and seconded, the meeting was closed at 12:50 p.m.”

Anne Wagner-Findeisen
Corporate Secretary

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