

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

December 15, 1998

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Minutes of the regular meeting of the Power Authority of the State of New York held at the White Plains Office at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Hyman M. Miller, Trustee
Frank S. McCullough, Jr., Trustee
Gerard D. DiMarco, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President - Human Resources
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President – Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and 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 - Transmission
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer – Power Generation
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Stephen P. Shoenholz	Deputy Vice President - Public Relations
Joseph J. Carline	Assistant General Counsel
James Ford	Regional Manager – Western New York
Richard E. Kuntz	Regional Manager – Southeast New York
John Osinski	Executive Director – Regulatory Affairs
Gary Paslow	Executive Director – Policy Development
Jordan Brandeis	Director – Performance Planning
Joseph J. Brennan	Director – Internal Audit
Angelo Esposito	Director – Energy Services
Jules Franko	Director – Nuclear Procurement
John Leonard	Director – Special Projects
John L. Murphy	Director – Public Information
Mark O’Connor	Director – Real Estate
Shalom Zelingher	Director – Research and Technology Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Angela Graves	Assistant Secretary
Vernadine Quan-Soon	Assistant Secretary
Barbara Vahue	Assistant Secretary

Chairman Rappleyea presided over the meeting. Executive Vice President, Secretary and General Counsel Blabey kept the Minutes.

December 15, 1998

1. Approval of the Minutes

The minutes of the Regular Meeting held on November 24, 1998 were approved.

December 15, 1998

2. Financial Report for the Eleven Months Ended November 30, 1998

**REPLACE THIS PAGE WITH THE FINANCIAL
REPORT FOR THE ELEVEN MONTHS ENDED
NOVEMBER 30, 1998**

3. Report from the President and Chief Operating Officer

President Zeltmann welcomed Mr. James Asselstine, Chairman of the Nuclear Advisory Committee.

(a) Report of the Nuclear Advisory Committee

On behalf of his fellow Committee members, Mr. Asselstine reported that the Nuclear Advisory Committee had met four times at various Authority locations during the past year and had reviewed the operating performance of both nuclear units as well as the various support organizations. At their most recent meeting in November, the Committee Members had met and been briefed by the outside experts now serving as members of the Authority's nuclear Safety Review Committee, ("SRC") and had found the SRC to be an effective mechanism which has provided staff with valuable insights.

Mr. Asselstine then summarized the Nuclear Advisory Committee's principal findings and recommendations as follows:

In 1998, the JAF plant continued to improve performance and has been meeting most of its performance targets, although the SALP rating received from the NRC still falls below the performance goals which had been set. This result was due in part to deficiencies in the plant's Control Room, as well as several minor contamination events. The rating that JAF received from INPO [overall "2"], although generally acceptable, is indicative of the need for plant management to take corrective actions aggressively. Committee Chairman Asselstine noted that the length of the refuel outage had been extended by complications associated with the Torus work.

Committee Chairman Asselstine expressed the Committee Members' concurrence with NYPA management's continuing goal for both plants to raise their scores to the top quartile of nuclear industry performers, and he stressed the need for continuing aggressive site management to keep pace with those targets.

Committee Chairman Asselstine noted that the Indian Point 3 plant has generally shown improvement in the past year, more so than JAF. Under Bob Barrett's leadership, IP3 has been meeting most of its performance targets. He cited as a positive factor the development of early warning indicators and stated he was impressed with the quality of the QA group, the effective performance of the QA staff, and the

constructive, high-quality work performed by them. In particular, the QA staff has demonstrated an ability to work well with the line personnel.

The areas of IP3 performance which fell short gave rise to several NRC Level 3 and Level 4 violations along with the handling of the temporary modifications issues.

Committee Chairman Asselstine stated that building on the Committee's recommendations and IP3's original initiatives in this regard, JAF has now developed and implemented a parallel system of early warning performance indicators to spot operational trends at the site. The Committee Members agree that IP3 and JAF may continue to need slightly different performance indicators to reflect their different reactor technologies.

Committee Chairman Asselstine identified the principal challenges facing NYPA's nuclear operations as follows:

- **achieving sustained performance improvement at both sites so as to attain the top quartile levels in the industry;**
- **effective focus on the areas of engineering performance, training and root cause analyses, radiation safety, plant culture, and catching up with the industry on these issues;**
- **building up the bench strength of the management team at both sites, in particular at JAF to bring about sustained change.**

Committee Chairman noted that lastly, with respect to the successful long-term operation of both sites, the Committee Members support further consolidation of cost-saving activities between IP2 and IP3 on the one hand, and JAF and Nine Mile One on the other.

At the conclusion of Mr. Asselstine's report, Chairman Rappleyea expressed the Trustees' appreciation for the valuable services performed by the Committee Members and the excellent advice they have rendered.

Trustee Miller inquired whether the building up and maintaining of an aggressive site management team has been hindered by insufficiently competitive salaries paid by NYPA. Mr. Asselstine explained that in recent times, NYPA's nuclear salaries have improved, and that retention of qualified personnel to run nuclear plants is now an industry-wide problem. In response to further questions from Trustee Miller concerning plant culture, Mr. Asselstine explained that although NYPA's nuclear plant culture has improved measurably, it must not be allowed to plateau; the performance bar throughout the industry continues to go up as the industry becomes increasingly competitive, and thus the need for continued improvement.

In response to questions from Trustee Ciminelli concerning the use of an 80% capacity factor at the Authority's nuclear plants as a fiscal assumption, Mr. Asselstine explained that such a percentage is regularly attained by nuclear plants in the top quartile and that it is not imprudent for Authority fiscal managers to utilize that figure for planning purposes.

President Zeltmann also thanked Mr. Asselstine and his fellow Committee Members for their insights and guidance and stated that he looks forward to their continuing contributions. President Zeltmann then requested the Authority's Chief Information Officer, Mr. Krauss, to provide an update on the Y2K effort.

(b) Report from the Chief Information Officer

Mr. Krauss presented excerpts from ABC's "Nightline" program which reported on nationwide efforts to meet the millennium deadline. Mr. Krauss then reported that the live testing of the Authority's nodal network, which had taken place the week before, had been conducted successfully, and that an elevator certification is now ongoing. Mr. Krauss confirmed that the SAP system would be ready to replace the PARIS system as scheduled, effective January 4, 1999.

In response to questions from Trustee Ciminelli, Mr. Krauss explained that the bulk of the \$19 million Y2K budget was for contract services and software/hardware replacement, and that the \$19 million was reasonable. President Zeltmann added that in addition to making sure plants operate, we need contingency planning and that all deadlines must be taken quite seriously by staff.

4. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Non-nuclear facilities and Headquarters Business Units – Extensions, Approval of Additional Funding, and Increases in Compensation Ceiling

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘4-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Business Units. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with Maytag Corp., for the procurement of super efficient refrigerators in support of the Authority’s Public Housing Energy Efficiency Program, to \$17,892,812 from the previously approved ceiling of \$11,312,812; an increase in the compensation ceiling of the procurement contract with PricewaterhouseCoopers LLP, for independent accounting/auditing services, to \$1,306,286 from the previously authorized ceiling of \$1,006,286; as well as an increase in the combined compensation ceiling of the procurement contracts with Westinghouse Electric Company and Siemens Westinghouse Power Corp., for integrated outage support services for Refueling Outage 10 at IP3, to \$38,690,994 from the previously approved ceiling of \$23,690,994. 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 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 ‘4-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 ‘4-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; or 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.

Two Increases in Compensation Ceiling:

“The contract with **Maytag Corp. (S95-76977)** provides for the furnishing and delivery of super efficient refrigerators for the New York City Housing Authority (‘NYCHA’). The installation of the new refrigerators and the removal of the old units are provided by another vendor under a separate agreement. At their meeting of October 31, 1995, the Trustees approved the award of refrigerator procurement contracts to both General Electric and Maytag Corporation for the purchase of the most energy efficient refrigerators available for the Authority’s Public Housing Energy Efficiency Program, in a total amount not-to-exceed \$12,700,000. The contract with GE was executed first, through December 31, 1996, in the amount of \$6,520,326. The contract with Maytag Corp. became effective on January 1, 1997, in the amount of \$6,160,000, for an initial term of one year. Because the NYCHA indicated greater satisfaction with the Maytag units, which utilize only 437 kW hours annually, the Authority conducted a competitive search of five refrigerator manufacturers to meet this standard; Maytag was the only manufacturer able to provide units with the requisite energy efficiency level. A one-year extension through December 31, 1998 was therefore approved by the Trustees at their meeting of September 30, 1997 to procure 14,000 additional 15 cubic feet Magic Chef refrigerator units, which utilize 437 kW hours per unit. Since the Authority’s Public Housing Energy Efficiency Program is still ongoing, the Authority conducted another competitive search of seven refrigerator manufacturers to meet the aforementioned standard for 1999. Once again, Maytag was the only manufacturer able to provide units with the requisite energy efficiency level. A one-year extension to the subject contract is now requested in order to continue furnishing refrigerators in support of this program, which involves the procurement of 20,000 additional 15 cubic feet Magic Chef refrigerator units, as described above. The current contract amount is \$11,312,812, which includes an additional 2,000 refrigerators that were procured in 1998 at the request of NYCHA. It is anticipated that an additional \$6,580,000 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, thereby increasing the compensation ceiling of the contract with Maytag to \$17,892,812. It should be noted that the Authority would recover all of the funding.

“The contract with **PricewaterhouseCoopers LLP (‘PwC’; formerly Price Waterhouse LLP; S97-05455)** provides for independent accounting services to perform the annual audit of the Authority’s financial records and to provide other special accounting services, as may be required. At their meeting of June 24, 1997, the Trustees approved the award of this contract for a term of five years, in the amount of \$584,000. In accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures, the President authorized an additional \$422,286 principally to support the initial phases of the new enterprise-wide business management system that will replace the PARIS system. Approval is now sought for funding to support the following additional tasks: a compliance audit of the Authority’s records in connection with receiving federal funds for costs incurred in developing alternative energy sources (e.g., fuel cells, photovoltaic power, etc.); assistance in developing a credit policy; and other special services that may include consultation on utility accounting, rate matters, and tax issues. The Department of Energy requires the awardees’ independent accountant to perform a compliance audit of federal awards. In addition, PwC’s diverse expertise and their in-depth knowledge of the Authority will enable them to perform these projects at competitive rates with minimal impact on staff resources. The Trustees’ approval is therefore requested to ratify the funding previously authorized by the President and to approve the additional \$300,000 now requested, thereby increasing the compensation ceiling of the subject contract to \$1,306,286 to support the aforementioned and other special services that may be required during the remaining contract term.

“At the meeting of November 26, 1996, the Trustees approved the award of a contract to **Westinghouse Electric Corporation (S97-00116)** to provide integrated outage services for the 1997, 1999 and 2001 refueling outages at IP3. Funding was also approved in the estimated contract award amount of \$20 million in support of the 1997 Refueling Outage (‘RO9’) only. The contract became effective on May 18, 1997. At that time, Westinghouse Electric Corporation consisted of the Energy Systems Business Unit (for nuclear services); Power Generation Business Unit (for turbine generator services); and ITI-Movats, a wholly owned subsidiary of Westinghouse Electric Corporation (for valve services). Subsequently, Westinghouse Electric Corporation sold the Power Generation Business Unit to Siemens, effective September 1998. The turbine generator group is now **Siemens Westinghouse Power Corporation**, a Siemens Company. A new contract must therefore be awarded to

Siemens Westinghouse for the portion of the work relating to turbine generator services. The former Westinghouse Electric Corporation's Energy Systems Business Unit is now doing business as **Westinghouse Electric Company**, a Division of CBS Corporation. Nuclear services provided by Westinghouse Electric Company will continue under the original contract number assigned to Westinghouse Electric Corporation. The following services will be included: refueling related services, reactor coolant pump services, steam generator services, instrumentation & control services, electrical services, and outage management services. It is currently contemplated that a separate contract will be issued for valve maintenance and repair services; funding for valve services is not included in this request. Although a new contract must be awarded to Siemens Westinghouse due to the sale of the original Westinghouse Electric Corporation's Power Generation Business Unit, overall this request is considered as an increase in compensation ceiling to the original contract, since the majority of the services will be provided by the remaining nuclear division of Westinghouse Electric Company.

"At their meeting of December 16, 1997, the Trustees approved additional funding for the settlement of outstanding claims for RO9. The current contract amount is \$23,690,994. This reflects a negotiated reduction of \$2,310,000, as approved by the President, from the claimed amounts for delays and extra work incurred by Westinghouse during the 1997 outage (RO9). Westinghouse also agreed to provide certain discounts against purchase of equipment and services for specific capital projects (such as the Marcy FACTS project), as resolution of Authority claims related to the Flynn plant. It is anticipated that an additional \$15,000,000 (including contingency) will be required to support RO10. This is broken down as follows: an estimated amount not-to-exceed \$5,000,000 to Siemens Westinghouse for the turbine generator services and an estimated amount not-to-exceed \$10,000,000 to Westinghouse Electric Company for all aforementioned nuclear services. The Trustees' approval is requested for awarding the tasks to support RO10 and for the additional funding, thus increasing the combined compensation ceiling to \$38,690,994.

Contracts in Support of the Nuclear Plants:

"The three contracts with **James K. Asselstine (C93-Z0013)**, **William F. Conway (C95-Z0001)**, and **Gregory E. Kane (C95-Z0002)** provide for the services of three Nuclear Advisory Committee ('NAC') members. At their meeting of June 29, 1993, the Trustees established the Nuclear Advisory Committee and approved a Committee Charter, which continued unchanged except as necessary to reflect any internal staff reorganization. At their meeting of January 31, 1995, the Trustees approved retaining two distinguished nuclear experts, William F. Conway and Gregory E. Kane to serve on the Committee to replace two prior Committee members who had withdrawn from the Committee. In addition, the Trustees named the remaining member of the Committee as originally constituted, James K. Asselstine, as Chairman of the Committee. Mr. Asselstine is a distinguished national advisor to the utility industry and has served as a Commissioner on the Nuclear Regulatory Commission. The original awards became effective on July 14, 1993 for the Chairman and January 4, 1995 for the two Committee members, respectively. At their meeting of February 25, 1997, the Trustees approved extensions and additional funding of the subject contracts. A two-year extension is now requested in order to continue the services of the Chairman and two Committee members. The current contract amounts are \$165,000, \$160,000 and \$150,000 for Messrs. Asselstine, Conway, and Kane, respectively. Each of the NAC members has agreed to the contractual compensation terms. It is recommended that the Trustees approve additional funding for each of the subject contracts that would revise the total compensation limits payable to the Committee members as follows: \$265,000 for James K. Asselstine, \$255,000 for William F. Conway, and \$245,000 for Gregory E. Kane. The Trustees' approval is requested to extend the subject contracts through January 3, 2001 and to approve the additional funding.

"The contract with **Confidential Services Inc. (S98-03734)** provides for pre-employment security background investigation screening services of new and contract employees (or those with expired badges) to support the Authority's unescorted access authorization program at IP3 and JAF. Such background investigations shall randomly verify the following: employment history, education, military history, character references, verification of identity, and credit history. At their meeting of March 31, 1998, the Trustees approved the award of two contracts to Power Systems Energy Services, Inc. and The Wackenhut Corp. for the subject services for a three-year term, in the total combined amount of \$620,525. Subsequently, the Wackenhut Corp. made a business decision to discontinue providing nuclear background investigation services. The high volume of investigations, especially during outages, requires that two vendors be available at all times to perform such services. The Authority therefore awarded a contract to Confidential Services Inc., the next lowest, most technically qualified

bidder, for an initial six-month term, which became effective on July 1, 1998. A two-year extension is now requested in order to make this contract co-terminus with the original award to Power Systems Energy Services. The current contract amount is \$262,363; this represents part of the remaining portion of the \$620,525 that had previously been approved by the Trustees. 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 March 31, 2001, with no additional funding requested.

"The contract with **Excel Services Corp. (S96-81723)** provides for the development, licensing and implementation of Improved Technical Specifications ('ITS') for IP3 and JAF. The Nuclear Regulatory Commission considers the revision of nuclear plant Technical Specifications ('Tech Specs') to be paramount to safe plant operations. The objectives of the ITS are to improve safety of commercial nuclear reactors, provide clearer understanding of the safety significance of Tech Specs requirements and ease administrative burdens imposed by the Tech Specs, by making them 'user-friendly', making specific technical improvements to the Tech Specs, and reducing the number of operational transients imposed by the Tech Specs. The conversion requires a comprehensive process using the ITS standard as modified during the NRC review and conformance with the results of NRC/Owners' Groups Technical Specification Committee negotiations, incorporating plant specific information, providing the Significant Hazards Considerations justifications for the changes, the technical justifications for the changes, programmatic controls for items relocated from the current Tech Specs, performing on-and off-site internal reviews, and the preparation and submittal of a formal license amendment. The overall benefits are expected to be technical and economic, culminating in an overall result of safe and more effective operation of the plants. The ITS represents a significant improvement over the current Tech Specs for both Authority plants.

"At their meeting of June 25, 1996, the Trustees approved the award of this contract for the developmental phase of the ITS for IP3 and JAF, in the amount of \$1,200,000, for a term of two and one-half years; it became effective on June 26, 1996. At their meeting of March 31, 1998, the Trustees approved additional funding, increasing the compensation ceiling to \$1,850,000 to support this ongoing effort. In April 1998, bids were solicited for the implementation phase of the ITS program. The implementation phase involves bringing the plant and the applicable plant documents into conformance with the ITS and, through training, making the plant personnel knowledgeable with the ITS. Seven proposals were received (of 19 firms solicited and notice in the Contract Reporter). EXCEL was the low evaluated most technically qualified bidder. Staff therefore recommends issuing a change order to the existing contract rather than awarding a new contract for the implementation phase. It should be noted that JAF has elected to perform the implementation phase in-house, since their plant design is more like the plant design assumed in the NRC's Standard Technical Specifications for Boiling Water Reactors. IP3, on the other hand, has elected to use a dedicated team and consultant full-time to complete the implementation phase of the ITS project, since the IP3 conversion is more complicated than that of JAF; unlike JAF, IP3's plant design is very different from the plant design in the NRC's Standard Technical Specifications for 4-loop Pressurized Water Reactors, requiring more work to accomplish its ITS implementation. A two-year extension is now requested in order to complete the existing work scope for JAF as well as to complete the implementation phase for IP3. The current contract amount is \$1,775,000 (of the \$1,850,000 previously approved by the Trustees); it is anticipated that an additional \$400,000 will be required for the implementation phase for IP3 during 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 **Focused Change International (S98-00961)** provides for consulting services to support integration of the FOCUS process in nuclear strategic planning, and also to improve teamwork skills, assist in organizational assessments, or undertake special projects in related areas, as may be requested by the Chief Nuclear Officer. Specific initiatives include: assessment of senior management roles, team building workshops, and semi-annual nuclear strategic planning meetings. The original award became effective on February 10, 1998 for a term of one year. The initial scope of this program was to develop an approach to team building, plant leadership, skills coaching and communications for senior Nuclear Generation staff and, to an extent, to their direct reports, as appropriate. The past year was spent mostly identifying areas for improvement and developing the program. An eleven-month extension is now requested to implement the program that was developed during 1998 on a planned basis. The current contract amount is \$49,000; it is currently estimated that an additional \$75,000 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 two contracts with the **MacKenzie Group (C97-I6029 and C97-I6029A)**, respectively) provide for labor, equipment and materials to repair and maintain safety related site fire barrier metal doors and various other non safety related site doors throughout IP3, on an ‘as required’ basis. Services also include an annual inspection of all site doors and generation of a report listing deficiencies for review by Authority supervisory staff. For administrative purposes, separate awards were issued for safety and non-safety related doors. The original awards, which were competitively bid, became effective on January 26, 1998 for an initial term of one year, with an option to extend for two additional years. The Authority does not have the requisite equipment or expertise to perform these services in-house. A two-year extension is now requested in order to exercise this option. The current contract amounts are \$70,000 per contract for a combined total of \$140,000; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through January 25, 2001 with no additional funding requested.

“The contract with the **Sargent & Lundy LLC (S98-03864)** provides for engineering services for the Independent Spent Fuel Storage Installation (‘ISFSI’) project at JAF. Services involve technical, administrative and construction services to implement the Authority’s ISFSI project, including: ISFSI site selection, preparation of the ISFSI design basis and safety analysis report, development of modification packages, construction bid packages, field engineering, and administrative, operational, site support and construction management activities for the design, construction and use of a spent fuel storage pad and dry spent fuel storage canisters and casks. Of the four companies that submitted proposals for this work, Sargent & Lundy was the low evaluated bidder, with the best technical qualifications for the job. Their proposed cost estimate was \$3,200,000, comprised of lump sum and time-and-material portions. Due to project scheduling constraints, the President authorized interim approval to award the contract, which was competitively bid, for an initial six-month term in the amount of \$500,000; it became effective on July 6, 1998. The authorized tasks included a geotechnical study for ISFSI site selection and ISFSI design basis and safety analysis report. A three-year extension is now requested in order to complete the project. The current contract amount is \$500,000; it is anticipated that an additional \$2,570,000 will be required for the extended term. This represents a negotiated cost reduction of \$130,000 on the lump sum portion of the services, from the \$2,700,000 balance indicated in their original proposal. The Trustees’ approval is requested to ratify the President’s interim approval, to extend the subject contract through December 31, 2001 and to approve the additional funding requested.

“The contract with the **Scales Air Compressor Corp. (C98-I6114)** provides for labor, equipment, materials, and parts to repair and maintain seven Chicago Pneumatic and Joy air compressors at IP3. The original award, which was competitively bid, became effective on March 9, 1998 for an initial term of one year, with an option to extend for two additional years. The Authority does not have the requisite equipment or expertise to perform these services in-house. A two-year extension is now requested in order to exercise this option. The current contract amount is \$30,000; it is anticipated that an additional \$60,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through March 8, 2001 and to approve the additional funding requested.

“The contract with **UMC Imaging Systems, Inc. (C97-I6945)** provides for off-site microfilming services for IP3 lifetime quality nuclear records and documents, including but not limited to: modification files, work requests, Category I purchase orders, historical procedures, technical documents, etc. Approximately 4-5 million pages of such documents were originally estimated to have been stored in hard copy in the warehouse; due to budget constraints, they had not been previously microfilmed. In addition, a small portion of the microfilming services was reserved for the White Plains and New York Offices. At their meeting of March 25, 1997, the Trustees ratified the initial award (effective January 1, 1997) and approved the three-year term and funding for the subject contract, in the amount of \$460,000. Approximately 70% of the work has been completed. Since the extent of the work is greater than originally estimated, additional funding is now required to complete the remaining work. The current contract amount is \$488,000. It is estimated that an additional \$185,000 will be required to complete the IP3 project during the remaining term through December 31, 1999. The Trustees’ approval is requested to approve the additional funding now requested.

Contracts in Support of the Non-Nuclear Sites and Headquarters Business Units:

“The contract with **Automated Control Solutions, Inc. (formerly Ronco Energy Management Systems, Inc.)**, **S97-09256**, provides for software development services and hardware to fully automate the monitoring, control, and operation of power tunnels heating, ventilating and cooling, security and fire protection systems, as part of the Robert Moses Niagara Power Project upgrade. The original award, which was competitively bid, became effective on December 4, 1997 for an initial term of one year. Services are 85% complete and work is proceeding well, but ACS cannot complete the software programming and testing due to Authority delays in the installation of the HVAC equipment. A seven-month extension is now requested in order to allow for the completion of the software development and system testing, provide for training of Niagara Project personnel, develop operations and maintenance manuals, and prepare as-built drawings. The current contract amount is \$457,181; 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 July 1, 1999 with no additional funding requested.

“The contract with **General Physics Corp. (C95-Z0052)** provides for the review and reduction of inventory levels at all Authority operating facilities, as well as the standardization of the Authority’s inventory nomenclature. The original award, which was competitively bid, became effective on July 28, 1995. At their meeting of September 24, 1996, the Trustees approved an extension through June 30, 1997 and a revised contract amount of \$300,000. An additional extension of up to one year and additional funding in the amount of \$26,905 were subsequently authorized in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. Since that time, work has been on hold due to the unavailability of General Physics staff, as well as the implementation of the Authority’s new enterprise-wide business management system, which required dedication of Authority resources on a priority basis. Both General Physics and the Authority are now in a position to complete the standard inventory descriptions for approximately 65,000 stock codes, as originally contemplated in the contract. This represents the bulk of stock items which have high dollar value, usage histories, and potential common use among all facilities. Since the remaining stock codes represent items either unique to a facility or long-term spares which have little usage, there is no need to expend additional funds to modify descriptions for those stock codes at this time. A one-year extension is now requested in order to allow for the completion of the nomenclature standardization project. The current contract amount is \$326,905; it is anticipated that an additional \$120,000 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 requested.

“The two contracts with **Johnson/Hehr Associates Inc. (S98-00595 and S97-08447)** provide for the design of exhibitry for the Visitors’ Centers at the Niagara and St. Lawrence-FDR Power Projects, respectively. The overall objective is to revitalize the public space at the Visitors’ Centers to increase visitor attendance and to incorporate more interactive state-of-the-art exhibits, audio-visual displays and appropriate signage. Services are to be comprised of three phases: (1). conceptual design; (2) comprehensive detailed exhibit design; (3) design support and supervision during fabrication and installation of new exhibits. The original awards, which were competitively bid, became effective on February 17, 1998 (NIA) and October 29, 1997 (STL), with initial short-term authorization for Phase I only. Completion of this phase was delayed at the Niagara Project due to the asbestos abatement program, whereas the conceptual phase was completed for St. Lawrence-FDR, but could not proceed to Phase II due to budgetary constraints. A two-year extension is now requested in order to complete the original contract scope through Phase III for both projects. The current contract amount is \$103,250 for Niagara and \$131,355 for St. Lawrence. It is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through December 31, 2000 with no additional funding requested.

“The contract with **KEMA-ECC, Inc. (KEMA Consulting)**, **S98-02887**, provides for project management and implementation services for transition to Independent System Operator (‘ISO’) operations, including interfacing with the new Energy Management System (‘EMS’) at the Authority’s Energy Control Center (‘ECC’). The original award, which was competitively bid, became effective on May 1, 1998; it authorized Phase I work only, in the initial amount of \$300,000. Phase I was to assist the Authority in the transition from New York Power Pool (‘NYPP’) operation to New York Independent System Operator (‘NYISO’) operations and to provide a plan to allow the Authority to transition to ISO operation. This plan also included recommendations for software and hardware solutions and was completed in July 1998. The original contract included a provision for an optional Phase II, for implementation of the plan. A subsequent change order was issued in the amount of

\$75,000, and the President authorized an additional \$300,000, in accordance with the Authority's Expenditure Authorization Procedures to fund Phase II services through mid-December. A six-month extension is now requested in order to complete Phase II implementation services. The current contract amount is \$675,000; it is anticipated that an additional \$425,000 will be required for the extended term. It should be noted that funding associated with this contract was previously included in an item on the EMS at the ECC and was approved by the Trustees at their meeting of September 28, 1998; approval is now sought to release and allocate the previously approved funding to this contract. The Trustees' approval is requested to extend the subject contract through June 30, 1999, to ratify the interim expenditure approval, and to approve the release and allocation of previously approved funding to this contract.

Contracts in Support of Power Generation Programs/Non-Nuclear Sites:

"Maintenance Resource Management ('MRM') is the program established by Power Generation to control work processes. The program focuses on continually achieving and sustaining incremental improvement in the utilization of management and craft labor resources, while maintaining a high level of equipment performance. This is achieved by analyzing planned versus actual work activities, including scope of work, number of work hours and materials required. The program will result in substantial savings in labor dollars, overtime and contractor costs. The MRM is already yielding financial benefit to the Authority. The planning and scheduling emphasis of the program has reduced the need for routine overtime without increasing the work backlog at the Power Generation facilities. In addition, improved coordination of contract labor with Authority workers has reduced the need to supplement Authority staff with contract labor.

"The contract with **H.B. Maynard and Company, Inc. (S95-68327)** provides for the development of maintenance labor standards (i.e., time standard) at the Authority's non-nuclear facilities. The labor standards provide an objective benchmark of the labor requirements for maintenance tasks based on the particular method(s) used by Authority craft labor. The Trustees approved the original award at their meeting of December 15, 1994 for an initial two-year term, in the amount of \$1,700,000. The contract, which was competitively bid, became effective on January 1, 1995. The original work scope included: assessing maintenance activities and developing a program plan for implementing maintenance labor standards; piloting the program techniques for a selected group of maintenance tasks; and expanding the techniques to include a broader array of maintenance tasks. The Trustees at their meeting of December 17, 1996 approved additional funding in the amount of \$200,000. This enabled the labor standards program to analyze the generator-turbine overhaul of the Lewiston Pumped Storage facility. The use of labor standards permits management of the tasks to be concise and, when coupled with aggressive monitoring of work in progress, allows for early intervention of problems (such as late receipt of or missing materials, tools or coordination of craft). The work at Lewiston is concluded and additional time is needed to review the problems that were identified in the management and execution of the overhaul; a one-year extension is therefore requested. The current contract amount is \$1,900,000. The estimated cost for performing this review and subsequent implementation strategies is \$75,000. Trustees' approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

"The contract with **Intelligent Labeling Technologies, Inc. (S98-02727)** provides for consulting services for implementation support of electronic data collection from maintenance and operation work orders via handheld devices, as well as occasional provision of specialized hardware. The electronic handheld devices interface directly with MAXIMO, the MRM database, via a software application developed by ILT. This advanced aspect of implementation improves the efficiency and quality of the completion of such tasks and reduces the clerical time associated with entering and/or otherwise manipulating such data into the work control database. The subject contract was awarded on a sole source basis, since ITS has the proprietary rights to the software application. It became effective on June 1, 1998 for an initial term of one year, with an option to extend for up to one additional year. A seven-month extension is now requested to continue to expand the use and application of these handheld devices in transmission maintenance, operations, and plant maintenance at the various non-nuclear facilities. The current contract amount is \$100,000; it is anticipated that an additional \$100,000 will be required to support the expanded handheld device program for the extended term. Trustees' approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding.

Contracts in Support of the Law Department:

“The contract with **Fieldman Hay & Ullman, LLP (S97-09329)** provides for legal arbitration services representing the Authority in connection with an arbitration involving Consolidated Edison Company of New York, Inc. (‘Con Edison’) pursuant to the terms of the Authority’s and Con Edison’s 1989 Planning and Supply Agreement. The arbitration involves the Authority’s claim that Con Edison has improperly refused to pay bills for capacity charges incurred with respect to the Authority’s Indian Point 3 Nuclear Power Plant (‘IP3’) during the 1995 winter capability period (the ‘Demand Claim’). For its part, Con Edison claims that it is not obligated to pay the Demand Claim because the Authority allegedly did not exercise due diligence in making certain repairs to IP3 and that it is entitled to damages (claim of at \$69 million) it allegedly suffered while IP3 was out of service during the period February 1993 to April 1996. This contract became effective on October 1, 1997 for a term of one year. Since this issue remains unresolved, a one-year extension is now requested. The current contract amount is \$250,000; 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 September 30, 1999 with no additional funding requested.

“The contract with **H.J. Murphy Associates, Inc. (S98-01709)** provides for consulting services for the purpose of assisting the Authority’s senior officers in connection with work associated with the Niagara Power Project and the St. Lawrence/FDR Power Project relicensing issues; commercial claims arising out of defective parts or operation of the Authority’s power plants; the sale, repowering or expansion of the Charles A. Poletti Power Project and/or any transactions involving the sale, disposition, use or purchase of assets by the Authority. Such services include technical, engineering and strategic advice and analysis. This contract became effective on March 1, 1998 for an initial term of one year, with an option to extend for two additional years. Since many issues are ongoing, a two-year extension is now requested in order to exercise this option. The current contract amount is \$40,000; it is anticipated that an additional \$80,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through February 28, 2001 and to approve the additional funding.

“The contract with **Hiscock & Barclay, LLP (S98-01611)** provides for legal services to the Authority with respect to labor and employment law, employee benefits, tax-related issues and other similar matters, as may be required. The firm’s professional competence, depth of talent and reasonable cost structure make them a practical and valuable choice. Their experience is extensive and they are particularly knowledgeable in the area of public sector benefits issues. The subject agreement became effective on February 1, 1998 for an initial term of one year; the original request indicated the potential for an extension of up to two additional years. Since these are ongoing programs, a two-year extension is now requested to continue such services. The current contract amount is \$50,000; it is anticipated that an additional \$100,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through January 31, 2001 and to approve the additional funding.

“The contracts with **Stuntz Davis & Staffier PC (S98-00459)** and **Van Ness Feldman PC (S98-00371)** provide for legal advice and counsel to the Authority in connection with the Authority’s relicensing of the Niagara and St. Lawrence/FDR Power Projects. Both agreements became effective on February 1, 1998 for an initial term of one year. The original contract contemplated the potential for extending the term of these contracts. A two-year extension is now requested, since these are ongoing issues of significance to the Authority. The current contract amounts are \$50,000 and \$200,000, respectively. It is anticipated that the following additional amounts may be required for the extended terms: \$100,000 for Stuntz Davis & Staffier and \$400,000 for Van Ness Feldman. The Trustees’ approval is requested to extend the subject contracts through January 31, 2001 and to approve the additional funding.

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 proposed 1999 O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment would 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. Payment for the contract in support of the Public Housing Energy Efficiency Program will be made from the Energy Conservation Effectuation and Construction Fund.

RECOMMENDATION

“The Director - Community Relations, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Vice President - Project Management, 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 '4-A', and of an increase in the compensation ceiling of the contracts with Maytag Corp. and PricewaterhouseCoopers LLP, as well as an increase in the combined compensation ceiling of the contracts with Westinghouse Electric Company and Siemens Westinghouse Power Corp., as set forth above.

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

In response to questions from Trustee McCullough as to whether the \$15 million award to Siemens Westinghouse is a lump sum, Mr. Hoff explained that \$23,690,994 had been previously approved by the Trustees and had been expended. Staff now seeks an increase of \$15,000,000 (including contingency) to be broken down between nuclear services and turbine generator services. In response to questions from Trustee Miller as to whether the \$15 million increase in ceiling to Siemens Westinghouse will cover all of the associated costs, Mr. Hoff responded in the affirmative, explaining that all funds for all the contracts tasks are set forth in the O&M Budget, and that the Trustees' authorization now being sought is with respect to raising the contract cap.

In response to questions from Trustee Miller as to whether the funds for the refrigerators fall within the originally-approved amount and would be recovered from the Housing Authority, Ms. Morman responded in the affirmative and explained that the Authority would be reimbursed in full by the Housing Authority for their cost.

In response to questions from Trustee Miller concerning the qualifications of Keema Consulting, Inc., the proposed ISO training team, Mr. Hiney explained that these individuals served as consultants to the NYPP and had helped Authority staff to develop and implement its own Energy Management System.

The attached 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 “4-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 contracts with Maytag Corp. and PricewaterhouseCoopers LLP, as well as an increase in the combined compensation ceiling of the contracts with Westinghouse Electric Company and Siemens Westinghouse Power Corp., 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 & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Furnish/deliver super efficient Refrigerators for the Authority's Public Housing customers		
Maytag Corp. S95-76977		
Additional Funding Requested	\$ 6,580,000	12/31/99
Previously Authorized Contract Amount	<u>\$11,312,812</u>	
TOTAL REVISED CONTRACT AMOUNT	<u>\$17,892,812</u>	
Provide Integrated Outage Support Services for Refueling Outage 10 ("RO10") at IP3		
Westinghouse Electric Company S97-00116 and Siemens Westinghouse Power Corp. (PO # TBA)	[est \$10,000,000] [est \$ 5,000,000]	
Additional Funding Requested	\$15,000,000	12/31/01
Previously Authorized Contract Amount	<u>\$23,690,994</u>	
TOTAL REVISED CONTRACT AMOUNT	<u>\$38,690,994</u>	
Perform independent accounting/ Auditing services of the Authority's Financial records		
PricewaterhouseCoopers LLP S97-05455		
Additional Funding Requested	\$ 300,000	06/15/02
Previously Approved Contract Amount	\$ 584,000 (approved by the Trustees) <u>\$ 422,286</u> (approved by the President)	
TOTAL REVISED CONTRACT AMOUNT	<u>\$ 1,306,286</u>	

Ext-AD98r2 IP3 and JAF Procurement (Services) Contracts - Extensions
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<u>Contracts in support of the nuclear plants:</u>								
HQ/IP3/JAF	JAMES K. ASSELSTINE C93-Z0013	07/14/93	Nuclear Advisory Committee member and Chairman	01/03/01	C/P	\$165,000 *Note: includes an increase of \$100,000	\$141,987	\$265,000*
HQ/IP3/JAF	WILLIAM F. CONWAY C95-Z0001	01/04/95	Nuclear Advisory Committee member	01/03/01	C/P	\$160,000 *Note: includes an increase of \$95,000	\$138,201	\$255,000*
HQ/IP3/JAF	GREGORY E. KANE C95-Z0002	01/04/95	Nuclear Advisory Committee member	01/03/01	C/P	\$150,000 *Note: includes an increase of \$95,000	\$126,748	\$245,000*
IP3/JAF	CONFIDENTIAL SERVICES INC. S98-03734	07/01/98	Perform pre-employment security background investigation screening services	03/31/01	B/P	\$262,363 *Note: replaces portion of \$620,525 previously approved by the Trustees for two contracts for subject services	\$16,410	\$262,363*
IP3/JAF	EXCEL SERVICES CORP. S96-81723	06/26/96	Provide support in development, licensing & implementation of Improved Technical Specifications	12/31/00	B/P	\$1,775,000 *Note: includes \$1,850,000 previously approved by the Trustees + an increase of \$400,000	\$1,584,438	\$2,250,000*
HQ NUC GEN/ IP3, JAF	FOCUSED CHANGE INTERNATIONAL S98-00961	02/10/98	Provide services to support integration of FOCUS process in strategic planning	12/31/99	S/P	\$49,000 *Note: represents an increase of \$75,000	\$38,765	\$124,000*
IP3	MACKENZIE GROUP C97-I6029 C97-I6029A	01/26/98	Perform fire door maintenance & repair services (safety & non safety related)	01/25/01	B/S	\$70,000 \$70,000 *Note: represents combined total for both contracts	\$9,379 \$11,166	\$140,000*

1 **Award Basis:** B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 **Contract Type:** P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Extensions
(For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
JAF	SARGENT & LUNDY LLC S98-03864	07/06/98	Perform engineering services for the Independent Spent Fuel Storage Installation project	12/31/01	B/S	\$500,000	\$102,000	\$3,070,000*
							*Note: includes an increase of \$2,570,000	
IP3	SCALES AIR COMPRESSOR CORP. C98-I6114	03/09/98	Provide labor & materials for the maintenance & repair of Chicago Pneumatic and Joy air compressors	03/08/01	B/S	\$30,000	\$0	\$90,000*
							*Note: includes an increase of \$60,000	
IP3	UMC IMAGING SYSTEMS INC. C97-I6945	01/01/97	Provide microfilming services of lifetime quality nuclear records & documents	12/31/99	B/S	\$488,000	\$441,174	\$673,000*
							*Note: includes \$460,000 previously approved by the Trustees + additional \$28,000 authorized per EAP's + \$185,000 now requested	
<u>Increases in Compensation Ceiling:</u>								
IP3	WESTINGHOUSE ELECTRIC COMPANY. S97-00116 and SIEMENS WESTINGHOUSE POWER CORP. (PO # TBA)	05/18/97	Provide Integrated Outage Services for Refueling Outage 10 ("RO10")	12/31/01	S/S	\$23,690,994	\$23,690,994	\$38,690,994*
							*Note: includes \$23,690,994 previously approved by the Trustees + an increase of \$15,000,000 (including contingency) to be broken down as follows: \$10,000,000 for nuclear services to be provided by Westinghouse Electric Company and \$5,000,000 for turbine generator services to be provided by Siemens Westinghouse Power Corp.	
ENERGY SERVICES & TECHNOLOGY	MAYTAG CORP. S95-76977	01/01/97	Furnish/deliver super efficient refrigerators for the Authority's Public Housing customers	12/31/99	B/E	\$11,312,812	\$10,675,980	\$17,892,812*
							*Note: includes \$10,703,000 previously approved by the Trustees + a current increase of \$6,580,000	
BUS. SERV./ CORP. ACCTNG	PRICEWATERHOUSE COOPERS LLP S97-05455	07/01/97	Perform independent accounting/auditing services of the Authority's financial records	06/15/02	B/P	\$1,006,286	\$553,886	\$1,306,286*
							*Note: includes \$584,000 previously approved by the Trustees, + \$422,286 approved by President per EAPs + \$300,000 increase	

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
2 Contract Type: P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Extensions
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<u>Contracts in support of Non-Nuclear sites and Headquarters Business Units:</u>								
NIA	AUTOMATED CONTROL SOLUTIONS, INC. S97-09256	12/04/97	Provide software development & hardware to automate the monitoring, control & operation of power tunnels HVAC, security and fire protection systems	07/01/99	B/S	\$457,181	\$283,884	\$457,181
HQ & ALL SITES	GENERAL PHYSICS CORP. C95-Z0052	07/28/95	Perform review and reduction of inventory levels and standardize inventory nomenclature	12/31/99	B/S	\$326,905	\$262,905	\$446,905*
PWR GEN/ All Non-Nuclear Sites	H.B. MAYNARD & CO. S95-68327	01/01/95	Develop maintenance labor standards for MRM program	12/31/99	B/P	\$1,900,000	\$1,710,885	\$1,975,000*
PWR GEN/ All Non-Nuclear Sites	INTELLIGENT LABELING TECHNOLOGIES INC. S98-02727	06/01/98	Provide implementation support consulting services for MAXIMO data collection via electronic handheld devices	12/31/99	B/P	\$100,000	\$56,654	\$200,000*
PUB AFFAIRS/ NIA	JOHNSON/HEHR ASSOCIATES INC. S98-00595	02/17/98	Provide design services for exhibitry at NIA project Visitors' Center	12/31/00	B/P	\$103,250	\$0	\$103,250
PUB AFFAIRS/ STL	JOHNSON/HEHR ASSOCIATES INC. S97-08447	10/29/97	Provide design services for exhibitry at STL project Visitors' Center	12/31/00	B/P	\$131,355	\$36,750	\$131,355

*Note: includes \$300,000 previously approved by the Trustees + \$26,905 authorized per EAPs + an increase of \$120,000

*Note: includes \$1,900,000 previously approved by the Trustees + an increase of \$75,000

*Note: includes an increase of \$100,000.

1 **Award Basis:** B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 **Contract Type:** P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Extensions
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
TRANSMISSION/ ECC	KEMA-ECC, Inc. (KEMA CONSULTING) S98-02887	05/01/98	Provide for project management & implementation services for transition to Independent System Operator (ISO) operations	06/30/99	B/P	\$675,000 *Note: includes an increase of \$425,000	\$371,113	\$1,100,000*
<u>Contracts in support of the Law Department:</u>								
LAW	FIELDMAN HAY & ULLMAN, LLP S97-09329	10/01/97	Provide legal arbitration services re 1989 Planning & Supply Agreement with Con Ed	09/30/99	C/P	\$250,000	\$71,917	\$250,000*
LAW	H.J. MURPHY ASSOC. S98-01709	03/01/98	Provide analytical services for NIA & STL relicensing; sale/repowering/expansion of POL	02/28/01	S/P	\$40,000 *Note: includes an increase of \$80,000	\$20,077	\$120,000*
LAW	HISCOCK & BARCLAY S98-01611	02/01/98	Provide legal services re labor law, employee benefits, tax-related issues	01/31/01	C/P	\$50,000 *Note: includes an increase of \$100,000	\$47,075	\$150,000*
LAW	STUNTZ DAVIS & STAFFIER PC S98-00459	02/01/98	Provide legal services re hydroelectric relicensing matters for NIA & STL	01/31/01	C/P	\$50,000 *Note: includes an increase of \$100,000	\$47,317	\$150,000*
LAW	VAN NESS FELDMAN S98-00371	02/01/98	Provide legal services re hydroelectric relicensing matters for NIA & STL	01/31/01	C/P	\$200,000 *Note: includes an increase of \$400,000	\$151,252	\$600,000*

1 **Award Basis:** B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 **Contract Type:** P= Personal Service; S= Service

5. Membership in Electric Power Research Institute - Extension

SUMMARY

“The Trustees are requested to authorize the President to enter into a three year extension of the Authority’s existing membership agreement in the Electric Power Research Institute (‘EPRI’) effective January 1, 1999, at an estimated annual fee of approximately \$2.4 million for the first year, with adjustments for future years, based on a formula that takes into account generation capacity.

BACKGROUND

“EPRI is a nationwide electric utility research organization, having a 1998 budget of \$264 million supported by approximately 800 members. Members include regulated utilities such as rural cooperatives, municipal and public power systems, investor-owned utilities, and federal power agencies. Responding to changing utility environment, EPRI has expanded its customer base to also serve unregulated and non-utility entities, international utilities, energy enterprise organizations involved in public benefit programs and equipment manufacturers. EPRI’s mission is to provide science and technology-based solutions of value to its national and international members. The organization is aligned with various segments of the electric market in developing technologies, information and methods related to generation, delivery and use of electricity, with special attention to cost reduction, cost-effectiveness, environmental concern and customers retention. EPRI’s large membership enables members to support a broad array of large-scale research and demonstration projects of mutual interest, some of which are high cost and could not be supported by an individual entity alone.

DISCUSSION

“The Authority joined EPRI on July 1, 1987 and has been a member continuously.

“The EPRI membership fee is based on a formula that takes into account kWh sales and revenue from sales to ultimate customers for the preceding three years. Since 1995, EPRI has provided its members with choices to select products and services from its technology portfolio. In 1997, EPRI adjusted its membership fee formula to include the use of generating capacity.

“On an annual basis, the Research & Technology Development Division, working together with its key stakeholders in various departments, identifies key targets that the Authority and its customers would derive benefits from EPRI products and services. For 1999, staff selected 32 targets in the areas of customer systems, power delivery, energy conversion including nuclear, fossil and hydro and environment at a total cost of \$2.4 million.

“EPRI’s programs are planned, developed and implemented by market segments guided by an Industry Committee Structure (‘ICS’), consisting of member representatives selected for their expertise in their particular fields. The Authority is currently represented at all levels of the EPRI advisory structure, including the Board, the Research Advisory Council, and Market Segment Councils and their working groups

“Through this participation, the Authority has been able to influence the direction of EPRI and obtain significant benefits from the use of EPRI products and services. Over the last few years, staff has been effective in obtaining several million dollars of EPRI co-funding supports for projects of direct benefits to the Authority and its customers. The latest example is the working partnership NYPA established with EPRI toward the development and implementation of the Convertible Static Compensation at the Marcy substation for which EPRI is providing \$3 million of co-funding. In addition, use of EPRI products and services helps the Authority achieve its business objective to reduce the cost of operations of the core business and to deliver technological solutions to Authority customers to enhance their competitiveness.

“In view of the Authority’s long working relationship with EPRI, discussions were initiated for securing a multi-year agreement, which would result in savings for the Authority. EPRI responded that it would be willing to enter into a three-year agreement with the Authority at the level of 1999 participation of \$2.4 million for the first year, with an adjustment for nuclear generation capacity in 2000. This represents Authority participation of 47% of EPRI’s full program. Staff believes that this could save the Authority an estimated 3 percent per year for 2000 and 2001 respectively.

FISCAL INFORMATION

“Funds required for the Authority’s payment to EPRI have been provided in the 1999 O & M Budget. Costs associated with the future years will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director - Research and Technology Development and the Senior Vice President - Energy Services and Technology recommend that the Trustees authorize the President to enter into a three-year extension of the Authority’s existing membership in the Electric Power Research Institute (‘EPRI’) effective January 1, 1999, at an estimated annual fee of approximately \$2.4 million for the first year, with adjustments for future years.

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

Chairman Rappleyea recused himself from voting on the resolution submitted.

The attached resolution, as recommended by the President, was adopted by a vote of four in favor.

RESOLVED, That the President is hereby authorized to enter into a three-year extension of the Authority’s existing membership agreement in the Electric Power Research Institute (“EPRI”) effective January 1, 1999 at an estimated annual fee of approximately \$2.4 million for the first year, with adjustments for future years, based on a formula that takes into account generation capacity, and that the President is authorized to execute such an agreement, as recommended in the foregoing report of the President, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, in the amount and for the purpose listed below:

<u>Operating Fund</u>	<u>Expenditure Approval</u>
Electric Power Research Institute	<u>\$2.4</u> million in 1999 with adjustments for future years based on formulas that take into account nuclear generation capacity.

6. Petroleum Overcharge Restitution (“POCR”) Funds - Transfer of Funds to the State of New York and Authorization of POCR Programs

SUMMARY

“The Trustees are requested to authorize the transfer of up to \$2.2 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 Operating Fund.

“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 1998 legislation discussed below. In addition, the Trustees are requested to approve the use of interest earnings accrued from previously-approved POCR funds to complete the various POCR programs and in the administration of these programs.

BACKGROUND

“On April 28, 1998, the Governor approved the 1998 Budget Bill as Chapter 57 of the Laws of 1998 (‘Chapter 57’). Sections 28-32 of this legislation authorize the transfer of \$2.2 million in POCR funds to the Authority for various energy related programs. Section 31 of this legislation indicates that the Authority shall transfer \$2.2 million to the State on or before March 31, 1999. Those legislative provisions reflect an understanding between the Authority and the State that the Authority will transfer \$2.2 million to the State and that the State will transfer to the Authority a like amount received from POCR monies. Sections 28-32 and other relevant provisions of Chapter 57 are set forth in Exhibit ‘6-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 meetings of December 17, 1996 and December 16, 1997 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 and public facilities, and the reinstatement of the furnace and boiler demonstration program, established by section 21 of Chapter 598 of the Laws of 1993.

DISCUSSION

“The payment by the Authority of the \$2.2 million in funds matching the POCR funds identified in Chapter 57, 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 29 of this legislation authorizes the Authority to use \$733,333 in POCR funds for existing HELP programs of the Authority which are eligible under Federal guidelines for the use of POCR funds.

“Section 30 of this legislation authorizes the Authority to use \$733,333 in POCR funds for the following purposes: (1) \$250,000 the installation of fuel cell equipment at the Liverpool Central School District; (2) \$200,000 for the installation of energy efficient building envelope at a location in Monroe County in cooperation with the Rochester Institute of Technology; (3) \$100,000 for flexible technical assistance and/or technology transfer to improve energy efficiency at a manufacturing facility in Montgomery County in cooperation with Rensselaer Polytechnic Institute; (4) \$100,000 for flexible technical assistance and/or technology transfer to improve energy

efficiency at a manufacturing facility in Schenectady County in cooperation with Rensselaer Polytechnic Institute and (5) \$83,333 for energy efficiency improvements in public facilities.

“Section 28-1 of this legislation authorizes the Authority to use \$733,333 in POCR 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.

“Before the State can disburse the POCR funds, the Authority is required to develop the various energy-related programs which would utilize the POCR funds and, with the assistance of the New York State Energy Research and Development Authority, apply to the DOE for approval of the programs. POCR funds cannot be used for purposes or programs which the DOE does not approve, notwithstanding what Chapter 57 might envision.

“Judicial decisions and Federal regulations that apply to the POCR funds (principal and interest) require that the funds ultimately be used for consumer restitution through energy-related programs. Because of the nature of the POCR funds, the Authority is presently prohibited from utilizing these funds for general Authority purposes. As such, the use of any interest earning from these POCR funds can only be used to complete previously approved POCR programs and for the administration of these programs.

“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 1998 legislation and to allocate any interest earnings from these and previously authorized funds for the implementation and administration of the various POCR programs.

FISCAL INFORMATION

“The funds to be paid to the State, as described above, will be disbursed from the Operating Fund.

RECOMMENDATION

“The Senior Vice President - Energy Services and Technology recommends that the Trustees authorize the payment to the 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 Vice President – Controller, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

In response to questions from Trustee Miller, Mr. Tscherne explained that the enabling legislation spells out which school districts are eligible for specific programs.

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 \$2.2 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 Treasurer 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 it is hereby authorized that up to \$2.2 million of the Operating Fund monies be withdrawn from such Fund 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 Operating Fund are not required for any of the purposes specified in Paragraphs (a)-(c) of Section 503 (1) of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, as 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 1998 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 meetings in January 30, 1996, December 17, 1996, and December 16, 1997, including the use of interest earnings on POOCR Funds, are modified in accordance with the foregoing report of the President; and be it further

RESOLVED, That the Chairman, the President and Chief Operating 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, 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.

**POCR PROVISIONS OF CHAPTER 57
OF THE LAWS OF 1998**

Section 28. The power authority of the state of New York is authorized to use \$733,333 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 1998 and transferred from the miscellaneous special revenue fund (339) statewide energy improvement account for the following purpose and in the following amounts:

1. \$733,333 to continue support of the independent college and university energy assistance loan fund as established by section 25 of chapter 432 of the laws of 1997.
 - a. Such funds will be used to provide interest free loans for energy efficiency projects at private colleges and universities throughout New York State. Such funds shall be allocated to projects from schools that submit applications to the power authority of the state of New York pursuant to a request for proposal issued by the power authority of the state of New York on or after the effective date of this act.

Section 29. The power authority of the state of New York is authorized to use \$733,333 in petroleum overcharge restitution funds made available to the authority in fiscal year beginning April 1, 1998 for programs of the power authority of the state of New York which are eligible under federal guidelines governing petroleum overcharges restitutionary funds; and which also may include a suballocation to the energy research and development authority or other public authority or public benefit corporation for energy conservation purposes.

Section 30. The power authority of the state of New York is authorized to use \$733,333 in petroleum overcharge restitutionary funds made available, to the authority in fiscal year beginning April 1, 1998 to implement the following purposes in the following amounts:

1. \$250,000 for Liverpool Central School District High School for the installation of fuel cell equipment, including all accessory equipment.
2. \$200,000 for the installation of energy efficient building envelope and other improvements, in cooperation with Rochester Institute of Technology, at the facilities of a business involved with chemicals films and located in Monroe County.
3. \$100,000 for flexible technical assistance and/or technology transfer, in cooperation with Rensselaer Polytechnic Institute, to improve energy efficiency, productivity, and product quality associated with fruit/vegetable processing, quick-freezing, and pressure cooking at a manufacturing facility located in Montgomery County.
4. \$100,000 for flexible technical assistance and/or technology transfer, in cooperation with Rensselaer Polytechnic Institute, to improve energy efficiency, productivity, and product quality associated with the precision fabrication/manufacturing of metal apparatus at a manufacturing facility located in Schenectady County.
5. \$83,333 for energy efficiency improvements in public facilities.

Section 31. The power authority of the state of New York shall transfer \$2,200,000 to New York state on or before March 31, 1999.

Section 31-a. Notwithstanding section 1010-a of the public authorities law, the comptroller is hereby authorized and directed to transfer to the power authority of the state of New York \$2,200,000, constituting monies appropriated to

the statewide energy improvement account for the power authority of the state of New York pursuant to a chapter of the laws of 1998 enacting the transportation, economic development and environmental conservation budget, and the power authority of the state of New York is authorized to hold such monies for the purposes specified in a chapter of the laws of 1998.

Section 32. In accordance with section 4 of the state finance law, the comptroller is hereby authorized and directed to transfer, upon request of the director of the budget, up to \$2,200,000 from the federal operating grants fund (290) to the miscellaneous special revenue fund (339), statewide energy improvement account, on or before March 31, 1999.

7. Business Customer Energy Services

SUMMARY

“The Trustees are requested to authorize additional measures and services under the Industrial Customer Demand Side Management Program previously approved by the Trustees. No additional funding is requested at this time.

BACKGROUND

“The Trustees approved a total of \$14.6 million for the provision of an Industrial Customer Demand Side Management Program (now to be referred to as the ‘Business Customer Energy Services Program’) at their meetings of June 29, 1993, February 22, 1994, and December 15, 1994. The program was developed for the benefit of business customers that receive or are eligible to receive Power Authority electricity. The approved program promotes the installation of advanced lighting technologies, energy efficient drive power measures such as efficient motors and adjustable speed drives, efficient heating, ventilation and air conditioning (HVAC) and measures that increase the overall efficiency of electrical equipment used in product manufacturing. This program is accomplished through comprehensive audits and technical analysis, which identify cost-effective measures and through financing the installation cost of projects having paybacks of seven years or less. The recommended measures are installed at the customer’s facility with contract labor by the Authority. The customer also has the option of self implementing approved measures utilizing Authority financing.

DISCUSSION

“Recently, through our marketing efforts, several customers have identified services that go beyond those already approved by the Trustees. As a means of providing value added services and to encourage customer retention, it is proposed that the existing menu of services be expanded to include power quality measures and the implementation of process improvements to promote production savings. These additional services would be available for customers that have or will execute long-term power supply contracts.

“Most recently requests have been received from Granny’s Kitchen Ltd., Steuben Foods, Ultralife Battery and Syracuse China related to both power quality and process improvements. Staff has provided technical assistance and has identified opportunities for the Authority to provide value added services, which would result in increased efficiency of these customer’s operations.

“The addition of measures noted above will enhance our relationship with the business customers and allow the Authority to be responsive to customer requests. It should be noted that these services are typically offered by utilities for their large commercial/business customers. The cost of implementing these measures would be recovered within the previously authorized economic payback of seven years or less.

FISCAL INFORMATION

“Energy Services expenditures under the program will be funded with \$8.695 million remaining from the previously authorized \$14.6 million to be provided from the Operating Fund. All costs associated with the Business Customer Program will be recovered from participating customers including the Authority’s cost of advancing funds.

RECOMMENDATION

“The Senior Vice President – Energy Services and Technology recommends that the Trustees authorize additional measures to be offered under the Business Customer Energy Services Program.

“The Vice President – Controller, the Senior Vice President – Marketing and Economic Development, the Executive Vice President, 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, That the Senior Vice President – Energy Services and Technology, and the Director - Energy Services, be authorized to execute cost recovery agreements and any other documents between the Authority and business customers which will cover the capital allocation, repayment terms and program responsibilities necessary or desirable for the implementation of the Business Customer Energy Services Program subject to approval of the form thereof by the Executive Vice President, Secretary, and General Counsel; and be it further

RESOLVED, That expenditures are hereby approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below.

<u>Operating Fund</u>	<u>Expenditure Approval</u>
Business Customer Energy Services Program	\$14,600,000
Total Amount Expended to Date	<u>\$ 5,905,000</u>
Authorization Remaining	<u>\$ 8,695,000</u>

8. St. Lawrence/FDR Power Project Conveyance of Property Map No. 120C

SUMMARY

“The Trustees are requested to authorize the conveyance of approximately 56 acres of property, located on Wilson Hill in the Town of Louisville, for residential development.

BACKGROUND

“By action dated October 31, 1991, the Trustees authorized removal from the St. Lawrence/FDR Power Project boundary, for conveyance to municipalities without charge, a number of specific parcels located in the Towns of Lisbon, Louisville, Waddington, and Massena, in addition to some previously removed. These lands had been identified as surplus to the operational needs of the St. Lawrence/FDR Power Project. The municipalities were to use the revenues from the sales of these parcels, including this Wilson Hill parcel, for development to offset the cost of infrastructure.

“In addition, by action dated January 31, 1995, the Trustees further adopted the recommendations of the Land Use and Recreation Report (‘LURR’) and authorized the transfer of parcels including this Wilson Hill parcel. The LURR was an interagency agreement among the Authority, Department of Environmental Conservation, Department of State, Office of Parks, Recreation and Historic Preservation, the St. Lawrence Eastern Ontario Commission, and the St. Lawrence County Planning Office. The LURR established land use and land use constraints on property surplus to project needs. Preferred land uses include residential and recreational development.

“One parcel identified in the LURR, a 56.34-acre parcel outside the St. Lawrence/FDR Power Project boundary, located on Wilson Hill, Town of Louisville, was identified as suitable for residential development. This parcel was removed from the St. Lawrence/FDR Power Project boundary in 1979, as part of a total of 163.7 acres on Wilson Hill, the rest of which were in a subdivision and leased, as approved by the Federal Energy Regulatory Commission by order dated September 11, 1979. This parcel was valued at more than \$615,000 in 1991. The LURR required that prior to conveying this parcel to the Town of Louisville, the Town of Louisville would have to submit a concise Plan for Development. In addition, site-specific environmental review was required before any conveyance.

DISCUSSION

“The Town of Louisville, as lead agency, with the assistance of local engineering firm Tisdale and Associates, has completed its environmental review pursuant to the State Environmental Quality Review Act (‘SEQRA’) and has completed a subdivision plan of this 56.34-acre parcel that was retained by the Authority when the other Wilson Hill lands were conveyed to their lease holders or others. With the October 27, 1998 approval of its subdivision plan by the New York State Department of Health, the Town of Louisville has now received all required jurisdictional approvals for the development of this parcel. (The September 11, 1979 FERC order authorizing the sale of residential lots on Wilson Hill provided that no additional sale of vacant lots occur at Wilson Hill ‘without first obtaining the New York State Department of Health’s approval.’) The proposed subdivision is consistent with the LURR and the findings of the Final Generic Environmental Impact Statement approved by the Trustees in January 1995. Finally, the Town of Louisville has passed a board resolution specifically requesting the Authority to convey this property so that the Town could commence this development.

RECOMMENDATION

“The Director - Real Estate, the Director - Environmental Programs, the Regional Manager - Northern New York, and the Vice President - Procurement and Real Estate recommend the Trustees authorize the conveyance of

the 56.34 acres shown and described on map no. 120C, parcel nos. 2843, 2844, 2845, 2846, 2847, and 2848, to the Town of Louisville for \$1.00, payment waived, by deed containing the covenants as set out in the LURR.

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

In response to questions from Trustee McCullough, Mr. Hoff confirmed that the Town would acquire title to the property and will auction parcels off for development commencing next year, and confirmed that the proceeds will go for infrastructure improvements in the municipality.

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

RESOLVED, That the Authority hereby approves the conveyance of lands in the Town of Louisville, St. Lawrence County, New York, substantially as shown and described on Power Authority of the State of New York, Map No. 120C, Parcel Nos. 2832, 2844, 2845, 2846, 2847, and 2848, comprising approximately 56.34 acres, to the Town of Louisville by deed with covenants as substantially set out in the LURR and including the provision that any revenues from the sale of all or any portion of the parcel by the Town of Louisville for development are to be used by the Town of Louisville to offset the cost of infrastructure within the town. The Authority hereby determines that such a conveyance by the Authority under conditions substantially as specified above is on terms beneficial to the Authority and will not result in significant adverse environmental impacts; and be it further

RESOLVED, That the Chairman is authorized to execute and deliver to the Town of Louisville on behalf of the Authority, in such form as approved by the General Counsel of the Authority, a quitclaim deed of the lands shown and described on Power Authority of the State of New York, St. Lawrence/FDR. Power Project, St. Lawrence County, Map No. 120C; and be it further

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

**9. Lease of Office Space, Albany Office
KeyCorp Tower, 30 South Pearl Street**

SUMMARY

“The Trustees are requested to authorize the execution of a lease agreement for approximately 16,035 rentable square feet of office space on the 10th floor of the building known as KeyCorp Tower located at 30 South Pearl Street in Albany, New York by Omni Management Group, Ltd. (hereinafter ‘Omni’) as landlord to the New York Power Authority as tenant. The proposed lease is for a term of ten years to commence on March 1, 1999 at an average annual fixed rent of \$19.00 per square foot plus electricity estimated at \$1.50 per square foot and adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit ‘9-A’ attached hereto.

BACKGROUND

“The Authority has leased space in the Class B Twin Towers building at One Commerce Plaza in Albany since 1969. Presently the Authority occupies approximately 10,604 rentable square feet in this building with 4,568 square feet on the 19th floor and 6,036 square feet on the 20th floor. Due to increased space needs, the aging and Class B condition of the Twin Towers building and concerns for safety surrounding egress from the upper floors of the building in an emergency, a decision was made to consider other office space in the Albany Central Business District (‘CBD’). The Authority recruited the services of Robert Cohn Associates, Inc., the largest commercial real estate brokerage firm in the area, as a tenant representative to assist this effort.

DISCUSSION

“According to the Fall 1998 Capital Region Office Market Review issued by Robert Cohn Associates, Inc., the Class A vacancy in the CBD has decreased over the past year to 11.7%. Class A space quotes in the CBD are presently running in the \$19.50 to \$24.50 per square foot for base rentals.

“The Authority's search revealed available contiguous Class A space in the CBD that meets the Authority's space and location requirements in the KeyCorp Tower building. This building, which is approximately 11 years old, is located within a reasonable distance from the State Capitol and government offices. Entrance to a covered access route to the Empire State Plaza and the Capitol is located directly across the street. Preliminary negotiations with Omni Management Group, Ltd. have resulted in a proposed ten year lease of 16,035 square feet of office space consisting of the entire 10th floor in KeyCorp Tower at an average rental of \$19.00 per square foot, an average reduction of \$3.25 per square foot from the landlord's initial proposal for the space. The landlord will provide a tenant improvement allowance of \$150,000. This allowance excludes costs associated with upgrading communication systems, however, it has been determined that the cost of upgrading these systems in the existing leasehold at One Commerce Plaza would be comparable. Other basic lease terms are set forth in Exhibit ‘9-A’. The negotiated rent for this transaction is at the low end of rental rates for Class A space in the Albany CBD. The Authority's broker has advised us that this transaction compares favorably to other similar deals for Class A space recently completed in Downtown Albany.

FISCAL INFORMATION

“Payments for rent and associated costs as set forth in Exhibit ‘9-A’ will be made from the Operating Fund.

RECOMMENDATION

“The Director of Real Estate, the Director of Corporate Support Services and the Vice President - Procurement and Real Estate recommend that the Trustees approve entering into a lease amendment with Omni

Management Group, Ltd. for office space at KeyCorp Tower on terms substantially in accordance with the foregoing and Exhibit '9-A'.

"The Vice President – Controller, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

In response to questions from Trustee Ciminelli, Mr. Hoff explained that although the proposed space is larger than the existing Albany office space, the latter has become much too small for staff's current needs and that it includes a limited amount of space for future growth.

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

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Vice President – Controller or the Vice President - Procurement and Real Estate be, and hereby are, authorized to enter into a lease for office space at KeyCorp Tower with Omni Management Group, Ltd. on substantially the terms set forth in the foregoing report of the President and subject to approval of the lease agreement by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the Vice President – Controller, the Vice President - Procurement and Real Estate or the Director - Real Estate be, and hereby are, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing, subject to approval by the Executive Vice President, Secretary and General Counsel or his designee.

BASIC LEASE TERMS

Omni Management Group, Ltd. to Authority

- Premises:** Approximately 16,035 square feet on the 10th floor of the KeyCorp Tower building.
- Term:** Ten years, to commence on March 1, 1999 and end on February 28, 2009.
- Fixed Rent:** For years one through five, rent will be \$288,630.00 annually or \$18.00 per square foot and for years five through ten, \$320,700.00 annually or \$20.00 per square foot. The Authority will also pay for its submetered electricity, estimated at \$1.50 per square foot.
- Renewal Option:** There will be one five-year option to extend the term.
- Downsize Option:** After the fifth year of the lease, the Authority will have a one-time option to reduce the size of the premises by approximately 5,000 rentable square feet. Exercising this option will require payment of six months of rent for the downsize space only as an escape charge and all unamortized costs for tenant improvements and brokerage commissions payable to the landlord.
- Operating Escalation:** Pro-rata share of increases in operating expenses over a base year of 1999.
- Real Estate Tax Escalation:** Pro-rata share of increases in real estate taxes over a base year of 1999 for City/County/BID and July 1, 1998 - June 30, 1999 for School.
- Parking:** Landlord will provide 3 spaces at an estimated cost of \$75.00 per month and will assist in locating nearby parking for remaining staff.
- Tenant Improvement Allowance:** Landlord will provide a tenant improvement allowance of \$150,000.00 inclusive of landlord provided architectural and engineering fees. Any tenant improvement costs in excess of tenant's improvement allowance will be paid by the Authority.
- Brokerage Commissions:** All brokerage commissions associated with this transaction will be paid by the Landlord.

10. Plant Option – Funding Request

SUMMARY

“The Trustees are requested to approve the expenditure of up to \$7,500,000 for licensing and engineering services required in connection with considering the option of installing 500 MW of combined cycle capacity at the Charles Poletti Plant (‘Poletti’).

BACKGROUND

“New York State’ Independent System Operator (‘ISO’) will have the authority to determine installed capacity requirements for electricity providers serving customers in New York State. In addition to continuation of the current New York Power Pool requirement that generators provide an installed capacity requirement equal to 118% of their total load, electricity providers serving some areas of the state may be subject to additional installed local capacity requirements. New York City is one such ‘load pocket’ where an additional installed reserve requirement is likely to be instituted. Con Edison has suggested ‘in-city’ installed capacity requirement of 80% of a power supplier’s ‘in-city’ load.

“The Settlement Agreement in the Con Edison Competitive Opportunities case (Case NO 96-E-0897) provides that the Authority will comply with any ISO established capacity requirement for in-city generation. The pending ISO filing with the Federal Energy Regulatory Commission (‘FERC’) has proposed a penalty payment for insufficient reserve capacity of approximately \$180,000/MW/year. In order to avoid this payment, if adopted by FERC, the Authority will, in the short term, have to purchase capacity from other in-city generators and/or implement a customer load management program to meet an 80% in-city capacity requirement. In this regard, the Settlement Agreement provides that until April 1, 2002, Con Edison will reimburse the Authority’s reasonable costs of acquiring any additional capacity required to meet any in-city capacity requirement. Beyond April 1, 2002, the Authority will be responsible for all such costs necessary to meet such a requirement.

“In the long term, assuming the ISO adopts the 80% capacity requirement and it is approved by FERC, the Authority will have to acquire some 500 MW of additional in-city generation in order to continue service to its existing customers in New York City. The proposed combined cycle plant will have the highest efficiency and the best available air emission control technology compared to the existing conventional plants in the city. Air emissions will be significantly reduced if the plant is constructed. Staff evaluation of various options of meeting such an in-city capacity requirement determined that the most cost-effective option at this time is to construct a 500 MW combined cycle power plant at the Poletti site. The current estimate for such a plant is about \$370 million dollars, exclusive of financing costs.

“Given the long lead time for licensing and construction, and assuming an 80% in-city capacity requirement will be established, it is necessary to initiate licensing and engineering efforts now to preserve this option for meeting such a requirement.

“The Trustees are requested to authorize the expenditure of \$7.5 million to begin this effort. The effort over the next two years would concentrate on developing the engineering work and environmental studies required if a 500 MW combined cycle plant is to be sited at the Poletti site. The Authority has requested bids from Architect/Engineers to provide the engineering services necessary to support the licensing effort.

“The Trustees will be requested to approve the award of a contract to the recommended low bidder for A/E services for licensing and engineering. However, any decision on actually constructing the plant would be submitted for Trustee approval at a future time.

FISCAL INFORMATION

“Payment will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Project Management and the Senior Vice President – Corporate Planning recommend that the Trustees authorize capital funding of \$7.5 million for licensing and engineering services in connection with the potential siting of 500 MW of combined cycle capacity at the Poletti site.

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

In response to questions from Trustee Miller, Mr. Blabey explained that the option outlined above is but one of several alternative possibilities depending upon how the local generation requirement, which is currently fluid, develops in the future. Mr. Hiney underscored that staff would request formal Trustee approval at a future date if the Poletti option is deemed advisable, and that in the interim, staff would proceed with retaining the appropriate professional expertise to assist in conducting a study. In response to questions from Trustee Ciminelli, Mr. Hiney explained that although the Trustees would not at this time be committing to selecting the Poletti option as their final choice, the Authority’s contractual commitments to its public customers render it prudent to actively explore such future options promptly.

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

RESOLVED, That capital funding in the amount of \$7,500,000 is hereby authorized in accordance with the Authority’s Expenditure Authorization Procedures in connection with licensing and engineering services necessary to consider the option of constructing a 500 MW combined cycle power plant at the Charles A. Poletti Plant site.

**11. Lewiston Pump Generating Plant Overhaul -
Installation Services Contracts – Award**

SUMMARY

“The Trustees are requested to approve the award of two service contracts totaling \$1,338,200 for the overhaul of three units at the Lewiston Pump Generating Plant (‘LPGP’). This request includes a contract in the amount of \$1,143,200 to Voith Hydro of York, Pennsylvania for turbine rehabilitation, and a contract in the amount of \$195,000 to Marine Steel Painting Corporation of Alden, New York for painting the turbine components.

“The work is scheduled to start in January 1999 and be completed in June 2001.

BACKGROUND

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

“LPGP has 12 reversible pump generators; each rated at about 25 MW. Pump-generating units are inherently subject to more stressful operation than conventional turbine generators. At LPGP, frequent starts and stops with the wide range of operation of the reservoir water level cause accelerated wear of many of the machine components. While some repair, refurbishment, and replacement work can take place with the machine assembled, many of the surfaces and components, which need attention, are not accessible unless the machine is taken apart. A major overhaul requires complete disassembly of the unit, including removal of the water wheel.

“As approved by the Trustees at their meeting of December 19, 1995, the Authority embarked on a program to overhaul each of the 12 units. To date, three LPGP units have been overhauled. These three unit overhauls were performed under a contract that was competitively bid and awarded to GEC Alsthom Corp. This present request seeks approval to award a competitively bid contract for the next three units. In the future, the Trustees will be requested to approve the award of contracts for additional unit overhauls.

“Initially, due to lack of Niagara Power Project labor resources and equipment, the LPGP overhaul was planned to be performed by contract labor. The first two units were competitively bid with Niagara Power Project staff performing only disassembly and reassembly of the units.

“By the third unit overhaul, a significant portion of the work was shifted from contractors to the Niagara Power Project staff. Only those work activities for which the Authority does not have either the facilities or equipment will be contracted for. The value of the contractor’s work is reduced from \$1.3 million to about \$400,000 per unit. This shift in the work to the Niagara Power Project staff was possible as a result of implementation of the Maintenance Resource Management (‘MRM’) system.

“For on-site machining, the contractor will provide the equipment and operators only. Niagara Power Project craft labor will be utilized by the contractor for the setup, operation, and removal of the machining device. This arrangement provides for maximum utilization of the Authority’s resources and was applied successfully on the recently completed machining work on the third unit overhaul.

DISCUSSION

Rehabilitation of Turbine Components

“In response to public advertisement, proposals for rehabilitation of turbine components for three units at the LPGP were received on September 24, 1998 from the following four firms:

<u>Bidders</u>	<u>Lump Sum Bid Price</u>
Voith Hydro, Inc. York, PA	\$1,143,200
General Electric Hydro, Inc. Lachine, Quebec, Canada	\$1,189,040
American Hydro Corp York, PA	\$1,437,930
Alstom Energy, Inc. Tracy, Quebec, Canada	\$1,610,710

“An evaluation committee consisting of Authority personnel evaluated the proposals. Since the initial review of the bid proposals indicated that the two lowest bidders were technically acceptable, the highest bidders were not given further consideration in the evaluation.

“Consistent with the Authority’s bid evaluation procedure, the two lowest bid price proposals were evaluated on the basis of cost, completeness, schedule, warranty, exceptions taken to the bidding documents, experience, quality control, safety, and adherence to the Authority’s M/WBE participation goals and Equal Employment Opportunity requirement. In addition, the evaluation team met with the low bidder to clarify various aspects of the proposals and to determine the contractor’s work plans and methodology for rehabilitation work.

“The results of this evaluation indicate that Voith Hydro’s proposal is the lowest in price and that it meets all the technical and commercial requirements of the inquiry.

Blast Cleaning/Painting of Turbine Components

“In response to public advertisement, proposals for the on site blast cleaning and painting of turbine components for three units at the LPGP were received on September 25, 1998 from the following seven firms:

	<u>Bidders</u>	<u>Bid Price</u>
1.	Marine Steel Painting Corp.	\$195,000
2.	Adirondack, Inc.	\$234,000
3.	Amstar of Western New York	\$248,700
4.	Amherst Painting Co.	\$276,000
5.	Erie Interstate Cont., Inc.	\$312,000
6.	KT Power, Inc.	\$357,284
7.	A A C Contracting, Inc.	\$692,637

“Work to be performed by the contractor includes the blast clean removal of the existing lead-containing paint from the inner and outer head covers, the operating ring, and the packing box housing. Also, the outer head cover and the packing box housing will be painted.

“Marine Steel Painting Corp.’s bid of \$195,000 was \$39,000 lower than the second bidder, Adirondack, Inc. Marine Steel’s bid was complete and took no exceptions. This company has successfully performed this work on two previous Lewiston units, achieving the specified level of surface preparation and painting of the turbine components. That work was performed as a lead abatement project in a designated confined area to the satisfaction of the Niagara Project’s environmental and safety representatives. Marine Steel developed and executed a lead abatement program, utilizing a certified industrial hygienist. All work was performed in accordance with OSHA regulations for lead abatement work in a confined area.

FISCAL INFORMATION

“Payment will be made from the Operating Fund.

RECOMMENDATION

“The Regional Manager – Western New York, and the Vice President – Project Management recommend that the Trustees approve the award of a contract for the turbine rehabilitation on the overhaul of three units at the LPGP be awarded to Voith Hydro, Inc., the lowest evaluated bidder, in the amount of \$1,143,200 and that the award of the contract for the blast cleaning and painting of the turbine components on the overhaul of three units at the LPGP be awarded to Marine Steel Painting Corp., the lowest evaluated bidder, in the amount of \$195,000.

“The Vice President – Controller, the Vice President - Procurement and Real Estate, the Executive Vice President, 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, That pursuant to the Guidelines of Procurement Contracts adopted by the Authority, approval is granted to enter into contracts with Voith Hydro, Inc. and Marine Steel Painting Corp. for the rehabilitation and painting of turbine components for the overhaul of three units at the Lewiston Pump Generating Plant, subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O&M</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Installation Services		
Voith Hydro, Inc.	12/31/2001	\$1,143,200
Marine Steel Painting Corporation	12/31/2001	\$195,000

12. Procurement (Services) Contracts: Southeast New York (“SENY”) Customers, Electrotechnologies and Non Electric End-Use Programs (“EP” and “NEEP”)

SUMMARY

“The Trustees are requested to approve the award of procurement (services) contracts to the firms of Burns and Roe Enterprises, Inc., and Harris Energy Systems for project management and program implementation services in support of the Southeast New York (‘SENY’) Electrotechnology and Non-Electric End-Use Programs (‘EP’ and ‘NEEP’). These contracts would be for an initial period of three years with an option to extend for no more than two additional years, with approval of the President. Funding for these contracts in the amount of \$25 million dollars is currently included in the previously approved EP and NEEP programs.

BACKGROUND

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

“As the General Contractor for the SENY EP and NEEP programs, the Authority would contract for the installation of program energy efficiency measures through the use of Implementation Contractors (‘ICs’). The services provided by the ICs will complement Authority headquarters staff resources in the implementation of both EP and NEEP programs. The typical contract scope-of-work will consist of the following:

- On-site screening of participant facilities to determine which facilities are likely candidates to realize significant operational cost savings from installing energy efficiency measures.
- On-site surveys, energy analysis and technical assessment studies to identify potential application for energy efficiency measures approved for EP and NEEP programs.
- Detailed Technical Assessment studies and analysis of specific energy efficiency measures or systems.
- Design of proposed systems and/or measures.
- Preparation of project proposal documents and solicitation of competitive bids. (Customer Installation Commitment)
- Procurement of equipment and installation services.
- Construction management and oversight of installation of proposed systems and/or measures.

“The IC for each project is required to work directly with the participating facility from Technical Assessment to the final acceptance of equipment installation. Procurement of materials and installation of the recommended energy efficiency measures will be competitively bid by the IC. The IC guarantees the quality of all work performed.

DISCUSSION

“In October 1998, a Request for Proposal was issued requesting proposals for the SENY EP and NEEP programs from eight consulting and engineering firms experience in providing energy efficiency services. Thirteen additional contractors were added to the list as a result of the Authority's announcement in the Contract Reporter.

“A conference was held on November 5, 1998, to explain the proposed scope of work and provide an opportunity for potential contractors to ask questions and seek clarification. Eleven firms attended the bidder's conference.

“On November 17, 1998, proposals were received from Harris Energy Systems, Burns & Roe, Goldman Copeland, EME Group, Viron Energy Services, Onsite Sycom, Parsons Brinckerhoff and HEC Energy Services. All of the proposals were preliminarily reviewed by an interdepartmental committee of nine staff members under the Authority's Procurement and Contract Administration Procedures. As a result of the review, four firms were advanced to the second stage of the selection process. The four short listed firms (Harris, Burns & Roe, Goldman Copeland & EME) were asked to present their proposal and answer questions orally for the committee on November 24 and 25, 1998. Each member of the committee completed a evaluation and assigned numerical ratings for the experience of the firm, organization of the project team, qualifications of the support staff, familiarity with codes and permitting process, financial capabilities, location of support officers, proposal format, construction management experience, technical assessment fee and compensation schedules.

“The four short listed firms were then ranked utilizing the committee composite numerical scores. Two firms ranked highest in overall scores by the committee. Burns & Roe and Harris Energy Systems ranked highest and have proposed reasonable and competitive costs. Both Burns and Roe and Harris are recommended based on the technical merits of their proposals and their experience and capabilities.

BURNS AND ROE

“Burns and Roe is the lowest cost qualified firm. Burns and Roe is a full-service program management, engineering, construction and operations and maintenance company with strong in-house engineering and project management capabilities with New York State offices in New York City. Burns and Roe maintains a multi-disciplined organization with a staff of 2000 employees with approximately 600 in the New York/New Jersey offices and has extensive HVAC experience in the tri-state metropolitan area.

HARRIS ENERGY SYSTEMS

“Harris Energy Systems was the next lowest cost qualified firm and is also a full-service construction and energy management company in New York State, with offices located in New York City. Significantly, Harris Energy Systems has been previously awarded energy services contracts by the Authority in the Clean Air for Schools and NEEP/EP Program and has demonstrated the capabilities needed to perform significant energy services projects in an exemplary manner. Because of the relatively small difference in cost, we believe Harris' prior record of service makes its proposal equivalent overall to that of Burns and Roe. Thus, we are recommending that both companies be awarded contracts.

FISCAL INFORMATION

“As previously authorized by the Trustees, expenditures for implementation services will be paid from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed \$25 million. These costs, together with the cost of advancing funds and Authority program costs, will be recovered directly from participants within ten years after completing each individual energy efficiency project.

RECOMMENDATION

“The Senior Vice President - Energy Services and Technology recommends that the Trustees authorize the award of contracts and associated funding for the SENY, EP and NEEP programs as described herein.

“The Vice President – Controller, the Vice President - Procurement and Real Estate, the Executive Vice President, 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, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award contracts for a period of three years each, to Burns and Roe and Harris Energy Systems, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, with options to extend for up to an additional two years, with approval of the President, commencing January 4, 1999, as recommended in the foregoing report of the President, in the amounts and for the purposes listed below:

SENY EP & NEEP Energy Services Program <u>Implementation Services</u>	<u>Contract Approval</u>	<u>Projected Closing Date</u>
Burns and Roe and Harris Energy Systems	{ \$25 Million }	January 4, 2002 January 4, 2002

Note: A total of \$25M will be allocated to Burns and Roe and Harris Energy Systems. The allocation will be determined as facilities are assigned. The initial award will be \$10M to each contractor.

13. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Charles A. Poletti and Richard M. Flynn Power Projects; and Headquarters Office – Awards

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘13-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, the Charles A. Poletti and Richard M. Flynn Power Projects, as well as for the Headquarters Office. 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. With respect to Headquarters, and the Law Department in particular, it is often necessary to retain consultants to perform specialized work outside the expertise of Authority staff.

“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 \$15,500 to \$4,000,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

“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.

Contracts in Support of the Nuclear Plants:

“The three contracts with **Addecco Inc., Crickett Personnel Services Inc., and Dutchess Temps Inc. (Q-02-2225; PO #'s TBA)** would commence on January 1, 1999, subject to the Trustees' approval. The purpose of these contracts is to provide temporary secretarial/clerical services to supplement and/or augment permanent Authority support staff at IP3, especially during outages, as well as for non-outage support of temporary projects for various departments. The three aforementioned firms were the low qualified bidders of six bids received (in addition to four non-responding bidders and notice in the Contract Reporter). It should be noted that both Crickett and Dutchess are New York State certified Women's Business Enterprises. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Mark-up rates will remain fixed for the

duration of the contracts. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$1,000,000.

“The contract with **Community Alert Network Inc. (C99-J0208)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide automatic, simultaneous emergency telephone call-in service to a roster of 1,000 personnel for the community alert network in support of the emergency plan at JAF. Community Alert Network was the sole responding bidder of eight bids solicited, as a result of notice in the Contract Reporter. The intended term of this contract is two 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, \$15,500.

“The contract with **Crosby Valve & Gage Co. (C99-I6001)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide field engineering services to inspect and repair various Crosby-manufactured non-safety related, safety and relief valves at IP3. Services include on-site and off-site repair work. Since Crosby is the original equipment manufacturer (‘OEM’), this contract is awarded on a sole source basis. Notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; however, no additional bidders were identified. 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 **Honeydippers Septic Services (C99-I6002)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide septic tank cleaning and sewage disposal services, on an ‘as required’ basis, for various site buildings and areas at IP3. Honeydippers was the low bidder of two bids received (in addition to three non-responding bidders and notice in the Contract Reporter). The intended term of this contract is four years (to cover two refueling outage cycles), 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, \$500,000. (This would include any extra fees that may be incurred when occasional sewage treatment problems in the Village of Buchanan sewage system preclude the Authority from using the Buchanan system, forcing the plant to utilize more expensive removal rates for 24-hour service.)

“The contract with **Industrial Medical Associates (C99-J0135)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide medical services, including: services of a Medical Review Officer (who reviews positive drug and alcohol samples, among other functions); annual and pre-employment physical examinations for employees; drug and alcohol testing; contractor examinations for respirator clearance; and pre-outage contractor examinations, for JAF. Industrial Medical Associates was the low bidder of three bids received (in addition to five non-responding bidders and notice in the Contract Reporter). The intended term of the 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, \$759,500.

“The contract with **J & A Mechanical Contractors, Inc. (C99-J0111)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide preventive maintenance, maintenance and technical services for heating, ventilating and air conditioning systems (‘HVAC’) for the non-nuclear structures at JAF. J & A Mechanical Contractors was the sole responding bidder of six bids solicited, in addition to notice in the Contract Reporter. Authority staff does not have the necessary expertise or equipment to perform these services. The intended term of this contract is five years, subject to the Trustees’ approval, which is hereby requested. Mark-up rates will remain fixed for the duration of the contract; craft labor rates will be adjusted periodically in accordance with the existing local labor agreements. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$250,000.

“The contract with **Jourdan’s Dry Cleaners (C99-J0325)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide laundering, dry cleaning, waterproofing, and miscellaneous repair and tailoring services of JAF security force uniforms. Jourdan’s was the low bidder of four bids received (in addition to one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is two 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, \$30,000.

“The contract with **Kinemetrix, Inc. (C99-J0014)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide quality assurance maintenance support services for seismic instrumentation at JAF. Services include monthly verification of earthquake recording status, functional tests twice per year, and annual periodic data analysis; monthly channel checks; semi-annual on-site channel functional tests and preventive maintenance of the Kinemetrix seismic instrumentation at JAF. Since Kinemetrix is the original equipment manufacturer (‘OEM’), this contract is awarded on a sole source basis; Kinemetrix is the only known supplier that can meet all technical specifications. It should be noted that an advertisement was also published in the Contract Reporter, but resulted in no additional proposals. 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, \$22,500.

“The contract with **Otis Elevator Company (C99-J0049)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide for all labor, materials, tools, equipment, and supervision necessary to maintain six site elevators at JAF. Services include preventive maintenance and safety inspections, as well as service calls. Otis Elevator Co. was the low bidder of four bids received (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. Approval is also requested for the total amount expected to be expended for the term of the contract, \$81,000.

“The contract with **S.G. Pinney & Associates, Inc. (Q-02-2161; PO # TBA)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide for JAF Torus desludging, inspection and underwater coating repair services. This work was originally bid for Refueling Outages 13 and 14 (‘RO13’ & ‘RO14’); however staff determined that the work for RO13 would interfere with other more critical Torus work that had to be performed during RO13, and that it was possible to defer this work until RO14. Although these services will not be performed until RO14, which is currently scheduled for the first quarter of 2001, staff recommends awarding this contract now in order to lock in advantageous rates. The inspection will assess the condition of the internal Torus coating and monitor corrosion on the base metal and all internals above and below the waterline. All inspection activities will be performed under the direct supervision of a certified ANSI Level III coating inspector/diver. The Torus will be desludged using submerged filtration equipment; the contractor must also be prepared to perform underwater spot coating repairs, where indicated. S.G. Pinney was the lower evaluated technically qualified bidder of two bids received (in addition to four non-responding bidders and notice in the Contract Reporter). The intended term of this contract is two and one-half 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.

“The contract with **Sun Technical Services, Inc. (Q-02-2236; PO # TBA)** would commence on January 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide for temporary instrumentation and control (‘I&C’) personnel for staff augmentation to assist IP3 I&C staff, especially during outages. Services include, but are not limited to performing surveillance tests, checking calibrations, and reviewing setpoints. Staffing may include engineers and procedure writers, as well as various levels of technicians, expeditors, and clerks to support such efforts. Sun Technical was the low bidder of six bids received (in addition to 11 non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, with an option to extend for up to two additional years (to cover two outage cycles), subject to the Trustees’ approval, which is hereby requested. Mark-up rates for personnel will remain fixed for the duration of the contract; union labor rates will be adjusted periodically in accordance with national and local union agreements. Approval is also requested for the total amount expected to be expended for the term of the contract, \$4,000,000.

“IP3 is required by the ASME Section XI Code and 10 CFR 50.55a to develop and maintain an In-Service Inspection (‘ISI’) Program for its Code Class 1, 2, and 3 systems and components. Every ten years, an updated ISI Program Plan is developed in accordance with the latest Nuclear Regulatory Commission (‘NRC’) or Code requirements; the plan outlines the ISI scopes, requirements and schedule. The contract with Westinghouse Electric Company, a Division of CBS Corporation, acting through its wholly owned subsidiary WesDyne International (PO # TBA), would commence on December 16, 1998, subject to the Trustees’ approval. The purpose of this contract is to

develop and maintain the third 10-year In-Service Inspection ('ISI') Program for IP3, including updates. This award is made on a sole source basis, since Westinghouse is the original designer of the Nuclear Steam Supply System at IP3; Westinghouse has access to proprietary design information, maintains/possesses all requisite IP3 ISI inspection results for the Authority, and uses personnel who are familiar with IP3's systems and designs; this allows Westinghouse to be more precise in determining where inspections are necessary, at a very competitive cost. The third 10-year ISI program will commence approximately in December 1999. Based on past Authority experience, the development, review, and approval of a new 10-year ISI Program Plan will require approximately one year. The intended term of this contract therefore includes one year for plan development and ten years for implementation, maintenance, and updates, 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, \$110,000.

Contracts in Support of the Non-Nuclear Facilities:

"As a condition of renewing the State Pollutant Discharge Elimination System ('SPDES') permit for the Charles A. Poletti Power Project, the New York State Department of Environmental Conservation stipulated that a study of fish mortality resulting from operating the Poletti Project must be conducted. This would involve sampling the intake screens to estimate the number of fish and blue crabs impinged at the Poletti Project, sampling the plant's discharge to estimate the abundance of ichthyoplankton entrained through the Poletti Project, describing any seasonal and diel patterns in species abundance, and developing a personal computer-based system for accessing and displaying information from this study.

"The contract with **Applied Science Associates (C98-Z0098)** commenced on November 23, 1998, with the President's interim approval, subject to the Trustees' subsequent ratification and approval. Although actual sampling and other services will not commence until approximately January 4, 1999, approval was requested to authorize the contractor to commence mobilization in preparation for providing these services. This involves providing the labor and materials to design, construct and install sampling equipment that must be in place prior to commencement of sampling, as well as renting and equipping a trailer to identify and count fish that will be collected from the intake and discharge structures. Applied Science Associates was the low bidder of three bids received (of nine bids solicited, in addition to notice in the Contract Reporter) and was determined technically qualified to perform the impingement and entrainment study. The intended term of this contract is two and one-half years, subject to the Trustees' ratification and approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$481,243.

"The two contracts with **AmSpec Services and Camin Cargo Control (QFS-98-68; PO #'s TBA)** would commence on January 1, 1999, subject to the Trustees' approval. The purpose of these contracts is to provide for independent petroleum inspection services in connection with the delivery, transfer and storage of No. 6 and No. 2 fuel oil within the New York Harbor and Long Island Sound, respectively. Services include the inspection, measurement, temperature determination, sampling and laboratory analysis/testing of fuel oil to be used at the Authority's electric generating stations in the borough of Queens and in Holtsville, Long Island (i.e.) the Charles A. Poletti and Richard M. Flynn Power Projects, respectively). AmSpec and Camin Cargo were the two lowest bidders of seven bids received (in addition to seven non-responding bidders and notice in the Contract Reporter). The benefits of awarding contracts to more than one inspection firm include increased operational flexibility and enhanced competitiveness over the life of the contracts. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contracts. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$31,000.

"The contract with **Langlois Gaudreau** became effective on October 15, 1998, with the concurrence of the Executive Vice President, Secretary and General Counsel, subject to subsequent Trustees' approval. The purpose of this contract is to provide for Canadian legal services and general information and advice concerning Canadian energy matters. The Authority is currently involved in a dispute with Hydro Quebec ('HQ') and Consolidated Edison Company of New York ('Con Edison') concerning delivery of energy under the 800 megawatt Diversity Power Contract. The dispute requires an interpretation of the contract between the Authority and HQ, which by its terms is governed by the laws of Quebec. There was an urgent need for the Authority to retain counsel admitted to practice in Quebec to assist us in the analysis of our rights vis-à-vis HQ, and to prepare for possible arbitration with HQ. In fact, due to the assistance of the Langlois firm the dispute is close to resolution. It is recommended that the

firm be engaged on a long-term basis to provide continuing legal support and assistance on Canadian energy matters in general, particularly in light of the dramatic structural changes underway in the provinces of Ontario and Quebec.

“Staff conducted a competitive search for these services. The selection criteria included requisite commercial litigation experience, knowledge of energy law, a background in dealing with HQ, experience in commercial arbitration and admission to the Bar of the Province of Quebec. We have had extensive discussions with the five firms in Montreal in regard to this assignment. The Authority’s Washington, D.C. energy counsel, Dickstein Shapiro Morin and Oshinsky, highly recommended the firm of Langlois Gaudreau. Our discussions with the Langlois firm indicated that they are the best qualified to do the work, based on their reputation, knowledge, and experience. The intended term of this contract is two years, with an option to extend for two additional years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the initial two year term of the contract, \$150,000.

FISCAL INFORMATION

“Funds required to support contract services for JAF, IP3, Poletti and Flynn Projects, as well as the Headquarters Office have been included in the proposed 1999 O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment would 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 for nuclear projects will be made from the appropriate Nuclear Improvement Fund.

RECOMMENDATION

“The Director – Environmental Programs, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, the Regional Manager – Southeast New York, the Executive Vice President, Secretary and General Counsel, 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 ‘13-A’ and as discussed above.

“The Vice President – Controller, the Chief Nuclear Officer, the Executive Vice President, 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, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit “13-A”, attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.

Awd-AD98R1 IP3 and JAF Procurement (Services) Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Award Basis¹ Closing Date</u>	<u>Compensation Contract Type² Limit</u>	<u>Expended Amount To Date</u>	<u>For Life</u>	<u>Expected Expenditure Of Contract</u>
<u>Contracts in support of the nuclear plants:</u>								
JAF	COMMUNITY ALERT NETWORK, INC. C99-J0208	01/01/99	Provide emergency plan automatic roster call-in service via Community Alert Network (CAN) system	12/31/00	B/S			\$15,500
IP3	CROSBY VALVE & GAGE CO. C99-I6001	01/01/99	Provide field engineering services to inspect and repair non safety related safety and relief valves	12/31/01	S/S			\$60,000
IP3	HONEYDIPPERS SEOTIC SERVICES C99-I6002	01/01/99	Provide septic tank cleaning and sewage removal services	12/31/02	B/S			\$500,000
JAF	INDUSTRIAL MEDICAL ASSOCIATES C99-J0135	01/01/99	Provide services of Medical Review Officer and Medical Examination Services	12/31/01	B/S			\$759,500
JAF	J & A MECHANICAL CONTRACTORS, INC. C99-J0111	01/01/99	Provide preventive maintenance, maintenance & technical services for HVAC systems in non-nuclear structures at JAF	12/31/03	B/S			\$250,000
JAF	JOURDAN'S DRY CLEANERS C99-J0325	01/01/99	Provide laundering, dry cleaning, waterproofing, repair & tailoring services of security force uniforms	12/31/00	B/S			\$30,000

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
JAF	KINEMATRICS INC. C99-J0014	01/01/99	Provide quality assurance maintenance support services for seismic instrumentation	12/31/01	S/S			\$22,500
JAF	OTIS ELEVATOR CO. C99-J0049	01/01/99	Perform preventive maintenance & safety inspections of site elevators	12/31/01	B/S			\$81,000
JAF	S.G. PINNEY & ASSOCIATES, INC. Q-02-2161; PO # TBA	01/01/99	Perform Torus desludging, inspection and underwater coating repairs	06/30/01	B/S			\$350,000
IP3	SUN TECHNICAL SERVICES, INC. Q-02-2236; PO # TBA	01/01/99	Provide temporary Instrumentation & Control personnel	12/31/01 (+ option for up to 2 additional years)	B/S			\$4,000,000
IP3	WESTINGHOUSE ELECTRIC CO. [WesDyne International] (PO # TBA)	12/16/98	Develop & maintain 3 rd 10-year Inservice Inspection Program Plan	12/31/09	S/S			\$110,000
IP3	3 awards (Q-02-2225): 1. ADDECCO INC. (formerly TAD Temporaries) (PO # TBA) 2. CRICKETT PERSONNEL SERVICES INC. (PO # TBA) 3. DUTCHESS TEMPS INC. (PO # TBA)	01/01/99	Provide temporary secretarial/clerical personnel	12/31/01	B/S			\$1,000,000*

*Note: represents total combined expected expenditures for all 3 contracts

1 **Award Basis:** B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 **Contract Type:** P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts – Awards
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<u>Contracts in support of the Non-nuclear plants and Headquarters Business Units:</u>								
POL	APPLIED SCIENCE ASSOCIATES C98-Z0098	11/23/98	Perform impingement and entrainment study	06/30/01	B/S			\$481,243
ERM-FUELS/ POL & FLYNN	2 awards (QFS-98-68): 1. AMSPEC SERVICES (PO # TBA) 2. CAMIN CARGO CONTROL (PO # TBA)	01/01/99	Provide inspection, measurement & testing of fuel oil to be used in Poletti & Flynn plants	12/31/01	B/S			\$31,000*
							*Note: represents total combined expenditure for both contracts	
LAW	LANGLOIS GAUDREAU (PO # TBA)	10/15/98	Provide for Canadian legal services, general information & advice re Canadian energy matters	10/14/00 (with option to extend for 2 additional years)	C/P			\$150,000

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search
 2 Contract Type: P= Personal Service; S= Service

14. 1999 Operation and Maintenance and Capital Budgets

SUMMARY

“The Trustees are requested to approve the 1999 budgets for Operations and Maintenance (‘O&M’) including year 2000 compliance initiatives (‘Vision 2000’), Research and Development (‘R&D’), fuel purchases and the 1999 Capital Budget as follows:

	<u>1999 Budget</u> <u>(\$ Millions)</u>
O&M	439.3
Vision 2000	19.1
R&D	13.1
Fuel	156.7
Capital	209.5

BACKGROUND

“The Authority’s 1999 Strategic Plan continues to emphasize performance excellence in order to be ‘best in class’ in key areas of our operations and to achieve our goals consistent with our commitment to the environment. Leadership, cooperation and technological innovation in a restructured and competitive electric utility industry represent key elements of the plan. The 1999 budgets are intended to provide the Authority’s operating facilities and support organizations with the resources needed to carry out the Authority’s mission and to accomplish the corresponding strategic goals.

DISCUSSION

“The O&M budget of \$439.3 million represents a decrease of 3.6% from the 1998 budget of \$455.5 million. Salaries (including overtime) and fringe benefits account for \$274 million or approximately 62% of the budget. Payroll increases for 1999 amount to approximately \$5.0 million. The 1999 budget also includes funding of \$36 million for an IP3 outage and \$2.4 million for a Poletti outage.

“Outage costs for 1999, as compared with 1998, which included \$30 million for JAF’s refueling outage and \$500 thousand for a Flynn outage, have increased by \$8 million. The 1999 budget therefore absorbs both the salary and outage cost increases totaling about \$13 million while still achieving a \$16 million overall decrease.

“Nuclear Generation’s 1999 request is \$20.8 million lower than the 1998 approved budget. The nuclear budget includes \$36 million for a refueling outage at IP3, which is \$6 million greater than the \$30 million approved for the 1998 JAF refueling. Nuclear non-outage budgets therefore show a decline of \$27 million compared to 1998. The non-nuclear budgets, which include Power Generation, Transmission and headquarters support departments, are \$4.6 million or 2.5% above 1998 approved levels. Included in these budgets is \$2.4 million for a generator inspection and maintenance outage at Poletti. Excluding the outage, the non-nuclear budget increase is about 1%.

“Incremental costs for 1999 pertaining to the assessment, remediation and testing of Authority systems that could be affected by the year 2000 millennium problem are currently estimated at \$22.4 million (including \$19.1 million of O&M and \$3.3 million included in the capital budget). These are estimates furnished by the Y2K Project Management Team based on a review of over 500 systems Authority-wide. Most of these systems are classified as critical or severe meaning that they must be assessed and if necessary remediated during 1999.

“The R&D budget of \$13.1 million is a decrease of \$ 800 thousand or 5.8% below 1998 primarily due to decreased institutional funding requirements.

“The fuel budget of \$156.7 million is a decrease of \$35.2 million below 1998. This is a cash budget reflecting planned fuel purchases in 1999 and includes the purchase, fabrication and enrichment of nuclear fuel for the IP3 outage (\$42.7 million) and fossil fuel purchases for Poletti and Flynn (\$114.0 million).

“The 1999 Capital budget totals \$209.5 million, which is unchanged from 1998. Included in this request are both new and ongoing capital jobs as well as general plant equipment. Energy Conservation/Renewable projects account for \$77.1 million or 36.8% of 1999's request. The budget also includes \$16.8 million for continuation of the Niagara Upgrade project. Five units have been upgraded so far with the sixth unit to be completed in 1999. The entire project is scheduled for completion in 2007. Other significant projects include \$6.3 million for preliminary design and engineering of the prototype unit for the St. Lawrence Upgrade, \$7.5 million to begin licensing and engineering on the Poletti combined cycle project, \$10.5 million for the JAF Independent Spent Fuel Storage Installation, \$5.5 million for the BG tower stabilization and \$10.1 million for the Flexible Alternating Current Transmission System device.

FISCAL INFORMATION

“Payment will be made from the Operating Fund for Operation and Maintenance, Research and Development, Vision 2000 costs and fuel purchases.

“Payment will be made from the Capital Fund or Energy Conservation Effectuation Fund for capital expenditures.

RECOMMENDATION

“The Vice President - Controller recommends approval of the 1999 Operations & Maintenance, Vision 2000, Research and Development, Fuel and Capital budgets as set forth above.

“The Site Executive Officers, Regional Managers, the respective Vice Presidents, the Executive Vice President, 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, That the 1999 Operations & Maintenance budgets, including vision 2000, Research & Development, fuel expenditures, and the 1999 Capital budget, as discussed in the foregoing report of the President, are hereby approved; and be it further

RESOLVED, That it is hereby authorized that up to \$102.3 million of monies in the Operating Fund be withdrawn from such Fund and deposited in the Capital Fund, provided that at the time of withdrawal of such amount or portions of such amount, the monies withdrawn are not then needed for any of the purposes specified in Subsections (1) (a)-(c) of Section 503 of the General Resolution Authorizing Revenue Obligations adopted on February 24, 1998, with the satisfaction of such condition being evidenced by a certificate of the Treasurer or the Deputy Treasurer.

O&M, R&D AND FUEL
1999 BUDGET
(\$ MILLIONS)

<u>DEPARTMENT</u>	<u>1998</u>	<u>1999</u>	<u>%</u> <u>CHANGE</u>
EXECUTIVE OFFICES	20.8	20.3	-2.2%
BUSINESS SERVICES	34.8	35.8	2.8%
MARKETING	6.0	6.2	4.5%
APPRAISAL & COMPLIANCE - NON NUC.	2.5	2.3	-11.2%
TRANSMISSION			
ENERGY CONTROL CENTER	6.1	6.5	7.6%
HEADQUARTERS SUPPORT	3.5	3.7	7.2%
TRANSMISSION FACILITIES	<u>21.3</u>	<u>21.9</u>	2.4%
TOTAL TRANSMISSION	30.9	32.1	4.0%
ENERGY EFFICIENCY	1.7	1.9	11.0%
POWER GENERATION			
POWER GENERATION – HQ	3.1	3.2	0.7%
BLLENHEIM – GILBOA	12.4	12.4	0.1%
CHARLES POLETTI	14.9	17.8	19.8%
NIAGARA	33.2	33.2	0.3%
ST. LAWRENCE	18.3	18.9	3.3%
R.M. FLYNN	6.1	5.6	-9.0%
SMALL HYDRO	<u>2.5</u>	<u>2.1</u>	-15.5%
TOTAL POWER GENERATION	90.5	93.2	3.0%
NUCLEAR GENERATION			
NUCLEAR GENERATION – HQ	12.3	9.2	-24.5%
INDIAN POINT 3	125.8	143.6	14.2%
J.A. FITZPATRICK	125.5	90.0	-28.3%
APPRAISAL & COMPLIANCE – NUC	<u>4.7</u>	<u>4.7</u>	0.1%
TOTAL NUCLEAR GENERATION	268.3	247.5	-7.8%
TOTAL O&M BUDGET	455.5	439.3	-3.6%
VISION 2000 FUNDING		19.1	
R&D AND INSTITUTIONAL FUNDING	13.9	13.1	-5.8%
FUEL			
OIL	37.6	27.2	-27.7%
GAS	102.1	86.8	-14.9%
NUCLEAR	<u>52.2</u>	<u>42.7</u>	-18.2%
TOTAL FUEL PURCHASES	191.9	156.7	-18.3%

**CAPITAL
1999 BUDGET
(\$ MILLIONS)**

	<u>1998</u>	<u>1999</u>	<u>% CHANGE</u>
NEW GENERATION			
POLETTI COMBINED CYCLE	0.0	7.5	
ENERGY CONSERVATION			
SENY CUSTOMER PROGRAMS	46.4	45.3	
OTHER NYPA FUNDED PROGRAMS	1.9	4.9	
PETROLEUM OVERCHARGE RESTITUTION PROGRAMS	17.8	8.3	
ENVIRONMENTAL BOND ACT FUNDED PROGRAMS	<u>15.0</u>	<u>18.6</u>	
TOTAL ENERGY CONSERVATION	81.1	77.1	-5.2%
TRANSMISSION	11.3	18.9	67.3%
NON-NUCLEAR GENERATION			
BLENHEIM - GILBOA	7.4	7.1	
CHARLES POLETTI / R.M. FLYNN	4.8	0.0	
NIAGARA	20.6	24.2	
ST. LAWRENCE	<u>9.8</u>	<u>14.3</u>	
TOTAL POWER GENERATION	42.6	45.6	7.0%
NUCLEAR GENERATION			
INDIAN POINT 3	15.1	17.6	
J.A. FITZPATRICK	<u>31.8</u>	<u>17.4</u>	
TOTAL NUCLEAR GENERATION	46.9	35.0	-25.4%
ADMINISTRATION SUPPORT	16.0	11.9	-25.6%
GENERAL PLANT/MINOR ADDITIONS			
TRANSMISSION	1.8	4.3	
PRODUCTION	<u>9.7</u>	<u>9.2</u>	
TOTAL GEN PLANT/MINOR ADDITIONS	11.5	13.5	17.4%
 TOTAL CAPITAL BUDGET	 209.4	 209.5	 0.1%

15. Amendment of Article V of the Authority's By-Laws

SUMMARY

"In a continuing effort to address the ongoing transformation of the electric utility industry, the Trustees have periodically adapted the Authority's senior management structure in order to realize its fullest potential for serving the people of New York State. To consolidate senior management policy making activities within such structure, modifications are proposed to the current executive and management committee provisions set forth in Article V of the By-Laws (see Appendix A hereto).

BACKGROUND

"At their meeting of September 11, 1997, the Trustees adopted amendments to the Authority's By-Laws which, inter alia, established an Executive Committee (Article V, Section 1) and defined the composition of the Management Committee (Article V, Section 2).

DISCUSSION

"Since its inception in September, 1997, the Executive Committee has functioned in close tandem with the Management Committee. However, to consolidate and facilitate policy making activities by senior officers of the Authority, the members of the Executive Committee have determined, based on the experience of the past year, that it would be desirable to merge the membership of the Executive Committee and the Management Committee into an Executive Management Committee. Consolidation would also avoid duplicative meetings for the members of the current Executive Committee who are also members of the Management Committee. The consolidated committee would be supported by the Secretary's office and would consist of the Chairman; President; Executive Vice President, Secretary and General Counsel; the Executive Vice President for Project Operations; and such other Officers as the Chairman may from time to time appoint.

RECOMMENDATION

"The Executive Vice President - Project Operations, the President and I support the proposed modification to Article V of the Authority's By-Laws as discussed in the foregoing memorandum."

The attached resolution, as recommended by the Executive Vice President, Secretary and General Counsel, was unanimously adopted.

RESOLVED, That Article V of the By-laws is hereby modified and amended to read as follows:

ARTICLE V.

Committees

Section 1. Executive Management Committee. The Chairman, President, Executive Vice President, Secretary and General Counsel, the Executive Vice President for Project Operations and such other Officers as the Chairman may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chairman's concurrence, to the Trustees. Any officer so designated shall serve at the pleasure of the Chairman. The Chairman, or in his absence or disability the President, shall preside at Executive Management Committee meetings, which shall meet quarterly or more often as the Chairman or President may designate.

Section 2. Audit Committee. The Audit Committee shall consist of two Trustees, other than the Chairman. The Audit Committee shall have oversight of such activities of the Authority as set forth in the Audit Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section 3. Other Committees. The Trustees or the Chairman may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the Chairman or President.

AND BE IT FURTHER RESOLVED, That all previous Authority actions by or involving the Executive Committee or the Management Committee shall hereinafter be deemed to have been the actions of the Authority by or involving the Executive Management Committee.

Article V of By-Laws Revisions

[] = Deletions

___ = New Material

ARTICLE V

Committees

Section 1. **Executive Management Committee.** The Chairman; President; Executive Vice President, Secretary and General Counsel; the Executive Vice President for Project Operations and such other Officers as the Chairman may from time to time designate shall be members of an Executive Management Committee which shall periodically review and propose Authority corporate strategies, policies and programs and shall report on and make recommendations, with the Chairman's concurrence, to the Trustees. Any officer so designated shall serve at the pleasure of the Chairman.

[Section 2. **Management Committee.** The Management Committee shall consist of the Chairman, the President, the Secretary and General Counsel and such other Officers and persons as may be appointed by the Chairman. The total Committee membership shall not exceed fourteen members.

The Management Committee shall consider, make presentations and recommendations to the Executive Committee on such matters as the Executive Committee may assign or determine necessary and appropriate.] The Chairman, or in his absence or disability the President, shall preside at Executive Management Committee meetings, which shall meet quarterly or more often as the Chairman or President may designate.

Section [3] 2. **Audit Committee.** The Audit Committee shall consist of [two] three Trustees, other than the Chairman. The Audit Committee shall have oversight of such activities of the Authority as set forth in the Audit Committee Charter adopted by the Trustees and may exercise such powers as the Trustees shall from time to time determine.

Section [4] 3. **Other Committees.** The Trustees or the [Executive Committee] Chairman may appoint other committees which shall have and may exercise such powers as shall be authorized by the Trustees or by actions of the [Executive Committee] Chairman or President.

December 15, 1998

16. Next Meeting

“The Regular meeting of the Trustees will be held on **Tuesday, January 26, 1999**, at the **New York Office** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

December 15, 1998

Closing

'Upon motion made and seconded, the meeting was closed at 12:25 p.m.'

David E. Blabey
Executive Vice President, Secretary and
General Counsel

DECMINS.98