

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

**March 31, 1998**

**Table of Contents**

<b><u>Subject</u></b>	<b><u>Page No.</u></b>	<b><u>Exhibit</u></b>
<b>1 Minutes of the Regular Meeting held on February 24, 1998</b>		
<b>2. Financial Reports for the Two Months Ended February 28, 1998</b>		<b>'2-A'</b>
<b>3. Report from the President and Chief Operating Officer</b>		
<b>4. Village of Endicott - Increase in Retail Rates - Notice of Adoption -- Resolution</b>		<b>'4-A'</b> <b>'4-B'</b>
<b>5. Village of Theresa - Increase in Retail Rates Notice of Adoption Resolution</b>		<b>'5-A'</b> <b>'5-B'</b>
<b>6. Allocation of 1,400 kW of Expansion Power Resolution</b>		<b>'6-A'</b> <b>'6-B'</b>
<b>7. Power Allocations Under the Power for Jobs Program Resolution</b>		<b>'7-A';</b> <b>'7-A1-8';</b> <b>'7-B; '7- B1-33</b>
<b>8. Power for Jobs - Competitive Procurement Resolution</b>		<b>'8-A'</b>
<b>9. Ancillary Service Charges Furnished Under the FERC Open Access Transmission Tariff - Final Action to Adopt Rates and Tariffs - Resolution</b>		<b>'9-A'</b> <b>'9-B'</b> <b>'9-C'</b>
<b>10. Nuclear Property Insurance - Proposed Purchase of Primary Coverage and Excess Coverage - Nuclear Electric Insurance, Ltd. Resolution</b>		
<b>11. 1997 Annual Report on the Authority's Investments</b>		<b>'11-A'</b>

**Resolution**

**'11-B'**

**ii.  
March 31, 1998**

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
12. <b>Petroleum Overcharge Restitution Program - Use of High Efficiency Lighting Program Revolving Loan Program Funds Resolution</b>		
13. <b>Ratification of Actions taken by Authorized Officers Relating to General Purpose Bond Refinancing Pursuant to Authority Delegated by Resolutions Adopted on February 24, 1998 Resolution</b>		
14. <b>Procurement (Services) Contracts - Energy Services Program Resolution</b>		<b>'14-A'</b>
15. <b>Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; and Headquarters - Awards Resolution</b>		<b>'15-A'</b>
16. <b>Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Extensions, Approvals of Additional Funding, and Increases in Compensation Ceiling Resolution</b>		<b>'16-A'</b>
17. <b>Resolution - In Memory of Judge Frank S. McCullough</b>		
18. <b>Next Meeting</b>		
<b>Closing</b>		

**March 31, 1998**

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

Present: Clarence D. Rappleyea, Chairman  
Thomas R. Frey, Vice Chairman  
Hyman M. Miller, Trustee  
Louis P. Ciminelli, Trustee  
Frank S. McCullough, Jr., Trustee

---

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President – Project Operations
John F. English	Senior Vice President - Corporate Planning
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President - Energy 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 – System Planning
John M. Hoff	Vice President - Procurement and Real Estate
William Josiger	Vice President - Project Activities
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President - Public Affairs
Stephen P. Shoenholz	Vice President - Public Relations
Vincent Vesce	Vice President - Human Resources
Joseph J. Carline	Assistant General Counsel
Carmine J. Clemente	Deputy Counsel
William Ernsthaf	Principal Attorney
Joseph Gryzlo	Senior Attorney
Gary Paslow	Executive Director - Policy Development
Jordan Brandeis	Director - Performance Planning
Angelo Esposito	Director – Energy Services
Jules Franko	Director – Nuclear Procurement
John L. Murphy	Director - Public Information
Peter Poggi	Director - Applications
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
Rondal W. Ciamaga	Regional Manager – Northern New York
Richard E. Kuntz	Regional Manager – Southeast New York
James J. McCarthy	Regional Manager – Central New York
Craig Banner	Manager – Municipal & Cooperative Marketing
William Palazzo	Manager – Generation
James I. Pasquale	Manager – Business Power Allocations and Compliance
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer

**March 31, 1998**

Anne Wagner-Findeisen  
Laura M. Badamo  
Vernadine E. Quan-Soon

Deputy Secretary  
Assistant Secretary - Legal Affairs  
Assistant Secretary – Corporate Affairs

---

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

**March 31, 1998**

**1. Approval of the Minutes**

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

**March 31, 1998**

**2. Financial Report for the Month Ended January 31, 1988**

March 31, 1998

3. Report from the President and Chief Financial Officer

*President Zeltmann welcomed Mr. Petralia to the Authority's Public Affairs staff. The President then reported to the Trustees that, as noted in the nuclear industry newsletter "Insight 98", the Authority's JAF Plant has recently joined the group of plants which have successfully produced 100 billion kilowatt hours of electricity.*

*At the President's request, a videotape was shown depicting the intensive efforts undertaken by senior management and employees to repair transmission towers on the Moses-Adirondack line following extensive damages sustained during the January icestorm.*

*At the President's request, Mr. Krauss reported on the status of the Year 2000 computer program compliance effort. Referring to the figure of 75% of embedded Authority computer systems which Mr. Krauss identified as not yet determined to be compliant, Trustee Ciminelli inquired as to the anticipated completion date of the identification process. Mr. Krauss explained that task will be completed by June 1<sup>st</sup> and that, in actuality, some 31% of the systems are in all likelihood compliant, however, staff's practice is to deem such systems as "unknown" until their compliance status can be determined with reasonable certainty.*

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

The President submitted the following report:

SUMMARY

“The Board of the Village of Endicott, New York (‘Village’) has requested the Trustees to approve revisions in the Village’s base retail rates of each customer service classification. This will result in additional total annual revenues of \$270,000 or 15%. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Village Board has requested the proposed rate increase to provide revenues to meet the electric department’s additional debt service obligations, increase its depreciation fund and allow for sufficient working funds to meet projected increases in operating and maintenance expenses. Current rates have been in effect since 1987, when the Village instituted a 19.5% revenue increase with the approval of the Trustees. This proposed increase in system rates is not the result of any change in the price of Authority electricity sold to the system.

“The Village electric department has planned capital additions of \$538,000. These include the substation PCB removal, purchase of transportation equipment, new meters, and line transformers. The Village plans to debt finance \$190,000 and fund the remainder of the planned capital program from the rate increase and cash reserves.

“Under the Village’s rate design, an average residential customer using 500 kWh monthly, who currently pays about 4.2 cents per kWh for electricity, will pay about 4.8 cents per kWh after the increase. A commercial customer using 1,000 kWh each month, which currently pays 4.2 cents per kWh, will pay 4.8 cents per kWh once the new rates are effective. For an industrial customer using 180,000 kWh, the monthly rate would increase from 2.8 cents per kWh to 3.3 cents per kWh. In comparison, similar residential, commercial and industrial customers served by NYSEG pay about 14.6 cents per kWh, 12.2 cents per kWh, and 8.7 cents per kWh, respectively.

“The proposed rate revisions are based upon a cost of service study requested by the Village and prepared by Authority staff.

DISCUSSION

“Pursuant to the Authority’s Administrative Procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village’s proposed revisions in retail rates. Such notice was published on February 11, 1998. A public hearing was held by the Village Board on December 18, 1997. At the hearing, the Town of Union questioned the proposed rate increase. The Village Board defended the increase on the grounds that it is cost justified and has requested that it be approved.

“Comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘4-A’ and ‘4-B’, respectively.

March 31, 1998

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing & Regulation recommends that the attached schedule of rates for the Village of Endicott, New York, be approved as requested by the Village and take effect beginning with the first full billing period following this date.

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

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

***In response to questions from Trustee Miller, Mr. Banner explained that the issues raised by the Town of Union at the public hearing arose from the latter's questioning of the need for a rate increase.***

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

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

**RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of final adoption with the Secretary of State for publication in the State Register and to file other notice as is required by statute or regulation.**

**5. Village of Theresa - Increase in Retail Rates - Notice of Adoption**

The President submitted the following report:

SUMMARY

“The Board of the Village of Theresa (‘Village’), New York has requested the Trustees to approve revisions in the Village’s base retail rates of each customer service classification. These revisions will result in additional total annual revenues of \$53,000 or 20.0%. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Village Board has requested the proposed rate increase to provide revenues to meet the electric department’s additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1993, when the Village instituted a 5.3% system revenue increase, with the approval of the Trustees. This proposed increase in system rates is not the result of any change in the price of Power Authority electricity sold to the system.

“The management of the Village has planned additions to plant-in-service amounting to \$120,000. The capital program includes the upgrade of distribution substation equipment, purchase of line transformers and the replacement of an old line truck. The Village plans to debt finance a portion of the capital program by issuing an \$80,000 bond and to fund the remainder through the revenue increase.

“Under the Village’s rate design, an average residential customer, who currently pays about 4.2 cents per kWh for electricity, will pay about 5.1cents per kWh after the increase. A small commercial customer who currently pays 2.8 cents per kWh, will pay 3.3 cents after the increase. Large commercial customers are currently paying 2.5 cents per kWh and will pay 3.1 cents after the rate increase. In comparison, residential, small commercial and large commercial customers served by Niagara Mohawk pay about 12, 11 and 8 cents per kWh, respectively.

“The proposed rate revisions are based upon a cost of service study requested by the Village and prepared by Authority staff.

DISCUSSION

“Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village’s proposed revisions in retail rates. Such notice was published on January 21, 1998 and no comments concerning the proposed action have been received by the Executive Vice President, Secretary and General Counsel. A public hearing was held by the Village of Theresa on January 12, 1998. There was no opposition to the proposed rates and the Village Board has requested that they be approved.

“Comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘5-A’ and ‘5-B’, respectively.

March 31, 1998

RECOMMENDATION

“The Manager - Municipal and Cooperative Marketing & Regulation recommends that the attached schedule of rates for the Village of Theresa, New York, be approved as requested by the Village to take effect beginning with the first full billing period following this date.

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

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

***In response to questions from Vice Chairman Frey, Mr. Banner explained that Niagara Mohawk's rate is comparable.***

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

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

**RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of final adoption with the Secretary of State for publication in the State Register and to file other notice as is required by statute or regulation.**

**6. Allocation of 1,400 kW Expansion Power**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of available Expansion Power, totaling 1,400 kilowatts, to five industrial companies: American Axle & Manufacturing, Inc.; Brunner Inc.; Carton Craft Corporation; Praxair, Inc.; and Protective Enclosures Company.

BACKGROUND

“Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 megawatts of firm hydroelectric power as ‘Expansion Power’ to businesses within the state located within 30 miles of the Niagara Project, provided that the amount of power allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

“Each application for an Expansion Power allocation must be evaluated under criteria which include, but need not be limited to, those set forth in PAL Section 1005 (13) (a).

DISCUSSION

“In accordance with the terms of the PAL, the Authority placed advertisements in three northwestern New York newspapers seeking industrial customers who would expand and meet the criteria to receive an Expansion Power allocation. Nine inquiries were received. All nine companies subsequently filed applications.

“Authority staff reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Five companies have been selected to be recommended to receive Expansion Power allocations.

“Staff recommends that the available Expansion Power be allocated among five companies, as set forth in Exhibit ‘6-A’. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help to maintain and diversify the industrial base of Western New York and will provide new employment opportunities. They are projected to result in the creation of a substantial number of jobs.

“There are four companies for which staff is not recommending allocations as set forth in Exhibit ‘6-B’: one company withdrew its application and the remaining three companies were not competitive in terms of jobs proposed.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 1,400 kilowatts of Expansion Power to: American Axle & Manufacturing, Inc., Brunner Inc., Carton Craft Corporation, Praxair, Inc. and Protective Enclosures Company.



**March 31, 1998**

“The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, the Executive Vice President and Chief Financial Officer, 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 allocation of 1,400 kilowatts of Expansion Power to: American Axle & Manufacturing, Inc., Brunner Inc., Carton Craft Corporation, Praxair, Inc. and Protective Enclosures Company be, and hereby is, approved subject to approval of the form of the contract by the Executive Vice President, Secretary and General Counsel, on the terms set forth in the foregoing report of the President; and be it further**

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

**7. Power Allocations Under the Power for Jobs Program**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 39 allocations of available power under the Power for Jobs program to the businesses listed in Exhibits ‘7-A’ and ‘7-B’ which have been recommended for such allocations by the Economic Development Power Allocation Board (‘EDPAB’).

BACKGROUND

“In July 1997, Governor George E. Pataki and the New York State Legislature approved a program to provide low-cost power to businesses that agree to retain or create jobs in New York State. The program is called Power for Jobs and makes available 400 megawatts of power; 200 provided from the Authority’s James A. FitzPatrick Nuclear Power Project and 200 purchased by the Authority through a competitive bid process. The program will be phased in over three years, with approximately 133 megawatts being made available each year. Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At its December 1997 and January 1998 meetings the Trustee’s approved allocations to 39 businesses under the Power for Jobs program.

DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 2,100 inquires have been received and over 675 applications have been sent to prospective customers.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Eight applications were deemed highly qualified and presented to the EDPAB for its review on February 24, 1998 and 31 were deemed highly qualified and presented to the EDPAB for its review on March 30, 1998. All remaining applications are still under review and will be considered at a later date.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the nine businesses and thirty small businesses listed in Exhibits ‘7-A’ and ‘7-B’. Collectively, these organizations have agreed to create or retain over 8,754 jobs in New York State in exchange for allocations totaling 18.01 megawatts (MW). The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibits ‘7-A’ and ‘7-B’. The basis for EDPAB’s recommendations is also included in Exhibits ‘7-A’ and ‘7-B’.



March 31, 1998

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance and the Director - Business Marketing and Economic Development recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibits ‘7-A’ and ‘7-B’.

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

***The Chairman noted that interest in the program continues to grow. Over 2,200 inquiries and more than 700 applications have been sent out. To date, more than 250 applications have been received. Those applications request nearly 535 MW of power -- 400 MW more than is available under the program for the first year of the program. The jobs per megawatt ration attained is quadruple the normal benchmark applied by the Authority, and the program continues to exceed expectations. It was originally estimated that some 40,000 jobs would be affected -- over the full three-year term of the program. Only four months into the process, Power for Jobs is already protecting more than 34,000 jobs. Chairman Rappleyea further noted that PFJ recipients in the NYSEG and Niagara Mohawk service territories are benefiting from a rate savings in excess of 30%.***

***In response to questions from Vice Chairman Frey, Mr. Yates explained that data setting forth comparisons of the savings are set forth in the summary pages attached to the memorandum of the President. In response to questions from Trustee Miller concerning the proposed allocation to Chase, Mr. Yates explained that the PFJ allocation would save some 3,000 jobs on Long Island. Trustee Miller expressed satisfaction that the program is already having a positive effect on reducing the impact of an extensive layoff. Chairman Rappleyea added that yesterday the Governor had publicly commended the Authority for the excellent results already obtained under the program.***

***In response to questions from Vice Chairman Frey, Ms. Morman stated that the EDPAB would in all likelihood be considering applications from not-for-profit entities at its next meeting at the end of April. Chairman Rappleyea added that he anticipates that the Legislature will take action to increase the amount of power to be made available under the program.***



March 31, 1998

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

**WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 18.01 MW of allocations of Power for Jobs power to Anorad Corporation; Automatic Data Processing; the Chase Manhattan Corporation; Hughes-Treitler Manufacturing Company; Hammer Lithograph Corporation; Mobil Chemical Company; Optical Gaging Products, Inc.; Spectronic Instruments; Flower City Printing, Inc.; Precision Packaging Products, Inc.; Air-Flo Manufacturing Company; Audiosears Corporation; Consumer's Beverage Center's, Inc.; Jerrico Tool, Inc.; KMS Plastics, LLC; Lancaster Knives, Inc.; Merritt Plywood Machinery, Inc.; Niagara Fiberboard, Inc.; Norwich Aero Products, Inc.; Style Craft Homes, Inc.; TMP Technologies Inc.; Baronet Lithographs, Inc.; Capital Vial, Inc.; Deck Brothers, Inc.; Heany Industries, Inc.; Jensen Fittings Corporation; Rich Plan of Utica, Inc.; Robison & Smith, Inc.; Tompkins Metal Finishing, Inc.; W.W. Custom Clad, Inc.; Antech Diagnostics; Enzo Clinical Laboratories, Inc.; Flagpoles, Inc.; Gasser & Sons, Inc.; Multimatic Products, Inc.; Orbit International Corporation; W&H Stampings, Inc.; Manhattan Poly Bag Corporation; and Reliable Poly Packaging Co, Inc.**

**NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves a 0.6 MW allocation of Power for Jobs power to Anorad Corporation; a 1.0 MW allocation of Power for Jobs power to Automatic Data Processing; a 3.7 MW allocation of Power for Jobs power to the Chase Manhattan Corporation; a 1.0 MW allocation of Power for Jobs power to Hughes-Treitler Manufacturing Company; a 0.9 MW allocation of Power for Jobs power to Hammer Lithograph Corporation; a 0.9 MW allocation of Power for Jobs power to Mobil Chemical Company; a 0.65 MW allocation of Power for Jobs power to Optical Gaging Products, Inc.; a 0.8 MW allocation of Power for Jobs power to Spectronic Instruments; a 0.5 MW allocation of Power for Jobs Power to Flower City Printing, Inc.; a 0.25 MW allocation of Power for Jobs Power to Precision Packaging Products, Inc.; a 0.130 MW allocation of Power for Jobs Power to Air-Flo Manufacturing Company; a 0.187 MW allocation of Power for Jobs Power to Audiosears Corporation; a 0.460 MW allocation of Power for Jobs Power to Consumer's Beverage Center's, Inc.; a 0.02 MW allocation of Power for Jobs Power to Jerrico Tool, Inc.; a 0.24 MW allocation of Power for Jobs Power to KMS Plastics, a 0.4 MW allocation of Power for Jobs Power to LLC; Lancaster Knives, Inc.; a 0.075 MW allocation of Power for Jobs Power to Merritt Plywood Machinery, Inc.; a 0.216 MW allocation of Power for Jobs Power to Niagara Fiberboard, Inc.; a 0.200 MW allocation of Power for Jobs Power to Norwich Aero Products, Inc.; a 0.15 MW allocation of Power for Jobs Power to Style Craft Homes, Inc.; a 0.548 MW allocation of Power for Jobs Power to TMP Technologies Inc.; a 0.316 MW allocation of Power for Jobs Power to Baronet Lithographs, Inc.; a 0.375 MW allocation of Power for Jobs Power to Capital Vial, Inc.; a 0.179 MW allocation of Power for Jobs Power to Deck Brothers, Inc.; a 0.334 MW allocation of Power for Jobs Power to Heany Industries, Inc.; a 0.359 MW allocation of Power for Jobs Power to Jensen Fittings Corporation; a 0.2 MW allocation of Power for Jobs Power to Rich Plan of Utica, Inc.; a 0.384 MW allocation of Power for Jobs Power to Robison & Smith, Inc.; a 0.4 MW allocation of Power for Jobs Power to Tompkins Metal Finishing, Inc.; a 0.3 MW allocation of Power for Jobs Power to W.W. Custom Clad, Inc.; a 0.2 MW allocation of Power for Jobs Power to Antech Diagnostics; a 0.2 MW allocation of Power for Jobs Power to Enzo Clinical Laboratories, Inc.; a 0.199 MW allocation of Power for Jobs Power to Flagpoles, Inc.; a 0.36 MW allocation of Power for Jobs Power to Gasser & Sons, Inc.; a 0.09 MW allocation of Power for Jobs Power to Multimatic Products, Inc.; a 0.292 MW allocation of Power for Jobs Power to Orbit International Corporation; a 0.35 MW allocation of Power for Jobs Power to W&H Stampings, Inc.; a 0.25 MW allocation of Power for Jobs Power to Manhattan Poly Bag Corporation; and a 0.3 MW allocation of Power for Jobs Power to Reliable Poly Packaging Co, Inc. (the 'Customers'), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable,**

**consistent with the requirements of the Power for Jobs program and in the public interest; and be it further**

**March 31, 1998**

**RESOLVED, That a total of 18.01 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority's Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further**

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

**8. Power for Jobs - Competitive Procurement**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of Enabling Agreements (Exhibit ‘8-A’) with the Central Hudson Gas & Electric Corporation and North American Energy Conservation, Inc. to permit purchase of up to 66.7 MW of firm capacity and energy pursuant to the requirements of the Power for Jobs program.

BACKGROUND

“On July 29, 1997, Governor George E. Pataki signed into law Section 189 of the Economic Development Law and related legislation, which established the Power for Jobs program. The legislation provides lower cost electricity to businesses and not-for-profit corporations throughout the State to stimulate new jobs and create economic opportunities for New Yorkers.

“The Power for Jobs program makes available up to 400 MW of power, to be phased in over a three-year period. The legislation provides for 200 MW of the power to be made available from the Authority’s FitzPatrick plant, and for 200 MW to be purchased from other suppliers pursuant to a competitive procurement process administered by the Authority. For the first year of the program, 66.7 MW must be procured from other suppliers.

“At their meeting of January 27, 1998, the Trustees authorized execution of agreements with power suppliers to provide bid power for Power for Jobs allocations with deliveries commencing prior to May 1, 1998. This request will provide bid power for Power for Jobs allocations with deliveries commencing between May 1 and October 31, 1998.

“The Power for Jobs legislation requires that:

- the competitive procurement process be conducted pursuant to guidelines established by the Economic Development Power Allocation Board (‘EDPAB’) in consultation with the New York State Department of Public Service;
- the process shall provide the least cost power consistent with the goal of providing safe and reliable service; and

“The Power for Jobs legislation requires as follows:

- that power available through the competitive procurement process be acquired and transmitted at a price not in excess of the price of FitzPatrick power transmitted to the local utilities.

DISCUSSION

**The Bidding Process:**

“The competitive procurement process was carried out in accordance with the Guidelines for Competitive Procurement adopted by EDPAB at its September 18, 1997 meeting.

**March 31, 1998**

“On January 28, 1998, a Request for Proposals (‘RFP’) was issued to over 103 potential bidders identified through a notice announcing the procurement process and a public information campaign. The RFP requested bidders to provide fixed price bids by February 20, 1998 in cents/kWh for the delivery of up to 66.7 MW of firm capacity and energy to interconnections with the seven investor-owned utilities in New York State. Price bids were requested for three time periods: through October 31, 1998; through April 30, 1999; and/or through April 30, 2001. Bidders were required to meet a number of requirements, including demonstrating their capability of delivering the power and energy to the investor-owned utilities, meeting the New York Power Pool Installed Generation Reserve Requirement and providing financial assurances for meeting their obligations.

“On February 5, 1998, a pre-bid conference was held to answer questions from potential bidders. Representatives from 16 firms attended.

### **Bid Evaluation**

“Six vendors submitted 16 bids on the deadline of February 20. They were evaluated on the basis of the following criteria:

- whether the bid met the minimum requirements contained in the RFP;
- the price of the capacity and energy as delivered to each investor-owned utility;
- the financial capability of the bidder to carry out the terms of the Enabling Agreement; and
- the environmental impact of the bidder's power supply (Bidders with sources of power supply meeting certain air quality emissions standards were awarded a one mill advantage in the price evaluation).

“The evaluation included requests for additional information and clarification from the bidders. Meetings were held with bidders to gain further insights into their bids.

“A discussion of each of the proposals is below.

#### Canadian Niagara Power Company Limited

“Canadian Niagara Power Company (‘CNP’) is an investor owned utility, with a primary office in Ontario, Canada. It has been in operation for 90 years and is partially owned by Niagara Mohawk. Niagara Mohawk would provide the back-up for CNP if it were awarded a Power for Jobs contract. CNP bid up to 22 MW in the Niagara Mohawk service territory. CNP owns a 75 MW hydro plant on the Canadian side of the Niagara River. Its bid is eligible for the environmental advantage in the price evaluation.

#### Central Hudson Gas & Electric Corporation

“The Central Hudson Gas & Electric Corporation bid to supply 10 MW in its own service territory; 15 MW in Con Edison; 30 MW in NYSEG; 20 MW in Niagara Mohawk; 10 MW in Orange and Rockland; and 10 MW in Rochester Gas & Electric. The power would be supplied from its Danskammer Units #1 and #2.

#### Consolidated Edison Company of New York, Inc.

“The Megawatt Hour Store of Consolidated Edison, created in 1992, submitted a bid to supply 12.15 MW within the Con Edison service territory. Its source of supply would be from its power contracts portfolio.

**March 31, 1998**

North American Energy Conservation, Inc.

“North American Energy Conservation, Inc. (‘NAEC’) is a FERC licensed power marketer, specializing in wholesale power transactions in the Northeast. Its office is in New York City. NAEC is a subsidiary of York Research Corporation, a developer of cogeneration plants in New York City. NAEC proposed to provide 27 MW in the Con Edison service territory, 7 MW in NYSEG, and 10 MW in Niagara Mohawk, from its power contracts portfolio.

Northeast Utilities Service Company

“Northeast Utilities is the parent company of a group of operating companies: Connecticut Light and Power Company; Western Massachusetts Electric Company; Holyoke Water Power Company and Public Service Company of New Hampshire. Its offices are in Hartford, Connecticut. Northeast Utilities bid 1 MW in the Central Hudson territory, 13.7 MW in Con Edison, 5.3 MW in LILCO, and 7 MW in Niagara Mohawk. Its source of power would be system supply. Northeast Utilities proposed to supply power for a three year term, only.

PECO Energy Company - Power Team

“PECO Energy Company is an investor owned utility serving Philadelphia and its surrounding area. PECO’s Power Team is the wholesale power marketing division of PECO. PECO bid to provide up to 60 MW at an interconnection with the NYPP-West 345kV transmission line.

**The Recommended Bidders**

“Based on the evaluation of the bids and the proposed pricing, it is recommended that an Enabling Agreement be executed with: the Central Hudson Gas & Electric Corporation for supplies to the Central Hudson, Con Edison, NYSEG, Niagara Mohawk, Orange & Rockland, and Rochester Gas & Electric service territories; and North American Energy Conservation, Inc. for supplies to the Con Edison, NYSEG and Niagara Mohawk service territories. No bidder is recommended for the LILCO service territory since only one bid with a three-year term was received. Allocations in the LILCO service territory will be supplied using the FitzPatrick plant.

“The recommended bidders, the amounts in MW’s and the prices are shown in Table 1.

“Central Hudson and North American Energy Conservation meet the requirements of the RFP, are capable of meeting the financial requirements of the Enabling Agreement and offer the lowest priced bids within the service territories.

**The Enabling Agreement**

“An Enabling Agreement has been negotiated with the recommended bidders (Qualified Providers). The Enabling Agreements are umbrella agreements that permit the Authority to draw down power from a particular Qualified Provider for delivery to one of the investor-owned utility service territories as allocations are recommended by EDPAB and approved by the Authority. This is done by entering into a Transaction which specifies the amount of power and energy, the price, the term, and the delivery point, among other things. In effect, the Enabling Agreements are no cost options to purchase power that are only exercised as power is needed. The Authority has no obligation to purchase any power and there are no minimum payments.

March 31, 1998

“The Enabling Agreement provides that the price bids contained in the Qualified Providers' proposals will be held through October 31, 1998, at which time new bids will be sought. Should a Qualified Provider fail to deliver the power as scheduled by the Authority, the Authority would secure the energy and the Qualified Provider would be liable for any increased cost to the Authority. The Authority can also cancel the Enabling Agreement and bar the Qualified Provider from future Power for Jobs competitive procurement opportunities in the event of non-delivery. Individual Enabling Agreements will remain in effect until October 31, 1998, or until the last Transaction is completed, whichever is later.

#### FISCAL INFORMATION

“Purchase of capacity and energy from Qualified Providers for the Power for Jobs program will have no net impact on the Authority's finances. The cost of this power will be offset by payments from the investor-owned utilities pursuant to the Purchase and Resale Agreements entered into between the Authority and the investor-owned utilities.

#### RECOMMENDATION

“The Director - Marketing Planning, the Director - Power Contracts, and the Senior Vice President-Marketing and Economic Development recommend that the Trustees authorize execution of Enabling Agreements with the Central Hudson Gas & Electric Corporation and North American Energy Conservation, Inc., substantially in the form attached hereto as Exhibit '8-A', and authorize the Senior Vice President-Marketing and Economic Development or the Director - Marketing Planning or the Director - Power Contracts to enter into Transactions as contemplated by the Enabling Agreements for the purpose of providing up to 66.7 MW of capacity and energy for the Power for Jobs program.

“The Deputy General Counsel, the Executive Vice President - Project Operations, and I concur with the recommendation.”

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

**WHEREAS, that the Governor of the State of New York signed the Power for Jobs legislation to boost New York State's economy; and**

**WHEREAS, that the legislation directs the Authority to purchase power and energy from other suppliers to provide power for the program, and**

**WHEREAS, that the Authority has carried out a competitive procurement process for such power and energy in accordance with the legislation and the Guidelines for Competitive Procurement adopted by the New York State Economic Development Power Allocation Board; and be it**

**WHEREAS, the Authority has determined that the proposed procurement is reasonable and proper under such Guidelines and represents the lowest cost; now be it**

**RESOLVED, That the Chairman, the President, the Senior Vice President-Marketing and Economic Development, the Director of Marketing Planning and the Director of Power Contracts are, and each of them hereby is, authorized to execute Enabling Agreements with the Central Hudson Gas & Electric Corporation and North American Energy Conservation, Inc. in substantially the form attached hereto as Exhibit "7-A", and to enter into Transactions for the purchase of up to 66.7 MW of capacity and energy as contemplated by Enabling Agreement.**



**9. Ancillary Service Charges Furnished Under  
the FERC Open Access Transmission Tariff -  
Final Action to Adopt Rates and Tariff Provisions**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve as a final action the adoption of additional ancillary service rates for services to be provided under the Authority's open access transmission tariff ('OATT'). These additional rates will be incorporated into revised schedules within the Authority's OATT. The OATT was adopted by the Trustees at their meeting of December 17, 1996, and was submitted to the Federal Energy Regulatory Commission ('FERC') and conditionally approved by FERC on January 30, 1998. Adoption is necessary so that these services may be made available to transmission customers served under the Authority's OATT, or where the Authority has or may agree to supply such services in lieu of similar services available under the OATTs of other transmission providers.

“In addition certain non-rate revisions to the OATT are necessary to conform the tariff to FERC's January 30, 1998 order.

BACKGROUND

“At their meeting of October 28, 1997, the Trustees authorized the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Authority's proposed action to adopt additional ancillary service rates for services to be provided under the Authority's OATT. Notice of the proposed action by the Authority was published in the State Register on November 19, 1997. On January 30, 1998, the FERC issued a declaration order finding the Authority's OATT met the Commission's reciprocity requirements, provided that within 30 days of the order the Authority make several non-rate revisions to the OATT. The required revisions affected, among other things, Liability and Indemnification and real power losses, and were filed with FERC on February 27, 1998.

DISCUSSION

“The Authority received comments on the proposed action to adopt additional ancillary services only from Multiple Intervenors ('MI'). All the comments received were reviewed and evaluated by staff. A detailed description of the issues and the recommended disposition of each is included in Exhibit '9-A' of this item.

“After thoroughly considering and reviewing MI's comments, staff feels it is necessary to clarify the proposal as described in the October 28, 1997 report of the President. MI's basic concerns dealt with the impact that the proposed ancillary rates would have on the Authority's customers. It is expected that these additional ancillary services will be available for sale under the Authority's OATT initially only to Plattsburgh as a result of the new incremental non-Authority power purchases by the City.

“These ancillary services, with the exception of energy imbalance, will also be offered for sale by the Authority's Energy Resource Management group on an unbundled basis in the wholesale market at rates not exceeding those stated in the proposed OATT revision. Further, the Authority has entered into an agreement with Niagara Mohawk for delivery of power to the high load factor customers located in the Niagara Mohawk territory using the Niagara Mohawk OATT. This agreement obligates the Authority to provide some of the

required ancillary services on behalf of these high load factor customers. In addition, the Power for Jobs Program has been enacted.

**March 31, 1998**

Under this program, the Authority will be selling and transmitting both FitzPatrick and competitively bid power to business and non-profit entities throughout the State under the respective IOU OATTs. The Authority is obligated to provide additional ancillary services to its direct customers and allottees under the Program. For the high load factor and Power for Jobs customers, the Authority provides such services, with the possible exception of operating reserves, at prices up to the Authority's OATT rates in lieu of services otherwise available from the investor-owned utilities. Operating reserves for Power for Jobs customers in the southern part of the state may be purchased from the host utility due to locational requirements for operating reserve. In those instances, the Authority will be billed for this service at the host utility OATT rate.

"The Authority does not intend to apply the proposed ancillary services charges to Authority production customers whose rates currently cover the costs of such production-related services. The Authority does not provide the ancillary services to the Municipal Systems. With the exception of Plattsburgh, the Municipal Systems will not be subject to these ancillary service charges. Plattsburgh will be affected by the rates contained in Exhibit '9-B' when it becomes a partial requirement customer and consequently subject to the Authority's OATT. The Authority has the right to discount the rates contained in Exhibit '9-B' provided such discounting is carried out in a non-discriminatory fashion. Only if because of unforeseen circumstances, such as the requirements of the proposed ISO, where the Authority is forced to incur uncompensated out-of-pocket expense to provide ancillary services, would the Authority review its policy to not charge its production customers for these services.

"Staff's recommendations described in Exhibit '9-A' are: 1) that subject to the circumstances described above, the Authority's production customers not be separately charged for ancillary services which are currently provided as part of its production service; and 2) to file with FERC the required cost supporting information for the additional four ancillary services.

"The proposed rates for the additional four ancillary non-mandatory services are shown in Exhibit '9-B' of this item, and are proposed to be made effective May 1, 1998 or sooner, as necessary to accommodate Power for Jobs customers subject to FERC review and acceptance.

"Although staff proposes no changes be made to the ancillary services as proposed in the October 28, 1997 report of the President, in light of FERC's January 30, 1998 Order, conditionally accepting the Authority's OATT for reciprocity purposes, the Authority must make several minor changes to the non-rate provisions of the OATT consistent with FERC's directions. These minor revisions are described in the Authority's February 27, 1998 transmittal letter to the FERC, a copy of which is attached as Exhibit '9-C'.

#### FISCAL INFORMATION

"Implementation of the proposed ancillary service rates is not expected to result in any appreciable increase in revenues.

#### RECOMMENDATION

"The Senior Vice President - Transmission recommends that the Trustees approve the adoption of these additional ancillary service rates and the non-rate provisions of the open access transmission tariff outlined above, and authorize the Executive Vice President, Secretary and General Counsel to file notice of adoption with the Secretary of State for publication in the State Register and to file such other notice as may be required by statute or regulation.

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

March 31, 1998

*In response to questions from Trustee Miller, Mr. Pellegrino explained that the IOUs had been involved in the issue of service to Plattsburgh, and it had been agreed that because the Authority could provide such services less expensively, it would do so in this instance.*

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

**WHEREAS, at their meeting of October 28, 1997 the Trustees authorized the Executive Vice President, Secretary and General Counsel of the Authority to file notice with the Secretary of State for publication in the State Register of the Authority's proposed action to adopt additional ancillary service rates; and**

**WHEREAS, such notice was duly published in the State Register on November 19, 1997 and more than forty-five (45) days have elapsed since publication;**

**NOW THEREFORE BE IT RESOLVED, That the proposed additional ancillary service rates and changes to the non-rate provisions of the OATT required by the FERC, as recommended in the foregoing report of the President be, and hereby are approved; and be it further**

**RESOLVED, That the Executive Vice President, Secretary and General Counsel of the Authority be, and hereby is, authorized to file notice of adoption with the Secretary of State for publication in the State Register and to submit such other notice as may be required by statute or regulation to effect the foregoing and to maintain the provisions of the Authority's Open Access Transmission Tariff in a form consistent with the requirements of the Federal Energy Regulatory Commission.**

March 31, 1998

**10. Nuclear Property Insurance - Proposed Purchase  
of Primary Coverage and Excess Coverage  
- Nuclear Electric Insurance Limited**

---

The President submitted the following report:

SUMMARY

“The Trustees are requested (1) to approve the purchase of \$500 million primary property insurance and \$560 million decontamination liability and excess property insurance from Nuclear Electric Insurance Limited (‘NEIL’) for both the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants for 1998, and (2) to delegate to the Chairman the authority to enter into comparable agreements with NEIL for the years 1999-2004. These purchases will enable the Authority to comply with the Nuclear Regulatory Commission (‘NRC’) mandate that requires all reactor licensees to maintain a minimum property coverage limit \$1.06 billion for each reactor site.

BACKGROUND

“NEIL and Nuclear Insurance Limited (‘NML’) were, until last year, both captive insurers wholly owned by the domestic nuclear electric utility industry. Until December 31, 1997 the Authority complied with the NRC’s property and decontamination liability insurance standards by purchasing \$500 million of primary property coverage from NML and \$560 million decontamination liability and excess property insurance from NEIL.

“During 1997, the Boards of Directors of NEIL and NML recommended to the membership a merger of the two captive insurers. At the June 1997 Annual General Meeting, the membership of NML and NEIL voted in favor of merging. The merger was effective December 31, 1997, with NEIL as the surviving corporation.

DISCUSSION

“The primary, decontamination and excess policies have not materially changed. The financial assets of NEIL now incorporate the assets of NML.

“In 1997 the \$1.06 billion property and decontamination liability insurance programs for both IP3 and JAF cost the Authority approximately \$4.4 million. In 1998, the coverage is expected to cost the same.

“Under each policy issued by NEIL, an insured is liable, in addition to the annual premium, for a retrospective premium which is a multiple of the annual premium at the time of a loss for which a call is made. In 1997, the maximum retrospective premium was five times the annual premium for NML and was seven and one-half times the annual premium for NEIL. In 1998, the NEIL maximum retrospective premium for both the primary and the excess policy is five times the annual premium. Thus, the maximum potential retrospective premium for both reactors for the 1998 policy-year would be approximately \$11.7 million for the NEIL primary and \$9.0 million for the NEIL excess coverage.

“The purchase of \$500 million of primary coverage and \$560 million of excess coverage is required to comply with NRC mandates, is cost effective and may provide the Authority with long-term financial benefits.

“The Trustees are also requested to give the Chairman the authority from 1999 through 2004 to enter into comparable agreements with NEIL as long as there are no material changes to the insurance contracts and that such insurance does not exceed the insurance coverage amounts set forth above.

March 31, 1998

FISCAL INFORMATION

“The cost of this insurance has been included in the 1998 O&M budget. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director - Risk Management and the Treasurer - Corporate Finance recommend that the Trustees approve the purchase of \$500 million primary property insurance and \$560 million decontamination liability and excess property insurance from Nuclear Electric Insurance Limited for both the James A. FitzPatrick and Indian Point 3 Nuclear Power Plants for 1998, and to delegate to the Chairman the authority to enter into comparable agreements with NEIL for the years 1999-2004.

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

***In response to questions from Trustee Miller, Mr. Sacco explained that the Policy would continue to require annual renewal, but that through the year 2004, the Chairman would be authorized to execute such renewals.***

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

**RESOLVED, That the Trustees approve the purchase of Nuclear Electric Insurance Limited Primary, Decontamination Liability and Excess Property insurance for each of the Indian Point 3 and James A. FitzPatrick Nuclear Power Plant sites as recommended in the foregoing report of the President, with coverage limits and at a total premium cost not to exceed the amounts set forth below; and be it further**

**RESOLVED, That the Trustees hereby delegate authority to the Chairman to acquire primary property insurance and decontamination, liability, and excess property insurance coverage for the years 1999 through 2004 inclusive, from Nuclear Electric Insurance Limited so long as there are no material changes to the insurance contracts and such insurance does not exceed the insurance coverage amounts as set forth below; and be it further**

**RESOLVED, That the President, the Executive Vice President, Secretary and General Counsel, the Executive Vice President and Chief Financial Officer, and the Treasurer - Corporate Finance be, and each hereby is, authorized to execute such insurance contracts, powers of attorney, opinions of counsel, certificates, endorsements, agreements, and any other documents relating to the primary, decontamination liability and excess property insurance described above which are deemed by them to be necessary or desirable in the furtherance of the foregoing subject to the approval of the form thereof by the Executive Vice President, Secretary and General Counsel; and be it further**

March 31, 1998

**RESOLVED, That the Trustees hereby delegate authority to the Chairman from 1999 to 2004 inclusive to enter into agreements relative to the above so long as there are no material changes to the insurance contracts or to the nature of the coverage provided by such contracts.**

<u>O&amp;M</u>	<u>Expenditure Approval for 1998 Insurance Coverage</u>	<u>Projected Closing Date for 1998 Insurance Coverage</u>
<b>Primary Property Insurance (\$500 million per nuclear reactor site)</b>		
<b>Nuclear Electric Insurance Limited</b>	<b>\$2,300,000</b>	<b>03/31/99</b>
<b>Decontamination Liability and Excess Property Insurance (\$560 million per nuclear reactor site)</b>		
<b>Nuclear Electric Insurance Limited</b>	<b><u>\$2,100,000</u></b>	<b>11/14/ 99</b>
<b>TOTAL AMOUNT AUTHORIZED</b>	<b><u>\$4,400,000</u></b>	

**11. 1997 Annual Report on the Authority's Investments**

The President submitted the following report:

SUMMARY

“The Trustees are requested to review and approve the attached 1997 Annual Report on Investment of Authority Funds (Exhibit ‘11-A’).

BACKGROUND

“Section 2925 of the Public Authorities Law requires the review and approval of an annual report on investments. Pursuant to the statute, the attached report includes Investment Guidelines that set standards for the management and control of the Authority's investments, a summary of the Guidelines, a detailed inventory report for each of the Authority's 11 portfolios at December 31, 1997, the total investment income earned in 1997, the results of an independent audit, a summary of purchases from dealers and banks, and a statement on fees paid for investment services. The approved annual report is filed with the State Division of Budgets, with copies to the Department of Audit and Control, the Senate Finance Committee and the Assembly Ways and Means Committee. The report is also available to the public upon reasonable request therefor.

DISCUSSION

“In 1997, the Authority's investment portfolios, exclusive of the Nuclear Decommissioning Trust Fund, averaged \$965 million and earned \$64 million. This is \$4 million more than in 1996 due, in part, to an increase in the portfolio size. Income in 1997 from the Authority's portfolios had an average yield of 6.50%, exceeding the Authority's established performance measure by 24 basis points (24/100 of one percent). The performance benchmark is the five-year rolling average yield on the five-year Treasury note. This benchmark is used because the five-year Treasury note has a duration approximating the Authority's projected cash flow requirements.

“In the aggregate, the portfolio consisted of 17% direct obligations of the U.S. Government; 79% Agencies of the U.S. Government; and 4% municipal securities. To comply with arbitrage rules contained in the tax code, approximately \$360 million of Authority investments are now yield-restricted at interest rates averaging 5.85%.

“The Authority's Nuclear Decommissioning Trust (the ‘Trust’) account paid \$645,550 in fees to The Bank of New York, Strong Capital, and Dresdner RCM for investment management services. The managers are paid a percentage of the funds managed, and in 1997, fees represented approximately 12 basis points. At year-end, the Trust's market value was approximately \$549 million. The Nuclear Regulatory Commission (‘NRC’) mandates that minimum decommissioning reserves be segregated from the Authority's other assets and be beyond the day-to-day administrative control of the Authority to afford protection from the claims of creditors in the event of bankruptcy. To comply with this mandate, the Trustees approved a Master Decommissioning Trust at their meeting of June 26, 1990. The Trust allows for investments in a broad range of high quality government, corporate, and foreign fixed income securities and allows for the use of futures and options of fixed income. In March 1997, the Board of Trustees authorized the investment of up to 25% of the portfolio in equity index funds that track the Standard & Poors’ (‘S&P’) 500 Index. Recognizing the greater flexibility for investment types and duration, the Trust's fixed

March 31, 1998

income performance is measured against the Lehman Aggregate Bond Index while the Trust's equity performance is measured against the S&P 500.

"In 1997, the Trust experienced a composite rate of return of 10.87% net of management service fees. The fixed income portion of the Trust achieved a total return of 9.44%, falling short of the benchmark of 9.65% by 21 basis points. Since its inception in August 1990, the Trust's annualized total return has been 8.98% and has outperformed the benchmark by 61 basis points. The Trust is currently yielding approximately 9.84%. The return on the equity portion of the Trust's performance during the period April to December 1997 was 23.74% as compared to 22.98% for the S&P 500 Index, exceeding the benchmark return by 76 basis points. At the end of 1997 approximately 11% of the Trust's Market value was invested in equity index funds. The management of these funds is competitively bid on a regular basis.

"In connection with its examination of the Authority's financial statements, Price Waterhouse L.L.P. performed tests of the Authority's compliance with certain provisions of the Investment Guidelines, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Their report, a copy of which is attached as Exhibit '11-B', states that the results of such examination disclosed no instances where the Authority was not in compliance with these Guidelines.

"The Investment Guidelines and procedures have not been amended since last presented and approved by the Trustees at their meeting of February 25, 1997.

#### RECOMMENDATION

"The Treasurer recommends that the Trustees approve the attached 1997 Annual Report on Investment of Authority Funds.

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

***Mr. Brady summarized the highlights of the report, underscoring that the Authority had been able to reap the benefits of current market interest rates. Mr. Brady further reported that proposals for amending the Investment Guidelines to reflect the new Bond Resolution would be submitted by staff to the Trustees for their consideration.***

***In regard to the Authority's nuclear decommissioning Trust Fund, Trustee Ciminelli stated that in his capacity as a Trustee, one of his primary concerns is the protection of the Authority's assets in such fund. Trustee Ciminelli inquired what measures of vigilance are exercised by staff in those market transactions which have the potential for affecting the Authority's equity assets in the Trust Fund. Mr. Brady explained that of the 25% portion which the Trustees had authorized be earmarked for equity assets, staff has been gradually ramping up its equity assets, which are currently at the level of 11%, and which are monitored***

*closely. Mr. Collins added that in implementing the Trustees' investment policies, staff is relying on a long-term investment*

March 31, 1998

*strategy which is based on the gradual acquisition of long-term equity interests which are likely to produce substantially greater returns than fixed interest securities. Mr. Collins further explained that as the deadline for decommissioning the Authority's nuclear power plants approaches, the strategy will entail shifting the equity assets to fixed income securities.*

*In response to further questions from Trustee Ciminelli concerning hedging and the scope of staff's current investment activities relating to the Trust Fund, Mr. Collins explained that staff is not engaged in hedging per se, but that splitting the portfolio into several types of investments could in itself be viewed as a form of hedging. Mr. Collins further explained that staff is investing about \$5 million per quarter, over a period of 2 years, until the 25% cap of some \$125 million is reached. The process is that Mr. Collins himself tests the market index, and the Authority then acquires actual ownership of the shares in those companies which comprise the Standard & Poor's pool. Mr. Collins stated that the Trustees may wish to articulate or establish additional or other guidance for staff concerning long-term investment activities in the market, i.e., over a ten year horizon. To date, the strategy presently being followed by staff is expected to produce some \$300 million in savings over the long term, which will benefit Authority ratepayers.*

*Vice Chairman Frey stated that the long-term investment plan appears to make sense from the perspective of maximizing returns, even though there is some degree of risk. Mr. Collins confirmed that higher risk generally produces higher returns; however, staff's activities, although generally more aggressive in recent years, has been to protect the Authority's assets rather than merely making money in the market.*

*Trustee Miller questioned whether hedging would be helpful. Trustee Ciminelli questioned the best measure for assessing whether the Authority's approach strikes the best balance between prudent guardianship of assets, on the one hand, and maximizing earnings, on the other hand. Chairman Rappleyea suggested, and the other Trustees expressed agreement, that staff prepare a comprehensive presentation setting forth a*

***spectrum of potential investment strategies and the advantages and disadvantages of each, to enable the Trustees to issue up-to-date guidance and policy objectives in view of the new Bond Resolution. Trustee***

March 31, 1998

*Ciminelli added that he is particularly interested in analyses of upside potential versus risk, as well as divestiture options. Messrs. Collins and Bellis responded that staff will undertake this effort promptly.*

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

**RESOLVED, That the 1997 Annual Report of Investment of Authority Funds be, and hereby is, approved.**

**12. Petroleum Overcharge Restitution (POCR) Funds Program - Change in Use of Funds**

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize a change in the use of Petroleum Overcharge Restitution (‘POCR’) funds for the High Efficiency Lighting (‘HELP’) Revolving Loan Program.

BACKGROUND

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

“At their meeting of December 17, 1996, the Trustees approved the continuation of these programs and several new POCR-funded grant initiatives including a statewide energy efficiency program for primary and secondary schools, an advanced vehicle technology center, an energy management dairy farm project and the installation of a wind energy system.

“Lastly, at their meeting of December 16, 1997, the Trustees approved the further continuance of the aforementioned programs as well as new POCR-funded grant projects.

“In total, the Trustees have approved \$51 million in initiatives of which \$50.4 is from POCR-related funds and the remaining \$.6 million is from state appropriated conservation funds.

DISCUSSION

“From 1995 through 1997 the State budget has appropriated \$51 million, \$17 million of which were made available to be used by the Authority for use in its HELP program or any other existing programs. The Trustees approved the establishment of a Revolving Loan Program for participants in the Authority’s HELP programs with these monies. The proceeds of each loan would be used by a participant to pay a portion of the cost of installing high efficiency lighting measures, as well as other energy efficiency measures under the HELP programs, with the loan proceeds being paid directly to the contractor performing the installation of the work so as to reduce the amount owed to the Authority by the recipient under the HELP program. The loans would be repaid to the Authority at low interest rates, and proceeds from the repayments would be used to fund additional loans under the Revolving Loan Program. The Revolving Loan Program would terminate at the end of the tenth year when the funds are required to be disbursed in accordance with applicable regulations.

“In March 1997, \$3 million of the POCR funds appropriated for the Revolving Loan Program were transferred to NYSERDA in a letter agreement between the Authority and the State Executive Department. These funds are being used for NYSERDA’s State Envest Program.

Staff is proposing that the remaining funds, approximately \$14 million, now be used as grants rather than low interest loans in the implementation of the aforementioned HELP programs and the newly approved Energy Services Program (‘ESP’). The grants would supplement loans made under the HELP programs and

Energy Services Program. Necessary approvals for use of the POCR funds for the contemplated grant program are being

March 31, 1998

sought, and are expected to be obtained. The grant program would only go forward once such approvals are obtained.

“Staff has determined that a grant program would be more effective than a loan program for several reasons:

1. the Authority would be able to disburse the POOCR funds to more participants;
2. the Authority’s cost of administration of these funds would be reduced;
3. low municipal interest rates available directly to program participants has diluted the attraction of POOCR low interest loans to this group; and
4. this would expedite the process of making final restitution of POOCR funds to consumers, a federal requisite for all POOCR fund use.

“Grants will be made available for energy conservation projects with paybacks (after grant) of ten years or less. The recipient of the grant will use the proceeds of the grant to pay approximately one third of the total cost of installation of the energy conservation measures implemented under the HELP or ESP programs, with the grant proceeds being paid directly to the contractor performing the installation of the work. Eligible participants include Statewide Public Schools, County and Local Government agencies and New York State-Operated Facilities and SUNY campuses.

#### FISCAL INFORMATION

“The contemplated grant program would use POOCR funds currently allocated for the ten-year revolving loan program, consisting of approximately \$14 million in POOCR funds. Grants to program participants will be issued over a two to three year period.

#### RECOMMENDATION

“The Senior Vice President- Energy Services and Technology recommends that the Trustees authorize the program change described above, contingent upon the approval of such program change by the Department of Energy and by any other agency or court having jurisdiction over POOCR funds.

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

***On behalf of the Executive Vice President and Chief Financial Officer, Mr. Collins thanked Mr. Ernsthaft of the Law Department, and Messrs. Connorton, McNally and Miller for their unstinting efforts in connection with the proposed refinancing.***

***Mr. John Miller of PFM, the Authority’s investment advisor, briefed the Trustees on pricing developments which had taken place since their Meeting of February 24, 1988, and reported that the transaction is set to close on April 15<sup>th</sup>. Mr. Miller then summarized the highlights of the proposed transaction.***

March 31, 1998

**Mr. Ernsthaft described resolutions submitted for consideration of the Trustees as follows:**

**The resolution now before the Trustees is a resolution ratifying certain actions taken to effectuate the General Purpose Bond Refinancing. The resolution ratifies actions taken by Authority officers pursuant to the resolutions adopted by the Trustees on February 24, 1998, including:**

**(i) amendments to the General Resolution Authorizing Revenue Obligations, the First Supplemental Resolution Authorizing Series 1998 Revenue Bonds, and the Supplemental Resolution Authorizing Series 4 Commercial Paper Notes. These modifications include: an increase in certain of the true interest cost parameters in Section 204(d) of the First Supplemental Resolution; certain changes to the definition of "Authorized Investments" in the General Resolution as a result of discussions with the State Comptroller's office; the inclusion of the 1995 Revolving Credit Agreement notes as Parity Debt under the General Resolution; and, as a result of discussions with a securities rating agency, modification of the rate covenant in Section 606 of the General Resolution to prohibit the use of proceeds from the sale of any Authority Project to satisfy the requirements of the rate covenant.**

**The resolution also ratifies**

- (i) the execution of the Contracts of Purchase relating to the Series 1998 A and Series 1998 B Bonds;**
- (ii) execution of four Forward Swap Agreements relating to the refinancing; and**
- (iii) the execution of a Commitment necessary to obtain bond insurance for a portion of the Series 1998 B Bonds;**

**The resolution also authorizes the purchase of bond insurance, or other credit enhancement, for the Series 1998 C and Series 1998 D Bonds, if such action is deemed advisable, and authorizes the Chairman to either continue or terminate the Forward Swap Agreements, as the financial interests of the Authority dictate, if the Series 1998 B Bonds or the Series 4 Notes are not issued.**

**The resolution also continues to provide the Chairman and other designated offices with the authority to make any further changes to the bond financing resolutions and documents necessary or advisable to effectuate the refinancing.**

March 31, 1998

*Mr. Ernsthaft further explained that in connection with the resolution, the documents submitted to the Trustees and now before them are as follows:*

*(1) Black-lined copies of the General Resolution Authorizing Revenue Obligations, the First Supplemental Resolution Authorizing Series 1998 Revenue Bonds, and the Supplemental Resolution Authorizing Series 4 Commercial Paper Notes, showing changes from the versions presented to the Trustees on February 24, 1998.*

*(2) Copies of the Series 1998 A and Series 1998 B Bond Contracts of Purchase.*

*(3) Copies of the four Forward Swap Agreements, discussed above; and*

*(4) a copy of the bond insurance commitment letter.*

*In response to questions from Trustee Miller, Mr. Ernsthaft explained that the foregoing recitation includes all material aspects of the proposed resolution, including the Chairman's continuing authority to take certain actions as set forth in the proposed resolution.*

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

**BE IT RESOLVED** by the Trustees of the Power Authority of the State of New York that a POCR Grant Program be authorized and implemented utilizing the petroleum overcharge restitution (POCR) funds previously approved by the Trustees as a Revolving Loan Program in the amount indicated and as more fully described in the foregoing report of the President; and be it further

**RESOLVED**, That the Chairman, the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Senior Vice President - Energy Services and Technology, and the Treasurer are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other agreements, documents, 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 resolution; and be it further

**RESOLVED**, That the Senior Vice President - Energy Services and Technology be, and hereby is, authorized to develop and implement a POCR Grant Program utilizing POCR funds previously approved by the Trustees as a Revolving Loan Program discussed in the foregoing report of the President, provided that such program shall be implemented only upon approval of such program by the United States Department of Energy and by any other agency or court having jurisdiction over the POCR funds to be disbursed through the Authority's POCR Grant Program; and be it further

**RESOLVED, That the existing POCR programs approved by the Trustees at their meetings of January 30, 1996, December 17, 1996 and December 16, 1997, are modified in accordance with the foregoing report of the President.**

March 31, 1998

**13. Ratification of Actions taken by Authorized Officers Relating to General Purpose Bond Refinancing Pursuant to Authority Delegated by Resolution adopted on February 24, 1998**

The following report was submitted by the President:

“Mr. Chairman, before the Trustees is a resolution ratifying certain actions taken to effectuate the General Purpose Bond Refinancing. Let me briefly describe this resolution.

“The resolution ratifies actions taken by Authority officers pursuant to the resolutions adopted by the Trustees on February 24, 1998, including:

(i) amendments to the General Resolution Authorizing Revenue Obligations, the First Supplemental Resolution Authorizing Series 1998 Revenue Bonds, and the Supplemental Resolution Authorizing Series 4 Commercial Paper Notes. These modifications include: an increase in certain of the true interest cost parameters in Section 204(d) of the First Supplemental Resolution; certain changes to the definition of ‘Authorized Investments’ in the General Resolution as a result of discussions with the State Comptroller’s office; the inclusion of the 1995 Revolving Credit Agreement notes as Parity Debt under the General Resolution; and, as a result of discussions with a securities rating agency, modification of the rate covenant in Section 606 of the General Resolution to prohibit the use of proceeds from the sale of any Authority Project to satisfy the requirements of the rate covenant.

The resolution also ratifies

- (i) the execution of the Contracts of Purchase relating to the Series 1998 A and Series 1998 B Bonds;
- (ii) the execution of four Forward Swap Agreements relating to the refinancing; and the execution of a Commitment necessary to obtain bond insurance for a portion of the Series 1998 B Bonds;

The resolution also authorizes the purchase of bond insurance, or other credit enhancement, for the Series 1998 C and Series 1998 D Bonds, if such action is deemed advisable, and authorizes the Chairman to either continue or terminate the Forward Swap Agreements, as the financial interests of the Authority dictate, if the Series 1998 B Bonds or the Series 4 Notes are not issued.

The resolution also continues to provide the Chairman and other designated offices with the authority to make any further changes to the bond financing resolutions and documents necessary or advisable to effectuate the refinancing.

**March 31, 1998**

Mr. Chairman, in connection with the resolution, the Board has before it

- (1) Black-lined copies of the General Resolution Authorizing Revenue Obligations, the First Supplemental Resolution Authorizing Series 1998 Revenue Bonds, and the Supplemental Resolution Authorizing Series 4 Commercial Paper Notes, showing changes from the versions presented to the Trustees on February 24, 1998;
- (2) Copies of the Series 1998 A and Series 1998 B Bond Contracts of Purchase;
- (3) Copies of the four Forward Swap Agreements, discussed above;
- (4) and a copy of the bond insurance commitment letter.

Mr. Chairman the resolution is now ready for Board's consideration.

**14. Procurement (Services) Contracts - Energy Services Program (ESP)**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of procurement contracts to the firms of HEC Energy Services and Wendel Construction for project management and program implementation services in support of the previously approved Energy Services Program (‘ESP’). The contracts would be for the initial periods of three years with options to extend for no more than an additional two years, with the approval of the President. Funding for these contracts, totaling \$30 million is already included in the previously approved ESP.

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.

“ESP is an energy efficiency program that will provide a turn-key approach to identifying, procuring, and implementing energy saving solutions for participants outside the SENY territory. At their meeting of December 16, 1997, the Trustees approved the consolidation of non-SENY HELP programs into a single program offering named the ESP program.

“As the General Contractor for ESP, the Authority would contract for the installation of ESP measures through the use of Implementation Contractors (‘ICs’). The services provided by the ICs will complement the Authority's headquarters staff resources in the implementation of ESP. The typical contract scope-of-work will consist of the following:

- o On-site screening of participant facilities to determine which facilities is likely candidates to realize significant operational cost savings from installing energy efficiency measures.
- o On-site surveys, energy audits and technical feasibility studies to identify potential applications for energy efficiency measures approved for ESP.
- o Detailed engineering studies and analysis of specific energy efficiency measures or systems.
- o Design of proposed systems and/or measures.
- o Preparation of project proposal documents and solicitation of competitive bids.
- o Procurement of equipment and installation services.
- o Construction management and oversight of installation of proposed systems and/or measures.

“The IC for each project is required to work directly with the participant from facility audit 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 will be required to guarantee the quality of all work performed.

**March 31, 1998**

## DISCUSSION

“In February 1998, staff requested bids for ICs from 13 consulting and engineering firms recognized for their experience in providing energy efficiency services. Twenty-three additional bidders were added to the list as a result of the Authority's announcements in the Contract Reporter.

“A bidders' conference was held on February 12, 1998, to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. Twelve firms attended the conference.

“On February 24, 1998, nine firms submitted bids. These bids were analyzed and as a result, two bidders were requested to present their proposals and answer questions orally on March 9, 1998. Based on the analyses conducted and the oral presentations, staff recommends awarding a contract to HEC Energy Services ('HEC') and Wendel Construction ('Wendel'). The bidders were evaluated by an interdepartmental team of six staff members based on ten criteria: relevant experience of the firm; experience implementing energy efficiency projects; organization of the project team; qualifications of the support staff; familiarity with codes and permitting processes; financial capabilities; location(s) of support offices; proposal format; construction management experience and compensation schedule. The results of the evaluations were tabulated in a bid evaluation matrix in which HEC and Wendel scored the highest amongst the bidders. The summary tabulation is attached as Exhibit '14-A'.

### **HEC Energy Services:**

“HEC was the lowest bidder. HEC is a full-service energy management company with strong in-house engineering and project management capabilities with New York State offices in Smithtown, Albany, Syracuse, and Buffalo. HEC has provided design and implementation services for the Authority in the past. The Authority has been pleased with HEC's effort in the HELP and Electrotechnologies programs. It is anticipated that HEC will be primarily responsible for ESP work in the Downstate and Mid-State areas including Long Island.

### **Wendel Construction:**

“Wendel was the third lowest bidder but has agreed to meet HEC's pricing. Wendel is also a full-service energy management company with New York State headquarters in Buffalo. Wendel has previously been awarded energy services contracts by the Authority in the Clean Air for Schools Program. Their work has demonstrated the capabilities needed to perform significant energy service projects. It is planned that Wendel will be primarily responsible for ESP work in Western and Upstate New York.

## FISCAL INFORMATION

“As previously authorized by the Trustees at their meeting of December 16, 1997, expenditures for implementation services will be paid from the Energy Conservation Effectuation and Construction Fund in an amount not to exceed \$30 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 Energy Services Program as described herein.

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

March 31, 1998

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 commencing April 1, 1998, with options for extensions of up to a two years, with the approval of the President, to HEC Energy Services and Wendel Construction to provide implementation services in connection with Energy Services Program, as recommended in the foregoing report of the President, in the amounts and for the purpose listed below:**

<b><u>Energy Services Program Implementation Services</u></b>	<b><u>Contract Approval</u></b>	<b><u>Projected Closing Date</u></b>
<b>HEC Energy Services and Wendel Construction</b>	<b>{ \$30M ** }</b>	<b>04/01/01  04/01/01</b>

**\*\* - A total of \$30M will be allocated to HEC and Wendel Construction. The allocation will be determined as facilities are assigned. The initial award will be \$10M to each contractor.**

**15. Procurement (Services) Contracts - James  
A. FitzPatrick and Indian Point 3 Nuclear Power  
Plants; and Headquarters - Awards**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘15-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for headquarters. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$11,960 to \$1,500,000. 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.

**Headquarters-issued ‘ General Services Agreements’ in support of the nuclear plants:**

“The four contracts with **G.D. Barri & Associates, Inc. (a Women’s Business Enterprise), General Physics Corp., The Megan Corp., and Sun Technical Services, Inc. (Q-02-2049; PO #'s TBA)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide temporary training personnel for the James A. FitzPatrick Nuclear Power Plant, on an ‘as required’ basis, in support of training commitments to the Nuclear Regulatory Commission and Institute of Nuclear Power Operations. The areas of specialized training may include, but are not limited to: simulator hardware and

software, health physics, radwaste and chemistry, instrumentation and control, licensed Senior Reactor Operators, and non-licensed Nuclear

Reactor operators. The four firms listed above were the three low qualified bidders, as well as the one most technically qualified bidder (General Physics) of eight bids received (in addition to five non-responding bidders and no additional responses to a notice in the Contract Reporter). General Physics has specialized expertise in providing contractor support in the training area. It is able to attract and retain highly qualified personnel. Historically, GP has always been able to support the JAF training department, even when other such firms were unable to fill positions with qualified personnel. In addition, GP provides in-house support to its trainers, as well as to the JAF training department, as may be required. The firm has a greater network of resources, including alliances and contact with nuclear plants throughout the country. Commercial and technical evaluations of the respective proposals determined that awards to multiple firms would be most efficient and cost-effective to the Authority. Initially, only one outside instructor for Senior Reactor Operator training will be required. Three additional instructors in the areas of licensed operator requalification, Shift Technical Advisor training, and initial non-licensed nuclear reactor operators will be required in 1999 to help meet the training schedule for JAF. In the event of future training needs, which cannot be handled by permanent Authority staff, each of the firms noted above will be requested to submit resumes and rates for qualified instructors, on an 'as required' basis. The intended term of these four contracts is two years, subject to the Trustees' approval, which is hereby requested (with an option to extend for one additional year, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). The mark-up 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, \$600,000. The awards will be in the initial amount of \$0, until services are required and tasks are assigned to the successful bidder(s); commitments and expenditures for all four contracts will be tracked against the approved total.

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

"The contract with **Computational Systems Inc., 'CSI', (PO # TBA)** would commence on April 1, 1998. The purpose of this contract is to provide a maintenance agreement for proprietary vibration monitoring software and hardware at IP3. The contract is awarded on a sole source basis, since CSI is the original equipment manufacturer. 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, \$11,960.

"The three contracts with **Lucius Pitkin, Inc., Massachusetts Materials Research, Inc., and Schenectady Materials and Processes, Inc. (Q-02-2079)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide metallurgical testing and analysis services on a 'call-in' task-by-task basis for IP3 and JAF. The technical evaluation determined that the major factor in the cost of performing a root cause material failure evaluation was not the cost of the various tests and examinations required, but rather the cost of personnel based on hourly rates. The three lowest technically qualified bidders, ranked on the basis of hourly personnel rates, are Lucius Pitkin, MMR, and Schenectady. Three bidders were selected to give the Authority the means to foster competition for material failure analysis, if time permits or in the event the lowest qualifier cannot fulfill our needs in a timely manner. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested (with an option to extend for one additional year, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the three-year term of the contracts, \$450,000.

"The two contracts with **Power Systems Energy Systems, Inc. and The Wackenhut Corp. (Q-02-2033; PO #s TBA)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to perform pre-employment security background investigations 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. Commercial and technical evaluations of the 10 bids received in response to 60 proposals solicited, including notice in the Contract Reporter, determined that two awards to the

**March 31, 1998**

lowest technically qualified bidders would be most efficient and cost-effective to the Authority. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of both contracts, \$620,525.

"The contract with **Rockland County Fire Training (PO # TBA)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide fire training facilities and training, on an 'as required' basis, for the IP3 fire brigade. Facilities include, but are not limited to: fully-equipped audio-visual classroom, 'burn building' and tower, extinguisher props, burn pits, breathing air compressors, propane and Tek-flame fuel. Training consists of approximately three 5-day initial certification and fourteen 2-day requalification sessions annually, in accordance with the National Fire Protection Association code. It also includes the services of one full-time instructor to assist the Authority instructor in training. This award is made on a sole source basis because no other vendor in close proximity to IP3 has comparable fire training facilities or an organized industrial fire training program. The intended term of this contract is four 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, \$157,510.

"The contract with **Testing, Inc. (C98-I6015)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide psychological screening/evaluation of personnel to meet access control requirements at IP3. This will be accomplished through first level Clinical Analysis Questionnaire ("CAQ") examinations, follow-up screenings, psycho-social/vocational profiles (for security personnel), and one-on-one consultations, if required. Testing, Inc. was the sole responding bidder (of 6 bids solicited, with no additional responses to a 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, \$60,000.

**Headquarters-issued contracts in support of WPO and all facilities:**

"The contracts with **Key Air Incorporated and Executive Flightways (Q-02-2103; PO # TBA)** would commence on April 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide charter aircraft services, on an 'as required' basis, to meet the travel needs of Authority staff from Westchester County Airport to destinations within New York State (primarily Oswego, Niagara, Massena). Planes have passenger capacities of 6 to 19; turboprop planes with pressurized cabins are preferred. Past usage has ranged from zero to seven trips per month; the heaviest usage months are June, July, and August. Most trips are of same day duration. Key Air and Executive Flightways were the two lowest bidders of three bids received (in addition to five non-responding bidders and notice in the Contract Reporter). The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. The awards will be in the initial amount of \$0, until services are required and awarded to the successful bidder. As services are provided, costs will be charged against individual departmental Travel and Living Expense budgets. Approval is also requested for the total amount expected to be expended for the term of the contract, \$400,000.

"The contract with **Dickstein, Shapiro, Morin and Oshinsky, LLP (PO # TBA)** became effective on March 1, 1998. Because of the need to commence services, the Executive Vice President, Secretary and General Counsel approved the initial award and funding, subject to the Trustees' subsequent approval, in accordance with the Authority's Guidelines for Procurement Contracts. The purpose of this contract is to provide legal representation and advice to the Authority regarding various regulatory issues and activities, particularly at the Federal Energy Regulatory Commission ('FERC'). The ongoing restructuring of the electric system raises new issues for the Authority. In conjunction with the requested creation of an Independent System Operator for the New York State electrical system, the FERC will gain effective jurisdiction over the Authority's transmission rates, standards of conduct, and the provision of ancillary services and other business

practices. These are areas in which Authority staff have experience, but not with the requisite depth and breadth necessary to meet the projected work on these

**March 31, 1998**

FERC issues. In particular, the Authority has agreed with the other New York Power Pool members that its rates will be reviewed by FERC. Other federal and state regulatory issues for which the Authority will require assistance include anti-trust concerns in the deregulated industry, natural gas procurement and nuclear waste issues. The Law Department conducted a competitive search of law firms that responded to a notice for such services in the Contract Reporter, in addition to staff's knowledge of appropriate firms having the required capabilities. Further, in January staff conducted a comprehensive search for FERC counsel to assist in hydro relicensing matters. Most of the six firms identified in that process also have expertise in the FERC matters listed above and were considered in this search. The Dickstein, Shapiro firm was selected based on subject matter expertise, competitive rates, and attorney availability. The intended term of this contract is one year, subject to the Trustees' approval, which is hereby requested (with an option to extend for up to two additional years in accordance with the Authority's Expenditure Authorization Procedures). Approval is also requested for an initial award amount of \$250,000 (and additional funding at the same yearly amount if the option years are exercised).

"The contract with **H.L. Murphy Associates, Inc. (S98-01709)** became effective on March 1, 1998. Because of the need to commence services, the Executive Vice President, Secretary and General Counsel approved the initial award and funding, subject to the Trustees' subsequent approval, in accordance with the Authority's Guidelines for Procurement Contracts. The purpose of this contract is to provide confidential technical, engineering and strategic advice and analytical services in connection with the Niagara Power Project and St. Lawrence-FDR Power Project relicensing and other transactions involving the sale, disposition, or purchase of assets by the Authority, or commercial claims arising out of defective parts or operation of the Authority's plants, and the possible sale, re-powering or expansion of the Charles A. Poletti Power Project. This award was made on a sole source basis due to the confidential nature of the services, as well as Mr. Murphy's unique, multi-faceted expertise, which includes technical and managerial experience in the power industry, engineering background for the evaluation of operation and maintenance of both domestic and international power plants, private sector perspective, interactions with governmental bodies, relicensing issues and strategies, and financial/ financing experience. The intended term of this contract is one year, subject to the Trustees' ratification and approval, which is hereby requested (with an option to extend for up to two additional years in accordance with the Authority's Expenditure Authorization Procedures). Approval is also requested for an initial award amount of \$50,000 and an additional \$100,000 if the option years are exercised.

"The contract with **SAP America Public Sector, Inc. (C98-Z0024)** became effective on February 5, 1998. Because of the need to commence services, the Vice President - Controller approved the initial award and funding, subject to the Trustees' subsequent approval, in accordance with the Authority's Expenditure Authorization Procedures. The purpose of this contract is to provide on-site professional services of SAP technical consultants to assist in the implementation of the new SAP Enterprise-wide Business Management System. Services include, but are not limited to: support of the Authority's Information Technology staff in implementing the new system, by providing programming services, technical implementation planning, system administration and performance tuning, and problem determination and resolution, as well as ad hoc support and impromptu knowledge transfer to Authority staff; and professional staff to provide quality assurance reviews of actual implementation work performed by The INC Group (particularly adherence to SAP's ASAP implementation methodology). At their meeting of February 24, 1998, the Trustees approved the expenditure authorization for the enterprise-wide business management system, which included funding for such SAP professional services, as well as the contract award to The INC Group, Inc. for implementation thereof. This contract with SAP would provide for technical consulting services to assist in the implementation and to provide quality assurance reviews of the implementation work, as described above. This award was made on a sole source basis, since the enterprise-wide business management system is proprietary to SAP. The intended term of this contract is approximately 23 months, 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, \$1,500,000.

March 31, 1998

FISCAL INFORMATION

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

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

RECOMMENDATION

“The Director - Corporate Support Services, the Director - Information Technology, 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 Vice President - Controller, 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 '15-A' and as discussed above.

“The Executive Vice President, Secretary and General Counsel, the Chief Nuclear Officer, the Executive Vice President - Chief Financial Officer, 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 listed in Exhibit “15-A” are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.**

March 31, 1998

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

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘16-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with Duke Engineering & Services, Inc. for the design/engineering, fabrication and construction management of the emergency core cooling system suction strainer project for JAF, to \$4,604,545 from the previously authorized ceiling of \$1,708,345, as well as an increase in the compensation ceiling of the procurement contract with EXCEL Services Corporation for the conversion to Improved Technical Specifications for both nuclear plants, to \$1,850,000 from the previously authorized ceiling of \$1,500,000. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

“The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal service 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 ‘16-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 this 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.

Extension of each of the contracts identified in Exhibit ‘16-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency

schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a

**March 31, 1998**

proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to IP3 post-outage activities, as well as JAF pre-outage activities.

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

“At their meeting of November 25, 1997, the Trustees approved a capital expenditure for the design, engineering, fabrication, and installation of replacement strainers to upgrade the existing emergency core cooling system at JAF. NRC Bulletin 96-03 required that all Boiling Water Reactor plants implement measures and plant modifications to minimize the potential for clogging of emergency core cooling system suppression pool suction strainers. A contract with **Duke Engineering & Services, Inc. (S97-09098)**, the low, technically qualified bidder, became effective on November 25, 1997. The contract is comprised of four phases of work: I - conceptual engineering; II - final strainer design including hydraulic and stress analysis; III - fabrication; and IV - construction management. Based on the aforementioned Nuclear Regulatory Commission mandate as well as the tight schedule involved, the Chief Nuclear Officer approved the initial award for Phases I and II in the amount of \$1,458,345 and the President subsequently gave interim approval to commence Phase III for an initial not-to-exceed amount of \$250,000, in accordance with the Expenditure Authorization Procedures. It was expected that as the design was finalized, Phase III fabrication costs would also be finalized, and Trustees’ approval would be sought at that time.

“Engineering evaluations performed at completion of Phase I indicated that the design size of the strainers left Net Positive Suction Head (‘NPSH’) margins that were considered small. The Authority therefore requested Duke to increase the strainer sizes to provide reasonable NPSH margins. As a result of the increase in strainer size, which essentially doubled, and available margin, the cost of Phase III increased significantly from the original estimate provided by Duke. To validate the recommended award amount for fabrication, the Authority contacted five other nuclear power plants as well as the unsuccessful bidder, to determine the reasonableness of Duke’s price for the JAF strainers. This review, while taking into account the uniqueness and size differential for each plant, indicated that Duke’s price was reasonable, particularly given the accelerated schedule for this project. It is currently estimated that an additional \$2,896,200 will be required for phases III and IV, including contingency.

“The Trustees’ approval is therefore requested to ratify the initial award and funding of this contract, to authorize Phases 3 and 4 as outlined above, and to approve the additional funding, thereby increasing the total compensation limit to \$4,604,545.

“The contract with **EXCEL Services Corp. (S96-81723)** provides for support in the development, licensing and implementation of Improved Technical Specifications (‘ITS’) for IP3 and JAF. The Nuclear Regulatory Commission (‘NRC’) considers the revision of nuclear plant Technical Specifications (‘Tech Specs’) to be paramount to safe plant operations. These programs are currently among the most active initiatives being undertaken by the industry. At their meeting of June 25, 1996, the Trustees approved the award of this contract, in the amount of \$1,200,000, for a term of two and one-half years. An additional \$300,000 was subsequently added to the contract in accordance with the Authority’s Expenditure Authorization Procedures. The current contract amount is \$1,500,000; it is anticipated that an additional \$350,000 will be required for the remaining term. The additional funding is necessary for the following reasons: 1) the original estimated cost of ITS development work for IP3 was based on using the ITS developed for another nuclear power plant of similar design and size as a template for the IP3 ITS; once work began, however, it became apparent that there were significant differences between the plants, resulting in much more ITS development work than originally anticipated; 2) technical reviews of the IP3 ITS were substantially delayed, because IP3 engineering staff performing such reviews were required to first complete other engineering work in support of the IP3 outage; 3)

during the development of the ITS for JAF, approximately 375 design and licensing basis issues were identified that require engineering and licensing review, evaluation and resolution. Both the number of issues raised and the difficulty in resolving them is much greater than originally anticipated; in addition, such engineering work has occasionally been deferred to support plant operation; 4) based on the submittals

**March 31, 1998**

of two other nuclear plants that were used as templates for the JAF ITS, the NRC has required additional information to be provided in the technical justifications and evaluations of Significant Hazards Considerations that are part of the submittal for conversion to the ITS, indicating a trend toward increased information requirements as the NRC reviews more ITS conversions. The Trustees' approval is requested for the additional \$350,000, thereby increasing the compensation limit to \$1,850,000.

"The contract with **American Federal Crane Certification Bureau (S97-06863)** provides for annual crane inspection/certification services for the Authority's non-nuclear facilities. Types of cranes include, but are not limited to: overhead, gantry, crawler, locomotive, truck, bridge, aerial lift, mobile, digger derrick, trolley, and monorail. The original award, which was competitively bid, became effective on August 21, 1997, for an initial term of less than five months, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$13,948; it is anticipated that an additional \$23,865 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend this contract through December 31, 1999 and to approve the additional funding requested.

"The contract with **Analytical Laboratories, Inc. (S97-03014)** provides for on-site area and personnel air monitoring services, on-site bulk sampling, and off-site laboratory analysis of material containing asbestos, as well as asbestos training courses, for IP3. The original award, which was competitively bid, became effective on April 16, 1997, for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$260,000; it is presently anticipated that no additional funding will be required for the extended term. The Trustees' approval is therefore requested to extend the contract through April 15, 2000 with no additional funding requested.

"The contract with **Dean's Transport of Orange County (C96-I6798)** provides for on-site and occasional off-site shuttle bus service to the local train station for employees at IP3. The Trustees approved the award of a three-year contract, in the amount of \$435,000, at their meeting of June 25, 1996. The current contract amount is \$435,000. Due to the extended outage, with additional personnel on-site for a longer than anticipated period of time, more service was required than originally planned and budgeted; it is currently anticipated that an additional \$175,000 will be required to provide services through the end of the contract term (June 30, 1999). The Trustees are therefore requested to approve the additional funding in the amount of \$175,000, revising the total contract amount to \$610,000.

"The contract with **Electronic Systems Associates (S97-05048)** provides for an engineering review and redesign of the security system at the Authority's Blenheim-Gilboa Project and various Central NEW YORK Region facilities that are monitored from the B-G security control room. Services are comprised of three phases: I - review and evaluation of the existing security system; II - conceptual design of the new security system; III - detailed engineering and design of the new security system. The original award, which was competitively bid, became effective on June 23, 1997 for an initial term of one year, with an option to extend for one additional year. A two-year extension is now requested in order to continue and complete Phase III, as well as to add Phase IV - to assist the Authority during the design, manufacture, delivery, and installation of the new security system (per an approved Capital Expenditure Authorization). It should be noted that where feasible, Authority staff will install the new security system. The current contract amount is \$126,204; it is anticipated that an additional \$60,000 will be required for the extended term. The Trustees' approval is requested to extend this contract through June 22, 2000 and to approve the additional funding requested.

"The contract with **Enisol Inc. (S95-71868)** provided for computer programming services related to the implementation of a Niagara River flow forecasting model. It included the integration of a mathematical, computer-based model into the operating environment at the Niagara River Control Centre ('NRCC'). The

NRCC is jointly owned and operated by the Authority and Ontario-Hydro for the purpose of dispatching water to the Niagara Power

**March 31, 1998**

Project and Ontario-Hydro's generating stations, pursuant to the terms of the 1950 Treaty between the United States and Canada, as well as other regulatory requirements. The original award, which was competitively bid, became effective on May 5, 1995. At their meeting of September 24, 1996, the Trustees approved an extension of these services through December 31, 1997. Additional related work has been identified that relates to improvements and maintenance of the flow forecasting model and other computer programs used at the NRCC to monitor the river and satisfy the regulatory constraints. A three-year extension is now requested in order to supplement the efforts of the Authority and Ontario-Hydro staff to enhance, maintain, and upgrade the computing facilities at the NRCC, a vital control center for the generating stations located on the Niagara River. Specific programming tasks include: enhancements, maintenance, and documentation updates of application programs; year 2000 compliance evaluation and modifications of application programs; metric conversion of application programs that are required to satisfy regulatory requirements; and assistance in migrating the applications programs from a VAX-VMS computing system to a PC-based operating system. The current contract amount is \$65,627. It is estimated that an additional \$90,000 will be required for the extended term. It should be noted that the Authority and Ontario-Hydro share these costs equally under provisions of the Niagara Joint Works Agreement. The Trustees' approval is requested to extend this contract through December 31, 2000 and to approve the additional funding requested.

"The contract with **Four Seasons Land Management Company, Inc. (C97-Z0038)** provides for landscaping and snow removal services at the Authority's White Plains Office ('WPO'). The original award, which was competitively bid, became effective on April 3, 1997 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$33,550; it is anticipated that an additional \$33,550 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend this contract through April 2, 1999 and to approve the additional funding requested.

"The contract with **General Physics Corp. (C95-Z0052)** originally provided for the review and reduction of inventory levels at all Authority sites. The original award, which was competitively bid, became effective on July 28, 1995 for an initial term of less than one year. At their meeting of September 24, 1996, the Trustees approved an extension through June 30, 1997 for the standardization of the Authority's inventory nomenclature, which includes developing a Materials Catalog using standard stock codes and electronically updating the Authority's inventory database. An eight-month extension was subsequently authorized by management, in accordance with the Authority's Guidelines for Procurement Contracts. This effort is comprehensive and will require more time to complete than originally anticipated. A 15-month extension is now requested in order to continue the standard nomenclature project. The current contract amount is \$262,905; it is anticipated that an additional \$130,000 will be required for the extended term. The Trustees' approval is requested to extend this contract through June 30, 1999 and to approve the additional funding requested.

"The contract with **ICM Corp. (C97-Z0010)** provides for maintenance and repair services for the refrigeration and other kitchen equipment in the cafeteria located at the Authority's White Plains Office. Services include quarterly preventive maintenance services, including diagnosis of system trouble, adjustment and/or resetting of controls, as well as minor and major repairs. The original award, which was competitively bid, became effective on January 1, 1997 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise this option. The current contract amount is \$9,540; it is anticipated that an additional \$9,540 will be required for the extended term. The Trustees' approval is requested to extend this contract through December 31, 1999 and to approve the additional funding requested.

"The contract with **Long Island Lighting Co., ('LILCO'), (C94-H3516)** provides for maintenance services (preventive, remedial, and emergency) for high voltage electrical equipment installed between the

Authority's Richard M. Flynn Power Project and the LILCO substation. Such maintenance is vital to the safe and reliable operation of both systems and is mandated by the Capacity Supply Agreement between LILCO and the

**March 31, 1998**

Authority dated December 13, 1991. The contract, which was competitively bid, became effective on May 1, 1994. At their meeting of March 28, 1995, the Trustees approved an extension through December 31, 1996 to continue services for similar work scope, releasing funding, as required, to support work efforts; additional funding in the amount of \$100,000 was also approved at that time. A one-year extension was subsequently authorized by management, in accordance with the Authority's Guidelines for Procurement Contracts. A five-year extension is now requested in order to continue these services, on an 'as required' basis, as requested by the Authority. The current amount committed to the contract is \$60,000; no funds have been expended to date. The Trustees' approval is therefore requested to extend this contract through December 31, 2002 with no additional funding requested.

"The two contracts with **Lucius Pitkin, Inc. (S97-00627)** and **Massachusetts Materials Research, Inc. (S97-00652)** provide for metallurgical testing, examination, and failure analysis services for the Authority's non-nuclear facilities. Such technical services include providing equipment, materials and labor required to sample, test and analyze metallic and other elements used in power plant equipment and components. The work is performed at the Authority's facilities, construction sites, manufacturer's plants, or in the consultant's laboratory. The original dual award, which was competitively bid, became effective on January 28, 1997 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The original authorized contract amount was \$40,000, to be allocated as tasks were assigned per job-specific requirements. The current committed contract amount is \$21,774 for Lucius Pitkin and \$0 for MMR. It is anticipated that an additional \$80,000 will be required for the extended term. Rates will remain firm through the second year of the contract, with a one-year upward adjustment in conformance with the Consumer Price Index for 'Clerical and Urban Wage Earners in NY and Northern NJ' for the third year. The Trustees' approval is requested to extend this contract through January 27, 2000 and to approve the additional funding.

"The contract with **Maslansky GeoEnvironmental Inc. (C97-I6030)** provides for the design and presentation of a one-week 40-hour training course on Hazardous Material Handling, in accordance with OSHA and NFPA certification requirements, for up to 18 members of the IP3 hazardous materials response team. The original award, which was competitively bid, became effective on June 13, 1997 for an initial term of less than one year (for one training course), with an option to extend for two additional years (one course per year). A two-year extension is now requested in order to exercise this option. The current contract amount is \$15,944; it is anticipated that an additional \$31,888 will be required for the extended term. The Trustees' approval is requested to extend this contract through December 31, 1999 and to approve the additional funding requested.

"The contract with **Schlesinger Electrical (S96-83313)** provides for the labor to upgrade the lighting system at the World Trade Center, as part of the Authority's High Efficiency Lighting Program ('HELP') program. Services also included the installation of 4,000 exit signs. The original award, which was competitively bid, became effective on October 1, 1996 for a term of less than one year. Due to unanticipated delays, including environmental concerns that impeded retrofits of recessed lighting fixtures, problems with the finished product, problems with access to areas and associated activation of keys, as well as erroneous and missing data impacting the installation of exit signs, the implementation and completion of the work was delayed. An eight-month extension is now requested in order to complete the project; based on the amount of work remaining and the current rate of installation, implementation is expected to be completed by the middle of May 1998. The current contract amount is \$579,814; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend this contract through May 15, 1998 with no additional funding requested.

FISCAL INFORMATION

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

March 31, 1998

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

RECOMMENDATION

“The Director - Corporate Support Services, 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 Regional Manager - Western New York, the Regional Manager - Northern New York, the Regional Manager - Central New York, the Regional Manager - Southeast New York, the Vice President and Chief Engineer - Power Generation, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '16-A', and of an increase in the compensation ceiling of the contracts with Duke Engineering & Services, Inc. and EXCEL Services Corp., as set forth above.

“The Executive Vice President, Secretary and General Counsel, the Senior Vice President - Energy Efficiency and Technology, the Chief Nuclear Officer, the Executive Vice President and Chief Financial Officer, 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, each of the contracts listed in Exhibit “16-A” is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further**

**RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, increases in the compensation ceilings of the contracts with Duke Engineering & Services, Inc. and with EXCEL Services 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 &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<b>Provide design/engineering, fabrication &amp; construction management services for Emergency Core Cooling System Suction Strainer Project</b>		
<b>Duke Engineering &amp; Services, Inc. S97-09098</b>	<b>\$2,896,200 (additional funding through 07/31/99)</b>	<b>07/31/99</b>
<b>Previously Authorized Compensation Ceiling</b>	<b><u>\$1,708,345</u></b>	
<b>TOTAL REVISED</b>		

**COMPENSATION CEILING**

**\$4,604,545**

March 31, 1998

<u>O &amp; M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
<b>Provide support in development, licensing &amp; implementation of Improved Technical Specifications for IP3 and JAF</b>		
<b>EXCEL Services Corp. S96-81723</b>	<b>\$ 350,000 (additional funding through 12/31/98)</b>	<b>12/31/98</b>
<b>Previously Approved Compensation Ceiling</b>	<b><u>\$1,200,000</u></b>	
<b>Additional Authorized Amount per Expenditure Authorization Procedures</b>	<b>\$ 300,000</b>	
<b>TOTAL REVISED COMPENSATION CEILING</b>	<b><u>\$1,850,000</u></b>	

17. **Resolution - In Memory of Judge Frank S. McCullough**

**WHEREAS, Frank S. McCullough, father of New York Power Authority Trustee Frank S. McCullough, Jr. and a former member of the New York State Legislature and Justice of the State Supreme Court, died at age 92 on March 11, 1998; and**

**WHEREAS, After serving as Supervisor of the City of Rye, Frank S. McCullough was elected to the State Assembly in 1944 and to the State Senate in 1950; and**

**WHEREAS, Mr. McCullough served on key committees during his years in Albany, including those engaged in protecting consumers of milk products, combating charity rackets and controlling wiretapping; and**

**WHEREAS, He was a forceful advocate of permanent voter registration and standardized building codes; and**

**WHEREAS, He was appointed by Governor Nelson A. Rockefeller as County Judge of Westchester in 1959 and was elected the following year as a Justice of the State Supreme Court, a position he held until his retirement at age 68; and**

**WHEREAS, After his retirement from the court, he practiced law in his son's Westchester County firm, McCullough, Goldberger & Staudt, leaving the firm in 1997 at age 91; and**

**WHEREAS, Mr. McCullough was married for 51 years to Lovedy McPherson McCullough, who died in 1989; and**

**WHEREAS, He is survived by three children, seven grandchildren and one great-grandchild; and**

**WHEREAS, His legacy of public service lives on through his son's work on behalf of the New York Power Authority and the people of this state;**

**NOW THEREFORE BE IT RESOLVED, That the Trustees of the New York Power Authority extend their deepest sympathies to Frank S. McCullough, Jr. and the members of his family and express the wish that they may find comfort and consolation in recalling Frank S. McCullough's many accomplishments throughout his long and distinguished career.**

**March 31, 1998**

**18. Next Meeting**

The Regular meeting of the Trustees will be held on **Tuesday, April 28, 1998, at the New York Office** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

**March 31, 1998**

**Closing**

Upon motion made and seconded, the meeting was closed at 1:05 p.m.

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

MARMINS.98