

March 30, 1999

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

March 30, 1999

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March 30, 1999

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
Louis P. Ciminelli, Trustee
Gerard D. DiMarco, Trustee
Frank S. McCullough, Jr., Trustee
Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President - Corporate Services and Human Resources
John F. English	Senior Vice President - Corporate Planning
James Knubel	Senior Vice President - Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Robert L. Tscherne	Senior Vice President - Energy Services and Technology
H. Kenneth Haase	Senior Vice President - Transmission
Arnold M. Bellis	Vice President - Controller
Daniel Berical	Vice President - Policy & Governmental Affairs
Woodrow W. Crouch	Vice President - Project Management
John M. Hoff	Vice President - Procurement and Real Estate
Russell Krauss	Vice President - Chief Information Officer
Charles I. Lipsky	Vice President - Chief Engineer
Michael Petralia	Vice President - Public Affairs
Stephen P. Shoenholz	Deputy Vice President - Public Affairs
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Deputy - Policy Development
Ronald W. Ciamaga	Regional Manager - Northern New York
Richard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
Jordan Brandeis	Director - Performance Planning
John L. Murphy	Director - Public Information
William V. Slade	Director - Environmental Programs
David W. Wang	Director - Energy Resource Management
James H. Yates	Director - Business Marketing & Economic Development
Kevin R. Kipers	Manager - EMS Project
James F. Pasquale	Manager - Business Power Allocations & Compliance
Luis A. Rodriguez	Community Relations Manager
George W. Collins	Treasurer
Michael Brady	Deputy Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Laura Badamo	Assistant Secretary
Angela Graves	Assistant Secretary
Vernadine Quan-Soon	Assistant Secretary

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

March 30, 1999

Opening Remarks of Chairman Rappleyea

Chairman Rappleyea commended the Energy Efficiency staff on their successful completion of an energy-efficient lighting retrofit project at the State Capitol in Albany, which has resulted in new outdoor lighting of the State office buildings. The Chairman noted that the outdoor lights are visible from the I-90 highway and do justice to the center of State government.

March 30, 1999

1. Approval of the Minutes

The minutes of the Regular Meeting held on January 26, 1999 were approved.

March 30, 1999

2. Financial Report for the Two Months Ended February 28, 1999

Trustee Ciminelli inquired whether the net revenues for the month of February would still have exceeded the forecasted budget had the timing shifts in Niagara project maintenance been factored in. Mr. Bellis responded in the affirmative.

3. Report from the President and Chief Operating Officer

President Zeltmann thanked and complimented Paul Pasquarello, Supervisor of Photographic Operations at the Niagara Project, for his successful efforts in selecting and placing North Country photographs in the New York office boardroom. The President noted that the room's appearance has been significantly improved due to Mr. Pasquarello's hard work.

At President Zeltmann's request, Mr. Krauss briefed the Trustees on the current status and developments in the ongoing Year 2000 Program effort. In particular, Mr. Krauss reported that the assessment phase of the overall schedule is essentially complete, including Nuclear Generation systems, and that the remediation phase will shortly be undertaken. Mr. Krauss then described the parameters of the Northeast Energy Council ("NERC") Communications Drill, scheduled for April 9th, which will test all levels of communications systems between the NYPP, the ECC, and the Niagara Project. Mr. Krauss explained that the Authority will contemporaneously conduct a parallel drill to test such communications systems as SCADA, voice communications, and digital communications at the EEC and the Energy Management System ("EMS").

At President Zeltmann's request, Mr. Haase, Senior Vice President – Transmission, then briefed the Trustees on the Y2K readiness of the EMS and the Authority's transmission systems. Mr. Haase explained that a number of the systems defined as "severe" are old systems which are no longer needed in view of the EMS and which will be retired by June 1st. With respect to the EMS itself, although the system vendor (Siemens) represented its Y2K compliance, Siemens did not guarantee such compliance, and thus testing has been scheduled. Testing has also been scheduled with respect to the "reservations" mechanism on the transmission system, which was originally written for the old system and which needs to be coordinated with the Power Pool in order to be ready for the July 1st deadline. Mr. Haase also explained that the Transmission Department is coordinating all of the Y2K readiness and contingency testing and has been building numerous contingencies into the readiness program.

Mr. Haase explained that the recent FERC order has in effect delayed the effective date of the ISO until early September, which has enabled him to reallocate resources to the task of getting the EMS fully functional by March 1st. He then introduced Kevin Kipers of the ECC and screened an 8-minute video in which Mr. Kipers briefed the Trustees on the functions handled by the EMS. Mr. Haase added that Mr. Kipers, along with Charles Terami, have dedicated much hard work to this important area.

Addressing Mr. Krauss, Trustee Ciminelli stated that because of the way the reports are submitted to the Trustees, it is difficult for the Trustees to gauge the rate of progress and/or slippage on the Authority's overall Y2K effort since the monthly updates reflect only actual results achieved. Trustee Ciminelli stressed that due to the lack of "planned", as opposed to actual, tasks reported, the Trustees are unable to determine whether the Y2K effort is where it should be.

Mr. Krauss responded that there are various internal milestones measuring the work which is monitored by the QA staff. Mr. Krauss reported that to date, the remediation and testing phases have been on schedule and he is confident that the July 1st deadline will be met. Trustee Ciminelli stated that, as submitted to the Trustees, the schedules do not show whether there was slippage in any area, and thus the Trustees have no viable frame of reference. Mr. Krauss stated that there is a master schedule, which is voluminous but could be made available to the Trustees. Trustee Ciminelli noted that the Board members are not seeking to micro-manage the effort, only to be apprised of slippage and delay. Trustee McCullough expressed agreement, indicating that the Trustees would like to receive a more detailed report, with the type of data described by Trustee Ciminelli, by the June 30th deadline.

4. 1998 Annual Report on the Authority's Investments

The President submitted the following report:

SUMMARY

“The Trustees are requested to: (i) review and approve the attached 1998 Annual Report on Investment of Authority Funds (Exhibit ‘4-A’); (ii) approve an amendment to the Guidelines to reflect the defeasance of the General Purpose Bond Resolution and its replacement with the General Resolution Authorizing Revenue Obligations; (iii) approve an amendment to allow the investment in securities issued by the Federal National Mortgage Association (also known as ‘Fannie Mae’) and the Federal Home Loan Mortgage Corporation (also known as ‘Freddie Mac’) and (iv) amend the Guidelines to reflect the elimination of the position of Senior Vice President-Business Services and the creation of a new position of Senior Vice President-Information Technology and Chief Financial Officer.

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 6 portfolios at December 31, 1998, the total investment income earned in 1998, 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 1998, the Authority's investment portfolios, exclusive of the Nuclear Decommissioning Trust Fund, averaged \$688 million and earned \$45 million. This is \$19 million less than in 1997. The drop in investment earnings is directly attributable to the reduction in the size of the portfolio. Income in 1998 from the Authority's portfolios had an average yield of 6.40%, exceeding the Authority's established performance measure by four basis points (4/100 of one percent). The performance benchmark is the five-year rolling average yield on the five-year Treasury note plus 25 basis points.

“In the aggregate, the portfolio consisted of 28% in direct obligations of the U.S. Government; 68% in Agencies of the U.S. Government; and 4% in collateralized Certificates of Deposits.

“The Authority's Nuclear Decommissioning Trust Fund (the ‘Trust’) account paid \$875,334 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 1998, fees represented approximately 14 basis points. At year-end, the Trust's market value was approximately \$611 million. The Nuclear Regulatory Commission (‘NRC’) mandates that decommissioning reserves meeting certain minimum requirements 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 income performance is measured against the Lehman Bond Index, while the Trust's equity performance is measured against the S&P 500.

"In 1998, the Trust experienced a composite rate of return of 11.45% net of management service fees. The fixed income portion of the Trust achieved a total return of 8.91%, compared to 8.69% for the Lehman Bond Index. Since its inception in August 1990, the Trust's annualized total return has been 9.44% and has outperformed the benchmark by 75 basis points. The Trust is currently yielding approximately 11.50%. The return on the equity portion of the Trust's performance for 1998 was 28.04% as compared to 28.58% for the S&P 500 Index. At the end of 1998, approximately 14% of the Trust's book 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, PriceWaterhouseCoopers, 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 '4-B', states that the results of such examination disclosed no instances where the Authority was not in compliance with these Guidelines.

"Staff is recommending that the Guidelines be updated to reflect the defeasance of the General Purpose Bond Resolution adopted November 26, 1974 and its replacement with the General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998 as well as the elimination of the position of Senior Vice President – Business Services, with the responsibilities previously granted under the Guidelines to that position be given to the Senior Vice President – Information Technology and Chief Financial Officer. It is further recommended that the Guidelines be amended to set the maximum par value of Certificates of Deposit with any one bank at \$25 million and to permit the investment in securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Both Agencies are 'AAA' rated. The Guidelines are set forth in Section I of the 1998 Annual Report on Investment of Authority Funds, attached hereto as Exhibit '4-A'. The attached Guidelines have been revised to reflect these changes.

"The Investment Guidelines and procedures have not been amended since last presented and approved by the Trustees at their meeting of March 31, 1998.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the attached 1998 Annual Report on Investment of Authority Funds and approve the amendments to the Guidelines as discussed above.

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

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

RESOLVED, That the 1998 Annual Report of Investment of Authority Funds be, and hereby is, approved; and be it further

RESOLVED, That the Investment Guidelines be amended as follows:

(1) Paragraph I shall be amended to read as follows:

I. General

These Guidelines for the Investment of Funds (the "Guidelines") are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations adopted February 24, 1998 (the "Resolution"), the lien and pledge of which covers all

accounts and funds of the Authority and which governs the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

(2) Paragraph IV, Authorized Investments, Section A.2, shall be amended to read as follows:

2. Bonds, debentures, or notes issued by any of the following: Banks for Cooperatives; Federal Intermediate Credit Banks; Export-Import Bank of the United States; Federal Land Banks; the Government National Mortgage Association if such bonds, debentures or notes are guaranteed by the Government National Mortgage Association; the Federal National Mortgage Association 'Fannie Mae' and Federal Home Loan Mortgage Corporation 'Freddie Mac' or the Federal Financing Bank or any other agency or instrumentality of the Federal Government established for the purpose of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(3) Paragraph VII, Section A.3, Authorized Certificates of Deposit and Time Deposits, shall be amended to read as follows:

3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25 percent of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed \$25,000,000.

(4) Paragraph VII, Policies Concerning Certain Types of Investments Diversification Standards Required, Section B.4 and B.5, and Paragraph IX, Reports, Section C, shall be amended to replace the phrase "Senior Vice President-Business Services" with the phrase "Senior Vice President-Information Technology and Chief Financial Officer."

1998 Annual Report on
Investment of Authority Funds

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Section V	Summary of Dealers and Banks From Whom Securities were Purchased

Section I

New York Power Authority Guidelines for the Investment of Funds

I. General

These Guidelines for the Investment of Funds (the 'Guidelines') are intended to effectuate the applicable provisions of the General Resolution Authorizing Revenue Obligations adopted February 24, 1998, (the 'Resolution'), the lien and pledge of which covers all accounts and funds of the Authority and which govern the Authority's existing policies and procedures concerning the investment of funds as contained in these Guidelines. In a conflict between the Guidelines and the Resolution, the latter shall prevail. In addition, these Guidelines are intended to effectuate the provisions of Section 2925 of the New York State Public Authorities Law.

II. Responsibility for Investments

The Treasurer and Deputy Treasurer have the responsibility for the investment of Authority funds under the general supervision of the Senior Vice President – Information Technology and Chief Financial Officer. The Treasurer shall ensure that an operating manual is maintained that provides a detailed description of procedures for maintaining records of investment transactions and related information.

III. Investment Goals

The Treasurer and Deputy Treasurer are responsible for maximizing the yield on investments consistent with requirements for safety, minimization of risk and liquidity. Monies will not be invested for terms in excess of the projected use of funds.

IV. Authorized Investments

A. Monies in funds established pursuant to the Resolution shall be invested in Authorized Securities or Authorized Certificates of Deposit, defined as follows:

'Authorized Investments' as defined in the Resolution means and includes any of the following securities:

1. Direct obligations of or obligations guaranteed by the United States of America or the State of New York;

2. Bonds, debentures, or notes issued by any of the following: Banks for Cooperatives; Federal Intermediate Credit Banks; Export-Import Bank of the United States; Federal Land Banks; the Government National Mortgage Association if such bonds, debentures or notes are guaranteed by the Government National Mortgage Association; the Federal National Mortgage Association 'Fannie Mae' and Federal Home Loan Mortgage Corporation 'Freddie Mac'; or the Federal Financing Bank or any other agency or instrumentality of the Federal Government established for the purpose of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;
3. Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract with the United States of America; or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;
4. Direct and general obligations, the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitations as to rate or amount, and (b) at the time of their purchase under the Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies and are legal investments for fiduciaries in the State of New York.

'Authorized Certificates of Deposit' as defined in the Resolution means negotiable or non-negotiable certificates of deposit issued by any bank, trust company or national banking association which is a member of the Federal Reserve System, including certificates of deposit issued by the Trustee and Paying Agent.

- B. The Authority, as an issuer of tax-exempt obligations, must not engage in any arbitrage practice prohibited by the arbitrage regulations promulgated under Section 103(c) of the Internal Revenue Code. In no event will Authority funds be invested in a manner that will violate the provisions of Section 103(c).

V. Provisions Relating to Qualifications of Dealers and Banks

- A.1. The purchase and/or sale of Authorized Investments shall be transacted only through banks, trust companies or national banking associations (herein collectively termed 'Banks') which are members of the Federal Reserve System and government security dealers (herein termed 'Dealers'), which are Banks and Dealers reporting to, trading with, and recognized as primary dealers by the Federal Reserve Bank of New York. Banks and Dealers shall have demonstrated an ability to:
 - a) offer superior rates or prices on the types and amounts of securities required;
 - b) provide a high degree of attention to the Authority's investment objectives; and
 - c) execute trades in a timely and accurate manner.
- A.2. Authorized Investments may also be purchased or sold through minority and women owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (a), (b) and (c) of V.A.1.
- A.3. Municipal Securities qualifying as 'Authorized Investments' as defined in the Resolution may also be purchased or sold through any municipal bond dealer registered in the State of New York who demonstrates the qualities detailed in clauses (a), (b) and (c) of Paragraph V.A.1.
- B. Authorized Certificates of Deposit and time deposits shall be purchased directly from Banks which:
 - (1) are members of the Federal Reserve System transacting business in the State of New York;
 - (2) have capital and surplus aggregating at least \$50,000,000; and
 - (3) demonstrate all the qualities detailed in clauses (a), (b) and (c) of V.A.1.
- C. Authorized Investments purchased by the Authority or collateral securing its investments shall be deposited only with custodians designated by the Authority. Such custodians shall be Banks which are members of the Federal Reserve System transacting business in the State of New York.

- D. The Authority shall file with each qualified dealer a letter agreement that designates the (1) type of authorized investments, (2) Authority employees who are authorized to transact business, and (3) delivery instructions for the safekeeping of investments.
- E. The Authority shall enter into a written contract with any (1) Dealer from whom Authorized Investments are purchased subject to a repurchase agreement and (2) Bank from whom Authorized Certificates of Deposit are purchased.

VI. General Policies Governing Investment Transactions

- A. Competitive quotations or negotiated prices shall be obtained except in the purchase of government securities at their initial auction or upon initial offering. A minimum of three quotes shall be obtained and documented from Dealers and or Banks, except as indicated above, and the most favorable quote accepted. The Treasurer or Deputy Treasurer may waive this requirement on a single transaction basis only if warranted by market conditions and documented in writing.
- B. Authorized Investments purchased shall be either delivered to the Authority's designated custodian or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, recorded in the Authority's name or in the name of a nominee agent or custodian designated by the Authority on the books of the Federal Reserve Bank of New York or the Depository Trust Company. Payment shall be made to the Dealer or Bank only upon receipt by the Authority's custodian of (1) the securities or (2) in the case of securities held in a book-entry account, written advice or wire confirmation from the Federal Reserve Bank of New York or the Depository Trust Company that the necessary book-entry has been made.
- C. Each purchase or sale of Authorized Investments or Authorized Certificates of Deposit shall be authorized by the Treasurer or Deputy Treasurer. Investment orders may be placed by Authority employees as designated by the Treasurer. The custodian shall have standing instructions to send a transaction advice to the Authority's Controller for purposes of comparison with internal records. The Controller shall advise the Treasurer of any variances and the Treasurer shall ensure appropriate corrections are provided.

VII. Policies Concerning Certain Types of Investments Diversification Standards Required

A. Authorized Certificates of Deposit and Time Deposits

1. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from a Bank in the primary market.
2. Authorized Certificates of Deposit and Time Deposits shall be continuously secured by Authorized Investments defined in subsection (1) or (2), having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such Certificates of Deposit or Time Deposits. Such Authorized Investments shall be segregated in a separate custodian account on behalf of the Authority.
3. Investments in Authorized Certificates of Deposit or Time Deposits shall not exceed 25 percent of the Authority's invested funds. The par value of Authorized Certificates of Deposit purchased from any one Bank shall not exceed \$25,000,000.

B. Repurchase Agreements

The Authority may from time to time elect to enter into arrangements for the purchase and resale of Authorized Investments (known as 'Repurchase Agreements'). This type of investment transaction shall be used only when there is no other viable, short-term investment alternative.

1. A Repurchase Agreement shall be transacted only with a Dealer or Bank qualified to sell Authorized Investments to the Authority which is recognized by the Federal Reserve Bank as a primary dealer.
2. Authorized Investments purchased subject to a Repurchase Agreement shall be marked to market daily to ensure its value equals or exceeds the purchase price.
3. A Repurchase Agreement shall be limited to a maximum fixed term of five business days. Payment for the purchased securities shall be made against delivery to the Authority's designated custodian (which shall not be a party to the transaction as seller or seller's agent) or, in the case of securities held in a book-entry account maintained at the Federal Reserve Bank of New York or the Depository Trust Company, written advice that the securities are recorded in the Authority's name or in the name of a nominee, agent or custodian designated by the Authority on the books of the Federal Reserve Bank or the Depository Trust Company.

4. No more than \$50 million of Authorized Investments shall be purchased under a Repurchase Agreement with any one Dealer or Bank. This requirement may be waived by the Senior Vice President - Information Technology and Chief Financial Officer on a single transaction basis only if warranted by special circumstances and documented in writing.
5. The aggregate amount invested in Repurchase Agreements may not exceed the greater of 5 percent of the investment portfolio or \$100 million. The Senior Vice President - Information Technology and Chief Financial Officer may waive this requirement on a single transaction basis only if warranted by cashflow requirements and documented in writing.
6. The Authority may not enter into arrangements (known as Reverse Repurchase Agreements) for the purpose of borrowing monies by pledging Authorized Investments owned by the Authority.

VIII. Review

These Guidelines and any proposed amendments shall be submitted for Trustee review and approval at least once a year.

In addition to the Authority's periodic review, the Authority's independent auditors, in connection with their examination of the Authority, shall perform an annual audit of the investment portfolio, review investment procedures and prepare a report, the results of which will be made available to the Trustees.

IX. Reports

- A. The Treasurer shall submit an investment report to the Trustees, at least quarterly. Such report shall contain a (1) detailed description of each investment; 2) summary of the dealers and banks from which such securities were purchased; and (3) a list of fees, commissions or other charges, if any, paid to advisors or other entities rendering investment services.
- B. The Treasurer shall submit an annual report for approval by the Trustees. In addition to the information provided quarterly, the Annual Report shall include (i) a copy of the Guidelines; (ii) an explanation of the Guidelines and any amendments thereto since the last annual report; (iii) the results of an annual independent audit of investment inventory and procedures, and (iv) a record of income earned on invested funds. The approved report shall be submitted to the Division of the Budget with copies distributed to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Copies shall be made available to the public upon written reasonable request.

- C. Any waivers which occurred during the prior month shall be reported to the Senior Vice President - Information Technology and Chief Financial Officer.

X. **Miscellaneous**

- A. These Guidelines are intended for guidance of officers and employees of the Authority only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason, of any requirement or provision thereof.
- B. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
- C. No provisions in these Guidelines shall be the basis of any claim against any Trustee, officer or employee of the Authority in his or her individual or official capacity or against the Authority itself.

Section II

EXPLANATION OF INVESTMENT GUIDELINES

Section II Responsibility for Investments

Establishes responsibility for the Investment of Authority Funds and limits the number of individuals authorized to place investment orders.

Section III Investment Goal

Establishes the policy that earning a reasonable return on investments must be consistent with standards set for minimization of risk and availability of funds when needed.

Section IV Authorized Investments

Details the types of investments which the Authority can undertake as prescribed in Section 101 of the Resolution.

This section also requires that investments made in each of the Funds established under the Resolution be invested for a term commensurate with cash flow expectations and that such investments will not violate Section 103(c) of the Internal Revenue Code.

Section V Provisions Relating to Qualifications of Dealers and Banks

Establishes criteria for the selection of banks and dealers from which the Authority may buy or sell investments. Business is transacted with firms who have demonstrated financial strength and a high degree of reliability with respect to servicing of the Authority's needs. This section also directs that custody of Authority investments shall be maintained by banks which are members of the Federal Reserve System transacting business in the State of New York.

This section also addresses the subject of contracts with banks and dealers for the purchase or sale of Authorized Investments. The Authority has written Letters of Agreement with authorized dealers that specify the types of securities in which the Authority may invest and identify those Authority individuals authorized to give instructions related to the purchase and sale of securities. In addition, the Authority shall have a written form of agreement for use in repurchase transactions with any authorized dealer with whom the Authority may transact this type of investment.

Section VI General Policies Governing Investment Transactions

Requires that the Authority solicit no less than three bids for the purchase or sale of securities in order to ensure the most favorable rate except when securities are purchased at their initial auction, upon new issue or through negotiated prices.

Requires that the Authority or its custodian, prior to payment, take possession of such securities, or in the case of book entry securities, obtain written advice or wire confirmation that transfer or ownership has been recorded.

Establishes authorized employees to approve the purchase or sale of securities.
Establishes control procedures whereby the Controller shall compare the custodian's confirmation to Authority records.

Section VII Policy Concerning Certain Types of Investment Diversification Standards Required

Establishes a policy concerning the purchase of Certificates of Deposit and Time Deposits intended to minimize the risk associated with such transactions. Certificates of Deposit or Time Deposits may be purchased directly from a bank which is a member of the Federal Reserve System transacting business in the State of New York. Such deposits shall be continuously secured by direct obligations of, or guaranteed by, the U.S. Government or the State of New York. This collateral shall be regularly priced to current market to assure the Authority's security interest is continuously protected. Aggregate holdings of Certificates of Deposit shall not exceed 25 percent of the Authority's total investment. Certificates of Deposit purchased from any one bank shall not exceed \$25,000,000.

Establishes a policy intended to minimize the risk associated with arrangements for the purchase and resale of Authorized Investments known as Repurchase Agreements ('Repos'). Repos purchased from any one qualified dealer or bank shall not exceed \$50 million and shall be limited to a maximum fixed term of five business days. Aggregate investments in Repos shall not exceed the greater of 5 percent of the Authority's total investments or \$100 million. All securities purchased under the terms of a Repo shall be held in safekeeping by a designated custodian for the Authority. Such securities shall be priced to market on a daily basis to assure the Authority's security interest. Reverse Repurchase Agreements are not authorized transactions.

Section VIII Review

Establishes policy requiring review of the Guidelines at least once a year. Requires an annual audit by the Authority's independent auditors of the Authority's investment portfolio and compliance with the guidelines established by the Authority and the State Comptroller.

Section IX Reports

Establishes policy requiring submission of reports to the Authority's Trustees concerning the management and performance of the Authority's portfolio.

This Section also requires that an annual report be submitted for approval by the Authority's Trustees. Copies of the approved report shall be sent to the Division of Budget, Office of the State Comptroller, the Senate Finance Committee, and Assembly Way and Means Committee.

Section III

A. Investment Income Record

During 1998 the Authority's average daily investment portfolio was approximately \$688 million and earned \$45 million.

The earnings, by fund, were as follows (dollars in millions)

Operating Fund	\$27
General Fund	7
Capital/Construction	<u>11</u>
Total	\$45

The investment income is \$19 million less than the prior year. The average size of the portfolio decreased by \$277 million in 1998. The reduction in the size of the portfolio accounts for the decreased earnings.

B. Fees Paid for Investment Associated Services

\$384,463	Strong Capital
\$460,367	Dresdner RCM
\$ 30,504	The Bank of New York

Investment management fees were paid by the Nuclear Decommissioning Trust Fund. By NRC mandate, the Trust is beyond the Authority's administrative control and is therefore not part of this Annual Report. As a point of information, the Market Value of the Trust was approximately \$611 million at December 31, 1998. The Trust's investments are in high quality fixed income securities and equity index funds, and earned \$42 million in 1998. For the year, the Trust had a composite rate of return of 11.45% after payment of the above management service fees.

C. Results of the Annual Independent Audit

In connection with their examination of the Authority, the Authority's independent auditors, PriceWaterhouseCoopers, LLP reviewed and tested the Authority's compliance with the guidelines established by the Authority, the State Comptroller's Investment Guidelines and Section 2925 of the Public Authorities Law. Their report, a copy of which is attached as Exhibit 'B', states that nothing came to their attention that caused them to believe that the Authority was not in compliance with these Guidelines.

**PLEASE REPLACE THIS PAGE WITH EXCEL
DOCUMENTS:**

**'98INVENT'
'SECTIONV'**

AND PDF FILE

'EXHIBITB'

IN THE ORDER LISTED

March 30, 1999

5. Additional Allocation of Fitzpatrick Economic Development Power – Harden Furniture Company

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve an additional 400 kW allocation of Fitzpatrick Economic Development Power (‘EDP’) to the Harden Furniture Company (‘Harden’).

BACKGROUND

“At their meeting of September 27, 1995, the Trustees of the Power Authority approved an allocation of 2,400 kW of Economic Development Power to the Harden Furniture Company for business revitalization purposes for a term of ten years. The company is a large manufacturer of home furnishings. The firm's main product line consists of high-end cherry wood furniture and associated upholstery.

“At its meeting of March 30, 1999, the Economic Development Power Allocation Board (‘EDPAB’) recommended to the Authority an additional allocation of 400 kW of FitzPatrick Economic Development Power (‘EDP’) to the Harden Furniture Company for business expansion purposes. The power would be sold by the Authority to the Niagara Mohawk Power Corporation (‘NIMO’) for resale to Harden Furniture.

DISCUSSION

“Since receiving its initial allocation of EDP in 1997, Harden has experienced substantial growth and has recently launched a three-year \$6,000,000 capacity expansion program at the company’s two manufacturing sites located in McConnellsville, New York.

“The additional allocation of 400 kW would retain 537 jobs and create 100 at a total ratio of 227 jobs per megawatt. The company would save an additional estimated \$40,000 annually over Niagara Mohawk's standard rates. The proposed allocation of business expansion power expires October 31, 2007 and is supported by the Oneida County Industrial Development Corporation.

RECOMMENDATION

“The Director - Business Marketing and Economic Development recommends that the Trustees approve the additional allocation of 400 kW of Fitzpatrick Economic Development Power to the company as described herein.

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

Chairman Rappleyea underscored that thanks in part to the original allocation of Economic Development Power to this furniture manufacturing company, hundreds of jobs have in effect been brought back from North Carolina to New York State.

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

WHEREAS, the Economic Development Power Allocation Board has recommended an allocation of Economic Development Power to the company as described in the foregoing report of the President in the quantity as described therein;

NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the additional allocation of 400 kW of Fitzpatrick Economic Development Power to the company as described in the foregoing report of the President, substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or able to effectuate the above allocation subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

6. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 59 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit “A” 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 Power for Jobs program originally made 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 was to be phased in over three years, with approximately 133 megawatts being made available each year. In July 1998, as a result of the initial success of the program, Governor Pataki and the Legislature have made an additional 50 megawatts of power available and have accelerated the distribution of the power. 267 megawatts were made available in Year 1.

“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 eight meetings from December 1997 through February 1999, the Trustee’s approved allocations to 376 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 2,800 inquires have been received and over 1,300 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. 59 applications were deemed highly qualified and presented to the EDPAB for its review on March 30, 1999. 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 37 businesses, 16 small businesses and six not-for-profit corporations listed in Exhibit “A”. Collectively, these organizations have agreed to create or retain over 23,000 jobs in New York State in exchange for allocations totaling 40.045 megawatts (MW). The allocation contracts will be for a period of three years. The power will be wheeled by the utilities as indicated in Exhibit “A”. The basis for EDPAB’s recommendations is also included in Exhibit “A”.

“The Trustees are also requested to approve job commitment revisions to the 13 companies listed in Exhibit “B”. The Trustees in prior meetings had approved these companies for a Power for Jobs allocation. Their allocation was based on their commitment to retain or create jobs as indicated in the application they submitted to EDPAB. Subsequent to Trustee approval but before entering into contract with the Authority, the companies have requested that their job commitment be revised to more accurately reflect their existing employment levels. The revisions are mainly due to confusion in accounting for part time and seasonal employees. The job number changes are insignificant in total and do not require changes to the amount of the allocation.

“In addition, the Trustees are requested to approve a modification to the existing power allocation to Montefiore Medical Center. The Trustees at its meeting of April 28, 1998 originally approved an allocation to Montefiore. Their peak load was originally estimated at 3,300 kW and they were awarded an allocation of 1,100 kW. Subsequently it was learned that information in their application had been misinterpreted and that their peak load is actually 8,250 kW. Based on this information they would have been awarded an allocation of 2,750 kW. We are requesting that the Trustees approve a modification to the initial allocation and increase their award by 1,650 kw. The additional allocation will be awarded for a term of three years commencing on the date service is first delivered. It should be noted that Montefiore committed 10,489 existing and 500 new jobs for the allocation. Their revised jobs per megawatt ratio is an excellent 3,996.

RECOMMENDATION

“The Director – Business Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommends that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibits “A” and “B” and the revised allocation to Montefiore Medical Center.

“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 this month’s action will bring the Power for Jobs program over the 200,000 jobs mark, an especially rewarding milestone for a program that initially was anticipated to impact a total of 40,000 jobs over three years. The Chairman thanked the ESDC and PSC staff as well as NYPA employees for the hard work, which has produced such impressive results.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 40.045 MW of allocations of Power for Jobs power to the companies listed in Exhibit “A”;

NOW THEREFORE BE IT RESOLVED, That to implement such Economic Development Power Allocation Board recommendations, the Authority hereby approves allocations of Power for Jobs power to the companies listed in Exhibit “A” (the “Customers”), as submitted to this meeting, and that the Authority finds that such allocations are in all respects reasonable, consistent with the requirements of the Power for Jobs program and in the public interest; and be it further

RESOLVED, That job commitment revisions to the 13 companies listed in Exhibit “B” and the revised allocation to Montefiore Medical Center be, and hereby are, approved: and be it further

RESOLVED, That a total of 40.045 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, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to execute any and all documents necessary or desirable to effectuate the foregoing.

**PLEASE REPLACE THIS PAGE WITH EXCEL
DOCUMENT:**

'399EXA2'

Exhibit '6-B'
March 30, 1999

Company	Allocation (kW)	Jobs As Reported	Jobs As Revised	Change	Revised Jobs/MW
Maimonides Medical Center	1,350	4,436	3,826	- 610	2,834
Reader's Digest	2,000	1,500	1,200	- 300	600
Yeshiva University	3,000	4,215	3,610	- 605	1,203
Dupli Envelope Convertors	250	146	125	- 21	500
Taconic Limited	300	227	180	- 47	600
Mold-A-Matic Corp.	175	160	125	- 35	714
Catholic Medical Centers	1,725	7,667	6,234	-1,433	3,613
Johnson & Hoffman Mfg. Corp.	225	97	85	- 12	377
Fashion Tanning Co, Inc.	400	52	42	- 10	105
Lockport Memorial Hospital	350	600	363	-237	1,037
Indian Country, Inc.	450	331	182	-149	404
Eagle Electric Mfg. Co.	750	1,542	1,050	- 492	1,400
NYS ARC Columbia County Chapter	450	134	120	- 14	266
TOTALS:		21,107	17,142	- 3,965	

7. Power for Jobs - Competitive Procurement

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of Enabling Agreements with Central Hudson Enterprises Corporation, Central Hudson Gas & Electric Corporation and Niagara Mohawk Energy Marketing, Inc., permitting the purchase of up to 200 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 was subsequently amended on July 15, 1998. 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 450 MW of power, to be phased in over a three-year period. The legislation provides for 225 MW of the power to be made available from the Authority's FitzPatrick plant, and for 225 MW to be purchased from other suppliers pursuant to a competitive procurement process administered by the Authority. For this, the second year of the program, 200 MW must be procured from other suppliers.

“This is the fourth Request for Proposals (‘RFP’) for competitively procured power under the Program and it was issued pursuant to the terms of the Power for Job legislation which sets forth the requirements listed below:

- 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;
- That the process provide the least cost power consistent with the goal of providing safe and reliable service; and
- 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 the EDPAB at its September 18, 1997 meeting.

“On January 15, 1999, a RFP was issued to over 40 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 5, 1999, in cents/kWh for the delivery of up to 200 MW of firm capacity and energy to interconnections with the six investor-owned utilities in New York State and LIPA. Price bids were requested for three time periods: through October 31, 1999; through April 30, 2000; and/or through April 30, 2002. 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 January 26, 1999, a pre-bid conference was held to answer questions from potential bidders. On February 5, 1999, seven vendors submitted 20 bids in response to the RFP.

Bid Evaluation

“Bids were submitted by Central Hudson Gas & Electric Corporation; Central Hudson Enterprises Corporation; Niagara Mohawk Energy Marketing, Inc., Public Service Electric & Gas Company of New Jersey, New York State Electric and Gas Corporation (‘NYSEG’), Constellation Power Source, and Bio-Energy Partners. The bids 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 and the impact of the bid on the overall cost of the Power for Jobs power;
- 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. A discussion of each of the proposals is below.

Bio - Energy Partners

“Bio-Energy Partners, an independent power producer from Atlanta, Georgia, proposed to sell 2 MW of power from a landfill-gas fueled reciprocating engine located near Rochester. The interconnection point in the Niagara Mohawk service territory would be at the Edic substation. This bidder did not qualify for the environmental credit. Bio-Energy owns and operates 33 small power production facilities throughout the U.S., all of which are fueled by landfill gas. The facilities have a combined capacity of 150 MW. Bio-Energy is a partnership between Waste Management Holdings, Inc. and Caterpillar Financial Service Corporation. Niagara Mohawk Energy Marketing Inc. has committed to provide backup power to Bio-Energy Partners’ bid.

Central Hudson Enterprises Corporation

“Central Hudson Enterprises Corporation is a wholly owned subsidiary of the Central Hudson Gas and Electric Corporation. Central Hudson Enterprise Corporation is an unregulated power marketer and energy services company. Its bid proposed to supply 20 MW in the Niagara Mohawk service territory connecting at the Adirondack substation. The power would be provided from an 80 MW combined cycle plant, which is ineligible for the environmental credit. Central Hudson Enterprises is capable of meeting the financial requirements outlined in the RFP.

Central Hudson Gas & Electric Corporation

“Central Hudson Gas & Electric Corporation is an investor owned utility with offices in Poughkeepsie. It proposes to provide between 5 and 30 MW in the Central Hudson, Con Edison, NYSEG, Niagara Mohawk and Orange & Rockland service territories. The power would be provided from Central Hudson's natural gas powered units at Danskammer and does not meet the requirements for the environmental credit.

Constellation Power Source

“Constellation Power Source (‘CPS’) is a wholly-owned subsidiary of Constellation Enterprises, Inc. Constellation Enterprises is a holding company, wholly-owned by Baltimore Gas and Electric. CPS's offices are located in Baltimore Maryland. CPS offers to sell between 20 and 80 MW, for two capability periods (i.e., one year), delivered at Niagara Mohawk's substation at East Syracuse from its Carr Street Generating Station located in East Syracuse. That facility is a 105 MW natural gas combined cycle, cogeneration facility. It does not meet the environmental credit requirements. CPS and its parent corporations meet the financial requirements of the RFP.

Niagara Mohawk Energy Marketing, Inc.

“Niagara Mohawk Energy Marketing Inc., formerly Plum Street Energy Marketing, is a wholly-owned, unregulated power marketing subsidiary of the Niagara Mohawk Corporation. It proposes to sell between 5 and 125 MW at locations in the Central Hudson, Con Edison, NYSEG, and RG&E service territories. Niagara Mohawk Energy Marketing, Inc. is not eligible for the environmental credit. Niagara Mohawk Energy Services and its parent company have longstanding business relationships with the Authority.

New York State Electric and Gas Corporation

“NYSEG is an investor owned utility located in Binghamton, New York. It bids to provide 14 MW in its own service territory. NYSEG did not provide a bid in cents-per-kWh as requested in the RFP. Its bid provided for a reservation fee and on and off-peak energy prices. NYSEG does not meet the environmental credit requirements. NYSEG can meet the financial requirements set in the RFP.

Public Service Electric Company and Gas (‘PSE&G’)

“PSE&G is an investor owned utility located in Newark, New Jersey. It proposes to provide up to 100 MW in the service territories of Con Edison, New York Electric & Gas, Niagara Mohawk and Orange and Rockland. PSE&G's bid was to provide constant blocks of power within each of the service territories. PSE&G does not meet the requirements necessary to obtain the environmental credit. PSE&G has previously provided power for the Power for Jobs program.

The Recommended Bidders

“Based on the evaluation of the bids and the proposed pricing, it is recommended that Enabling Agreements be executed with: Central Hudson Enterprises Corporation for the Niagara Mohawk service territory; Central Hudson Gas & Electric Corporation for the Central Hudson, Con Edison, NYSEG, Niagara Mohawk and Orange and Rockland service territories; and Niagara Mohawk Energy Marketing, Inc. for the Central Hudson and Con Edison territories. The recommended bidders, the amounts in MW's and the prices are shown in Table 1.

“Each of the selected bidders meets the requirements of the RFP, is capable of meeting the financial requirements of the Enabling Agreement and offer the lowest priced bids within the service territories.

The Enabling Agreement

“Enabling Agreements have been negotiated with the recommended bidders. The Enabling Agreements are umbrella option agreements that permit the Authority to draw down power from a winning bidder (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 and a Transaction is initiated. The Authority has no obligation to purchase any power and there are no minimum payments.

“The Enabling Agreement provides that the price bids contained in the Qualified Providers' proposals will be held through October 31, 1999, 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, 1999, 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 of Marketing Planning, the Director of Power Contracts, and the Senior Vice President-Marketing and Economic Development recommend that the Trustees authorize execution of Enabling Agreements with Central Hudson Enterprises Corporation, Central Hudson Gas & Electric Corporation; and Niagara Mohawk Energy Marketing, Inc., substantially in the form attached hereto as Exhibit ‘7-A’, and authorize the Senior Vice President - Marketing and Economic Development or her designees to enter into such transactions as contemplated by the Enabling Agreements for the purpose of providing up to 200 MW of capacity and energy for the Power for Jobs program.

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

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

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

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

WHEREAS, 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

NOW THEREFORE BE IT, RESOLVED, That the Chairman, the President, the Senior Vice President-Marketing and Economic Development or her designees are, and each of them hereby is, authorized to execute Enabling Agreements with Central Hudson Enterprises Corporation, Central Hudson Gas & Electric Corporation and Niagara Mohawk Energy Marketing, Inc. in substantially the form attached hereto as Exhibit “7-A”, and to enter into transactions for the purchase of up to 200 MW of capacity and energy as contemplated by the Enabling Agreement, and to take such other and further actions as may be necessary or desirable to effectuate the foregoing.

TABLE 1

POWER FOR JOBS – COMPETITIVE PROCUREMENT – RFP NO. 4

RECOMMENDED BIDDERS

Bidder	Service Territory	MW	Bid Prices in Cents/kWh		
			Thru 10/31/99	Thru 4/30/00	Thru 4/30/02
Central Hudson Enterprises Corporation	Niagara Mohawk	20	3.2		
Central Hudson Gas & Electric Corporation	Central Hudson	5	3.2		
	Con Edison	30	3.6		
	NYSEG	20	3.6		
	Niagara Mohawk	20		3.6	
	O & R	10			3.6
Niagara Mohawk Energy Marketing, Inc.	Central Hudson	5 to 125		3.5	
	Con Edison	5 to 125	4.4		

Note: Only 200 MW of bid power are required during the second year of the Power for Jobs program. The amounts bid by the suppliers in each service territory should be considered 'up to' limits. As allocations are made, power will be purchased in such a way as to minimize the cost of the bid power, with the total amount from all suppliers not exceeding 200 MW. This is possible because the Enabling Agreements are essentially options to purchase power with no minimum requirement.

**ENABLING AGREEMENT BETWEEN
SELLER
AND NEW YORK POWER AUTHORITY**

This Enabling Agreement ('Enabling Agreement') is made and entered into as of this ____ day of _____, 1999, by and between the SELLER ('the SELLER') having a principal business address at _____, and the New York Power Authority ('the Authority') having a principal business address at 1633 Broadway, New York, NY 10019. This Enabling Agreement encompasses the terms and conditions under which power and energy will be purchased by the Authority from the SELLER for resale and ultimate allocation to approved Power for Jobs™ ('PFJ') Customers. It shall terminate on the last day of the Summer Capability Period. The Authority and the SELLER are from time to time referred to in this Enabling Agreement individually as the 'Party' or collectively as the 'Parties'.

WITNESSETH:

WHEREAS, the Authority has been authorized by Chapter 316 of the New York Laws of 1997, as amended by Chapter 386 of the New York Laws of 1998, to purchase power and energy under a competitive procurement process ('the Bid Process') established by the Economic Development Power Allocation Board ('EDPAB') in consultation with the New York Public Service Commission ('NYPSC') for resale to Host Utilities as defined herein, for ultimate delivery to Power for Jobs™ ('PFJ') customers designated by the EDPAB; and

WHEREAS, the Authority, acting on behalf of the EDPAB, has been directed to implement the Bid Process including, among other things, the execution of agreements for the purchase of power and energy from the successful bidders ('Qualified Provider(s)'); and

WHEREAS, the SELLER, having met the requirements of the Bid Process, has been selected by the Authority as a Qualified Provider as defined herein, and is qualified to provide upon request by the Authority, specified amounts of firm power and energy to specified locations within New York State for specified period(s) at fixed prices; and

WHEREAS, the SELLER desires to sell firm power and energy to the Authority at a fixed price for certain Capability Period(s); and

WHEREAS, the Authority desires from time to time to purchase firm power and energy from the SELLER and may enter into one or more purchase agreements ('Transaction(s)') incorporating the amounts and specific terms and conditions contained in the SELLER's fixed price bid; and

WHEREAS, the Authority and the SELLER desire to set forth in this Agreement the terms and conditions which shall govern all Transactions.

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1 - DEFINITIONS

- 1.1 Bid - An offer by the SELLER to provide Services as defined herein, at specified prices for specific periods of time.
- 1.2 Capability Period - Six month periods defined as follows:
Summer: May 1 to October 31
Winter: November 1 to April 30.
- 1.3 Delivery Point - Point at which the SELLER transfers Services as defined herein, to Authority, which, unless otherwise agreed to by the Parties, shall be at identified point(s) of interconnection between a Host Utility as defined herein and one or more Transmission Providers as defined herein.
- 1.4.1 Enabling Agreement - This 'option to purchase' agreement which provides for and governs any sale of the Services as defined herein, by the SELLER to the Authority.
- 1.2 FERC - Federal Energy Regulatory Commission.
- 1.3 Host Utility - Each of the seven investor-owned utilities in New York State, or their successors or assigns.
- 1.4 PFJ Customer - A retail customer of a Host Utility that has received a power allocation pursuant to the Power for Jobs™ program.
- 1.5 Qualified Provider - Any entity, including but not limited to electric corporations, independent power producers and power marketers, that has met the requirements of the currently effective RFP as determined by the Authority in its sole discretion and has executed an Enabling Agreement with the Authority.
- 1.6 Request for Proposals ('RFP') - Open bidding process under which the Authority solicits Bids for firm power and energy for upcoming Capability Periods.
- 1.7 Services - Firm power and energy delivered by SELLER to Delivery Points identified by the Authority in hourly amounts scheduled by the Authority.

- 1.8 Transaction – An individual purchase agreement for the purchase of Services as defined herein, governed by this Enabling Agreement detailing amongst other items, amounts and specific terms and conditions incorporated in the fixed price Bids.
- 1.10 Transmission Provider - A public utility or agency that owns, operates or controls facilities which are used to transmit electric energy in interstate commerce and provides transmission service under an Open Access Transmission Tariff on file with the FERC.

ARTICLE 2 - SERVICES PROVIDED BY THE SELLER

- 2.1 When from time to time the Authority desires to enter into a Transaction, the Authority and the SELLER shall execute a document pursuant to the RFP(s) under which the SELLER became a Qualified Provider, detailing the terms of that Transaction. The terms shall include, but shall not be limited to the amount of power and or energy to be purchased, the price of the purchase, the duration of the Services to be provided, the Delivery Point(s), the load-following requirements and the scheduling provisions relating to the first month of the Transaction.
- 2.2 Accompanying the Transaction shall be a Schedule defining the daily and hourly power and energy deliveries for the first month of the Transaction. Updated scheduling provisions will be required prior to the beginning of each month for each of the ensuing months.
- 2.3 The Transactions pursuant to this Enabling Agreement shall relate to the power and energy requirements of the PFJ program customers located in the service territory of an individual Host Utility, specifically the _____.
- 2.4 The minimum maximum demand for a Transaction shall be 1 MW.
- 2.5 The Transaction Form is set forth in Exhibit A attached hereto and may be amended from time to time by the Authority so as to be in compliance with any regulatory requirements.
- 2.6 Monthly load schedules may fluctuate based upon the following factors:
 - Seasonal variations in load
 - Routine load growth
 - Addition of new PFJ Customers or loss of PFJ Customers
 - Other factors as may occur from time to time
- 2.7 For every Transaction entered into by the SELLER and the Authority, the SELLER shall provide the requisite NERC approved tagging requirements to the Authority's Energy Control Center (ECC). Tagging requirements shall be provided in a timely manner to the Authority contact listed in Article 5.5.
- 2.8 The SELLER is responsible for acquiring all required transmission services from any and all Transmission Providers necessary for the SELLER to deliver the Services defined herein to the specified Delivery Point(s). Such transmission services shall include any ancillary services that the Transmission Provider(s) may require the SELLER to secure. The SELLER is also responsible for providing New York Power Pool ('NYPP') required installed reserves associated with Transactions on behalf of the PFJ Customers.

2.9 Nothing contained in this Enabling Agreement shall be construed as requiring the Authority to enter into a Transaction hereunder.

ARTICLE 3 - TERM

Unless otherwise agreed to by the Parties, this Agreement shall terminate at the end of the Capability Period(s) for which this Agreement was executed as indicated in the opening paragraph of this Agreement. The applicable provisions of this Agreement shall continue in effect after termination to the extent necessary to provide for final billing, billing adjustments and payments pursuant to the terms of applicable Transaction(s) under this Agreement.

ARTICLE 4 - TRANSMISSION / TRANSFORMATION LOSSES

The SELLER shall be responsible for all transmission and transformation related losses associated with providing Services up to the Delivery Point.

ARTICLE 5 – NOTICES, BILLING AND PAYMENT

- 5.1 For Services rendered, the Authority shall pay the SELLER the price(s) set forth in the Transaction for the amounts supplied by the SELLER to the Delivery Point(s), but in no event more than those amounts scheduled by the Authority pursuant to the applicable Transaction(s).
- 5.2 Bills shall be rendered by the SELLER via a facsimile to the Authority as soon as practicable after the end of the calendar month to the billing address indicated in Section 5.5 below. Payments will be made by the Authority on the later of (i) the first banking day common to the Parties following ten (10) days after the date on which the Authority received the bill, or (ii) on the first banking day common to the Parties following the nineteenth day of the month in which the bill was rendered subject to late payment charges in accordance with Section 5.4 below.
- 5.3 Two years from the date of each invoice and statement, the information contained therein shall be deemed final, unless subject to a dispute resolution proceeding instituted prior to such date.
- 5.4 Payments received by the SELLER after the due date described in Section 5.2 shall be subject to a late payment charge equal to the effective rate as established by Section 2880 of the Public Authorities Law, or any successor thereto.
- 5.5 Notices:

5.5.1 Billing Notice

For Authority

For SELLER

New York Power Authority
P. O. Box 437
White Plains, NY 10602-0437
Attn: Manager-Accounts Payable
Phone Number: (914) 681-3370
Fax Number: (914) 287-3392

SELLER
Address
City, State, Zip Code
Attn:
Phone Number:
Fax Number:

5.5.2 Contractual Notice:

For Authority
New York Power Authority
1633 Broadway
New York, NY 10019
Attn: Program Manager – Power Contracts
Phone Number: (212) 468-6853
Fax Number: (212) 468-6810

5.5.3 Tagging Notice:

For Authority
New York Power Authority
Energy Control Center
6520 Glass Factory Road
Marcy, New York 13403
Attn: Transmission Engineer
Phone Number: (315) 792-8363
Fax Number: (315) 792-8320

ARTICLE 6 - ACCESS TO RECORDS

Each Party hereto shall keep complete and accurate records and memoranda of its operations hereunder, and shall maintain such information for a period of two (2) years.

ARTICLE 7 - LIABILITY

- 7.1 In the event the SELLER fails to perform in any Transaction where an event constituting 'Uncontrollable Forces' does not excuse performance, the Authority's remedies shall be limited to the rights: a) to recover, as liquidated damages and, not as penalty, the cost incurred by the Authority to replace the services that the SELLER failed to provide and, in the Authority's sole discretion, b) to immediately terminate this Agreement and any outstanding Transactions with the SELLER and/or to disqualify the SELLER and its affiliates from participating in the next two RFPs. The Authority shall not be liable to the SELLER for any Services that the SELLER fails to perform under any Transaction, but shall be liable to the SELLER only for those services provided to the Authority in any Transaction until the time of termination.

'Uncontrollable Forces' shall be defined as set forth in Section 454.3 (c) of the Authority's Rules and Regulations for Power Service, a copy of which is attached hereto. Either party rendered unable to fulfill any of its obligations under this Agreement, other than the obligation to make payments then due or becoming due under any Transaction, by reason of 'Uncontrollable Forces' shall give prompt written notice of such inability to perform to the other Par.

- 7.2 Notwithstanding any other provision of this Agreement, the SELLER shall indemnify, save harmless and defend the Authority, including the Authority's successors, assigns, board members, officers, employees, representatives and/or agents, from and against any and all claims, demands, liabilities, damages, judgments, costs and expenses (including, without limitation, reasonable attorney's fees, expert fees and disbursements) incurred by the Authority in any action or proceeding between the SELLER and the Authority or between the

Authority and any Third Party (as defined herein), or otherwise: arising out of, related to or resulting from any loss, damage (including, without limitation, any consequential, indirect, incidental, punitive or special damages) or death suffered by a Third Party (as defined herein) as a result of acts or omissions of the SELLER or the SELLER'S Transmission Provider(s). For purposes of this Section 7.2, the term 'Third Party' means any one or more of the following: a Host Utility, a PFJ Customer, a Transmission Provider, or any other person or entity (other than one of the Parties).

- 7.3 The SELLER shall provide financial security to the Authority to guarantee performance in an amount and form acceptable to the Authority.
- 7.4 In the event that PFJ Customer(s), for which the Authority has secured Services from the SELLER cease to require such Services, the Authority shall have no obligation to the SELLER after the date that PFJ Customer(s) terminate(s) Power For Jobs service. The Authority will provide the SELLER the same notice that PFJ Customer(s) provide(s) the Authority in conjunction with termination of service.

ARTICLE 8 - MISCELLANEOUS

- 8.1 The SELLER understands and agrees that, except to the extent inconsistent herewith, the furnishing of Services hereunder is subject in all respects to the provisions of the RFP under which the SELLER has become a Qualified Provider.
- 8.2 Neither Party shall assign this Enabling Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Upon any assignment made in compliance with this paragraph, this Enabling Agreement shall inure to and be binding upon the successors and assigns of the assigning Party. Notwithstanding the foregoing, the SELLER may, without the need for consent from the Authority (and without relieving itself from liability hereunder), (a) transfer, pledge, or assign this Enabling Agreement as security for any financing; (b) transfer or assign this Enabling Agreement to an affiliate of the SELLER, or (c) transfer or assign this Enabling Agreement to any person or entity succeeding to all or substantially all of the assets of the SELLER, provided, however, that any such assignee shall agree in writing to be bound by the terms and conditions hereof.
- 8.3 A holding by any court or governmental agency having jurisdiction that any provision of this Enabling Agreement is invalid shall not result in invalidation of the entire Enabling Agreement and all remaining terms shall remain in full force and effect.

- 8.4 No statement or agreement, oral or written, that was made prior to entering into this Enabling Agreement shall vary or modify the written terms of this Enabling Agreement and neither Party shall claim any amendment to or modification of or release from any provision by mutual agreement unless that agreement is in writing signed by both Parties and specifically states that it is an amendment to, modification of, or release from this Enabling Agreement.
- 8.5 The section headings are for convenience only and shall not be interpreted in any way to limit or change the subject matter of this Enabling Agreement.
- 8.6 This Enabling Agreement may be executed in any number of counterparts, and each counterpart shall have the same force and effect as the original instrument.
- 8.7 Each Party warrants and represents to the other on the date of this Enabling Agreement and on the date on which a Transaction is entered into that (a) it has the power to enter into and perform its obligations under this Enabling Agreement, (b) entering into and performing this Enabling Agreement does not violate or conflict with its charter or bylaws or comparable constituent documents, any law applicable to it, any order or judgment of any court or other agency of government applicable to it, any agreement to which it is a party and (c) this Enabling Agreement has been executed by its duly authorized representative and, upon having been so executed constitutes its legal, valid and binding obligation enforceable in accordance with its terms.
- 8.8 No waiver by either Party of any default of the other Party under this Enabling Agreement shall operate as a waiver of a future default whether of a like or different character.

The SELLER and the Authority recognize that the New York Power Pool is undergoing a restructuring process to establish an Independent System Operator (ISO) in New York State. Certain provisions contained herein may need to be amended, or additional provisions added to conform Services hereunder to the rules and regulations of the ISO, particularly with respect to scheduling, delivery and reliability. The Parties agree to negotiate in good faith any such revisions or additions to this Enabling Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their proper officers as of the day and year first above written.

NEW YORK POWER AUTHORITY

SELLER

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

**EXCERPT FROM RULES AND REGULATIONS OF NEW YORK POWER
AUTHORITY**

454.3 Liability, limitations and conditions of service
(c) 'Uncontrollable Forces'

Neither Customer nor Authority shall be considered to be in default in respect to any obligation under any accepted application for electric service, service tariff, or other contract document, if prevented from fulfilling such obligation by reason of uncontrollable forces, the term being deemed to mean any cause beyond the control of the party affected, including but not limited to failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, war, riot, civil disturbance, strike and sabotage or restraint by court or public authority, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid. The party rendered unable to fulfill any obligation by reason of uncontrollable forces shall exercise due diligence to remove such inability with all reasonable dispatch.

8. Peak Load Management Incentive

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of agreements with customers for the purchase of up to 25MW of peak load management in the City of New York, at a cost of up to \$1 million per year for each of four years, and to authorize expenditures of up to \$100,000 for installation of load monitoring recording devices and other equipment associated with the Peak Load Management Incentive program.

BACKGROUND

“The New York Independent System Operator (‘NYISO’) will determine installed capacity requirements for electricity providers serving customers in New York State. In addition to continuation of the current New York Power Pool requirement that generators provide a generation reserve equal to 118% of their load, electricity providers serving some areas of the state may be subject to additional installed capacity requirements in areas where transmission capacity into the area is insufficient to carry all the power required. With about 5,000 MW of transmission capacity leading into it, but a total peak load of about 10,000 MW, New York City is one such ‘load pocket’ where an additional installed reserve requirement may be instituted. Indeed, Con Edison has suggested an ‘in-city’ installed capacity requirement of 80% of a power supplier’s load and estimates that about 320MW of additional in-city capacity is needed for the summer of 1999.

“The Authority currently has installed capacity equal to about 50% of its government and business customer load in New York City. In the past there has been no ‘in-city’ requirement and Con Edison has had a surplus of capacity located within New York City. With divestiture of most of its in-city generating plants, Con Edison will only have to purchase that capacity it requires to serve its remaining customer loads. Its surplus will no longer be available to meet any in-city requirement as applied to the joint loads of the Authority and Con Edison.

“The Settlement Agreement in the Con Edison Competitive Opportunities case (Case No. 96-E-0897) provides that when the NYISO adopts an in-city locational capacity requirement, the Authority will have to comply by purchasing additional generation as required. The Settlement Agreement also provides that until April 1, 2002, Con Edison will reimburse the Authority’s reasonable costs of acquiring any additional generation. Beyond April 1, 2002, the Authority will be responsible for all such costs necessary to meet any ISO-mandated in-city generation requirement.

“In its January 27, 1999 Order Conditionally Accepting Tariff And Market Rules, Approving Market-Based Rates, And Establishing Hearing And Settlement Judge Procedures with respect to the NYISO, the Federal Energy Regulatory Commission (‘FERC’) stated as follows in regard to possible locational installed capacity requirements:

“To the extent that the ISO exercises its authority to establish locational requirements for those entities that are subject to an installed capacity requirement, it must make a filing detailing those requirements and providing justification for its proposal. Affected parties will have an opportunity to raise their concerns at that time. FERC; ER97-1523-000 et al.

“Moreover, FERC directed that any ISO proposal to impose locational installed capacity requirements address the impacts on the suppliers’ market power and propose mitigation measures to the extent necessary.

“Based on the January 27, 199 FERC Order, it would not appear an in-city locational capacity requirement could be implemented before the year 2000. However, Con Edison is anticipating meeting its self-imposed 80% requirement for the summer of 1999, regardless of the status of the NYISO, and has issued a Request for Proposals (in conjunction with the Authority) for up to 325MW of additional in-city generation for the summer of 1999.

“The Authority does not endorse the proposed in-city requirement and staff is working to reduce or eliminate the requirement as it might apply to the Authority. Consequently staff is developing contingency plans to meet the requirement if it is adopted and applies to the Authority. As a short-term strategy, any shortfall in the Authority in-city generation could be met through a customer load management program and purchase of installed capacity from third parties. Longer-term strategies include possible new generation at the Poletti site.

DISCUSSION

Program Description

“Under the Peak Load Management Incentive program, the Authority would contract with certain of its customers located within the City of New York to reduce their load at times of peak demand. Customers would reduce their load either by turning on their on-site generation or by reducing their load (e.g., turning off equipment such as large chillers, lights, elevator banks, etc.). The agreement with customers provides for cancellation of the agreement by the Authority or the customer at the end of the first year, or by the Authority at any time if the NYISO does not adopt an ‘in-city’ locational capacity requirement applicable to the Authority.

Program Objectives

“The Peak Load Management Incentive would reduce the Authority’s contribution to the in-city peak load and mitigate the amount of installed capacity the Authority would need to acquire to meet an in-city locational capacity requirement.

“Payments to customers participating in the program would provide added value to these customers and further cement relationships with important business and government customers.

“The Peak Load Management Incentive should be less costly than acquiring installed capacity to meet ISO rules, thereby reducing the cost of complying with an in-city locational capacity requirement.

Key Terms of the Peak Load Management Incentive Agreement

“The program would start on May 1, 1999, at the beginning of the Summer Capability Period. The contract term would be for four years, through April 30, 2003. The Authority or the customer could cancel effective April 30, 2000 if notice is provided on or before December 31, 1999. The Authority could cancel at any time if an in-city locational capacity requirement applicable to the Authority is not adopted.

“A maximum of 25MW of load reductions would be contracted for with customers in the first year. The customer can use its on-site generation or its ability to reduce loads to qualify.

“Customers could be requested to reduce loads up to 20 times per year for a maximum of 8 hours each, between the hours of 10:00 a.m. and 8:00 p.m. on weekdays. Customers would be alerted the day before a request for load reduction is anticipated. On the day a load reduction is required, a customer would be notified at least one hour in advance of when the load reduction is required. Redundant notifications by ECC and Marketing would be built in to assure compliance.

“The Authority would install and pay for monitoring equipment if required. The monitoring equipment will be used to verify the customer’s compliance with requests to reduce load. The estimated cost of a typical monitoring equipment installation by the Authority staff is about \$3000.

“Customers would be paid \$40 kW/yr. of load reduction in 12 equal monthly amounts beginning June 1999. If the customer fails to reduce load as requested by the Authority, the penalty would be one third of the annual payment for each occurrence. The customer would be dropped from the program for repeated non-compliance.

“Customers would agree to participate in a test once per year to verify their readiness to reduce load and the amounts of load reduction agreed upon could be adjusted annually.

Pricing Analysis

“The price that the Authority has offered its customers for load reductions, \$40/kW/yr., can be evaluated against several alternatives to determine its reasonableness. One option would be to compare it to the price of in-city capacity in the marketplace. Bids to provide in-city capacity in response to Con Edison and the Authority’s recent Request for Proposals to supply up to 325MW of additional in-city capacity during the summer of 1999 were above \$40/kW/yr.

“A second alternative would be to compare the price with the annual carrying charges of a newly constructed combustion turbine. Based on generic estimates prepared for Empire State Electric Energy Research Corporation (‘ESEERCO’) by SFA Pacific, Inc. in 1997, the annual carrying cost of a new combustion turbine ranges from \$48 to \$81 per kW per year for an Investor Owned Utility scenario with a capital carrying charge of 10%, and between \$70 and \$118 per kW per year for a merchant plant scenario with a higher annual carrying charge of 15%. The higher carrying charge reflects the higher return requirements of the unregulated merchant plant.

“A final alternative would be to compare the price for load reductions with the penalty proposed by the NYISO for non-compliance with a locational capacity requirement of \$150/kW/yr.

“Based on this analysis, the proposed pricing compares favorably with the cost of alternative means of securing in-city capacity.

FISCAL INFORMATION

“Payments to customers for the full 25MW at \$40/kW/yr. would amount to \$1,000,000 per year for four years, or \$4 million. These payments may be offset by sales of the Authority out-of-city capacity in an equivalent amount and, if the Authority is subject to an in-city locational capacity requirement, by payments from Con Edison pursuant to the 1997 Settlement Agreement in the Con Edison Competitive Opportunities case. In the meantime, until an in-city locational capacity rule is adopted by the NYISO, the Authority will offer this capacity to Con Edison which has taken the responsibility for making up any shortfall in in-city capacity. While a purchase by Con Edison is not assured, the utility may well offer to purchase the capacity for the summer of 1999, since the Authority’s price for load reductions is less than the cost of capacity resulting from Con Edison’s Request for Proposals for up to 325MW of additional in-city capacity.

“Demand payments from customers participating in the program should not be substantially reduced, since the Authority customers generally do not reach their peak loads at the same time as the Con Edison system. Energy payments could be reduced marginally as customers would reduce their energy consumption when they reduce their load. However, this reduction will be offset by reduced fuel use by the Authority and/or the opportunity to sell additional energy at times of high demand and, presumably, higher marginal energy prices.

RECOMMENDATION

“The Director of Marketing Planning and the Senior Vice President – Marketing and Economic Development recommend that the Trustees authorize expenditures of up to \$1,000,000 for each of four years; authorize expenditures of up to \$100,000 to install load monitoring equipment; and authorize the Senior Vice President – Marketing and Economic Development, or her designee, to enter into agreements, substantially in the form attached hereto as Exhibit ‘8-A’, with customers for the purchase of up to 25MW of load reductions for the purposes of implementing the Peak Load Management Incentive program.

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

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

RESOLVED, That expenditures of up to \$1,000,000 for each of four years for the purchase of load reductions hereby are authorized; that expenditures of up to \$100,000 to install load monitoring equipment are hereby authorized; and that the Chairman, the President, the Senior Vice President – Marketing and Economic Development, or her designee are, and each of them hereby is, authorized to enter into agreements substantially in the form attached hereto as Exhibit “8-A”, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, for the purposes of implementing the Peak Load Management Incentive program.

PEAK LOAD MANAGEMENT INCENTIVE AGREEMENT BETWEEN

_____ **AND**
NEW YORK POWER AUTHORITY

This Peak Load Management Incentive Agreement ('Agreement') is made and entered into as of this ____ day of _____, 1999, by and between _____, ('Customer') having a principal business address at _____, and the New York Power Authority ('Authority') having a principal business address at 1633 Broadway, New York, NY 10019. This Agreement encompasses the terms and conditions under which the Authority shall implement its Peak Load Management Incentive program and pursuant to which the Customer shall be obliged to perform. The Authority and the Customer are from time to time referred to in this Agreement individually as the 'Party' and collectively as the 'Parties'.

WITNESSETH:

WHEREAS, pursuant to an existing contract, between the Authority and the Customer, the Customer currently receives electric service (capacity, energy and transmission) from the Authority and delivery service from the Consolidated Edison Company of New York ('Utility'), for the operation of the Customer's facilities identified on the attached Appendix A; such services being provided pursuant to Authority transmission/wheeling agreements and/or rate schedules; and

WHEREAS, the Authority has formulated its Peak Load Management Incentive program ('Program' or 'Incentive') which involves the voluntary reduction of electric demand by participating customers during periods of peak demand; and

WHEREAS, the Program shall be implemented in the City of New York, in the Utility's franchise area; and

WHEREAS, the Customer has on-site generation as defined herein and/or has discretionary load as defined herein; and

WHEREAS, the Customer is willing to run its on-site generation and/or reduce its discretionary load at the request of the Authority and also desires to participate in the Authority's Program to derive monetary benefits therefrom;

NOW THEREFORE, in consideration of the mutual agreements contained herein, the Parties, in an effort to reduce the Authority's contribution to the in-city peak load as defined

herein and to mitigate the amount of installed capacity as defined herein that the Authority would need to acquire to meet an in-city generation requirement as defined herein, if imposed by the New York Independent System Operator (NYISO), agree as follows:

ARTICLE 1 – DEFINITIONS

When used herein, the following terms shall have the meanings specified below:

- 1.1 On-site generation – electric generating equipment located at the Customer’s facilities capable of being energized on one hour’s notice.
- 1.2 Discretionary load – that portion of a Customer’s load that can be reduced for a limited period of time, at will, without severely affecting the Customer’s operations or revenues.
- 1.3 In-city peak load – the simultaneous peak electric demand experienced by the Utility’s transmission system in New York City.
- 1.4 In-city generation requirement – the percent of the in-city peak load that must be served by generation located within New York City as required by the NYISO when it becomes operational.
- 1.5 Installed capacity - electric generating capacity committed to and accepted by the NYPP or its successor, the NYISO, and designated as ‘installed capacity’.
- 1.6 In-city installed capacity – installed capacity electrically located within New York City.
- 1.7 Load reduction – the reduction in electrical demand under this program effected by the customer by either reducing/limiting the use of electric loads or running on-site generation.

ARTICLE 2 – GENERAL TERMS AND CONDITIONS

- 2.1 Term - This agreement shall commence on the first (1st) day of May 1999 and shall terminate on the thirtieth (30th) day of April 2003. The Authority or the Customer may cancel this Agreement effective April 30, 2000, if notice is provided on or before December 31, 1999 in accordance with paragraph 5.4. The Authority may cancel this Agreement at any time if an in-city installed capacity requirement applicable to the Authority is not adopted or required by the NYISO, or if the Authority's installed capacity is capable of meeting such a requirement.
- 2.2 Load Reduction Amount – The load reduction amount committed by the Customer to this program shall be as specified in Appendix A. The Customer shall commit a minimum of one (1) megawatt of load for each customer location assigned to this program as detailed in Appendix A. The Authority reserves the right to call upon some or all the load committed to this program, as required.
- 2.3 Frequency of Load Reduction – The Customer may be required to provide load reductions up to twenty (20) times per year for periods of eight (8) hours or less. These load reductions may be called upon by the Authority, on weekdays between the hours of 10:00 am and 8 pm. Should a commitment be required for a period exceeding 8 hours, such commitment shall count as two (2) load reductions.

ARTICLE 3 – OTHER TERMS AND CONDITIONS

- 3.1 Testing – The Customer shall, prior to the start of the program, at the request of the Authority, participate in a test to demonstrate its ability and verify its readiness to effect its load reduction. The Customer shall also be required to participate in a similar test annually during the January – April period. Such tests shall not be counted as part of the 20 load reductions identified in Paragraph 2.3.
- 3.2 Maintenance – The Customer shall perform scheduled maintenance on the systems necessary to provide the proposed load reductions between November 1 and April 30. The Customer must maintain adequate on-site fuel supplies to operate the on-site generation equipment for the duration of any period of required operation during the term of this Agreement.
- 3.3 Determination of Amount of Customer's Load Reduction – The load reduction amount will be based upon the difference between the Customer's Baseline Peak Demand and its Target Demand, as shown in Appendix A.
 - 3.3.1 The Baseline Peak Demand will be set as the Customer's average weekday measured demand for business days between June 1 and

September 30, between the hours of 12:00 noon and 6:00 p.m. of the preceding year. For customers where detailed load information is not available, billed demands will be used to set the Baseline Peak Demand. After the first year, the calculations used to set the values of the Baseline Peak Demand will exclude the data for the days when load reductions had been requested.

- 3.3.2 The Target Demand will be set by the Customer, subject to verification by the Authority, and will be a not-to-exceed amount during the periods the Customer is requested to reduce load.
- 3.3.3 The Baseline Peak Demand, the Target Demand and the Load Reduction Amount provided for in Paragraph 2.2 shall be reviewed annually as described in Paragraph 3.3.1 and any revisions thereto shall be reflected in Appendix A.
- 3.4 Load Monitoring – The Authority shall pay reasonable costs for the installation of load monitoring equipment, if required, to measure the amount of load reductions effected by the Customer.
- 3.5 Parallel Operation - Customer shall operate its electric generation facilities in accordance with the Utility’s guidelines for operation thereof. The Customer shall not operate its electric generation facilities in parallel with the Utility’s electric system if not permitted to do so by the Utility.

ARTICLE 4 – PAYMENTS TO CUSTOMER

- 4.1 Customer shall be paid by the Authority for participating in the Authority’s Peak Load Management Incentive program pursuant to this Agreement. The amounts to be paid by the Authority to the Customer for participating in the Incentive shall be \$40 per year for each kW of load reduction amount identified in Appendix A. This amount will be paid by check or as a bill credit, as specified by the Customer, in monthly installments of \$3.33 per kilowatt.

ARTICLE 5 - NOTICES

- 5.1 In accordance with a procedure to be established by the Authority, the Customer will, if reasonably possible, be alerted the business day before a request for a load reduction is anticipated. Notwithstanding the foregoing, the Customer will be notified at least one hour before the load reduction is required on the day that it is requested. Only load reductions actually requested by the Authority will be counted as a commitment.

- 5.2 The Customer shall provide to the Authority in writing, and this information shall be made part of Appendix A, the names and other pertinent contact information for three 'Designees' to be notified by the Authority that a load reduction period is to begin. This information shall be provided for each location at which the Customer has participating facilities. The Customer shall have a Designee available to respond to the notice between the hours of 9:00 a.m. and 7:00 p.m. The Customer shall be deemed to have received notice that a load reduction period has begun whether or not any of the three Designees have responded to the attempted notification. If the Customer fails to reduce load in accordance with this Agreement, after receiving or being deemed to have received notice that a load reduction period has begun, the Customer shall be deemed to be non-compliant and subject to the penalties associated with non-compliance.
- 5.3 Unless otherwise specified in a notice mailed, received by telecopier/fax or personally delivered in accordance with Paragraph 5.4, notices and other communications shall be given to the respective parties at the following addresses.

5.3.1 Billing Notice

For Authority

New York Power Authority
P. O. Box 437
White Plains, NY 10602-0437
Attn: Ms. Manna Yu

Phone Number: (914) 681-3370
Fax Number: (914) 287-3392

For Customer

Customer
Address
City, State, Zip Code
Attn:
Manager-Accounts Payable
Phone Number:
Fax Number:

5.3.2 Contractual Notice

For Authority

New York Power Authority
1633 Broadway
New York, NY 10019
Attn: Ms. Maria Zazzera
Manager-Power Contracts
Phone Number: (212) 468-6853
Fax Number: (212) 468-6810

For Customer

Customer
Address
City, State, Zip Code
Attn:
Phone Number:
Fax Number:

5.4 Except for the notice specified in Paragraph 5.2, all notices and other communications required or permitted to be given to either Party shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by telecopier/fax, and shall be deemed to be given for purposes of this Agreement on the day that such writing is personally delivered, received by telecopier/fax or mailed to the intended recipient thereof in accordance with the provisions of this paragraph.

ARTICLE 6 – NON-COMPLIANCE

- 6.1 Penalty for Non-Compliance – For failure to effect the load reduction as requested, the penalty shall be \$13.33/kw for each occurrence as determined by the difference between the Customer's peak load and its target load during each load reduction period. The Authority at its sole discretion may terminate this Agreement after repeated events of non-compliance by the Customer or if Customer's equipment becomes unable to effect the load reduction.

ARTICLE 7 – LIABILITY

- 7.1 The Authority shall not be liable to the Customer for any damages that the Customer may sustain by reason of any failure or interruption of service, increase or decrease in energy voltage or change in character of energy, whether caused by accidents, repairs or other causes except when caused by gross negligence on Authority's part, provided, however, in no event shall Authority be liable for any loss by Customer of production, revenues or profits, or for any consequential damages whatsoever on account of any failure or interruption of service, increase or decrease in energy voltage or change in character of energy; nor shall Authority be liable for damages that may be incurred by the use of electrical appliances or by the presence of the Utility's or Authority's property on Customer's premises. No interruption of service requested by Authority under this Agreement shall give rise to a claim for damages by Customer.

ARTICLE 8 – ADDITIONAL CONDITIONS AND CONTRACT PROVISIONS

- 8.1 This Agreement represents the complete understanding of the Parties with respect to its subject matter and supercedes any provisions, understanding or agreement to the same subject matter.
- 8.2 Captions used in this Agreement are for the convenience of reference only and shall not affect the construction of this Agreement.
- 8.3 This Agreement is a contract made under and governed by the laws of the State of New York.
- 8.4 This Agreement shall not be assigned by either party hereto without the prior written consent of the other party.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

NEW YORK POWER AUTHORITY

CUSTOMER

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPENDIX A

PEAK LOAD MANAGEMENT INCENTIVE PROGRAM

FACILITY 1

Baseline Peak Demand _____ kW

Target Demand _____ kW

Load Reduction Amount _____ kW

CUSTOMER PRIMARY DESIGNEE

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

**CUSTOMER FIRST ALTERNATE
DESIGNEE**

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

**CUSTOMER SECOND ALTERNATE
DESIGNEE**

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

Signed: _____

FACILITY 2

Baseline Peak Demand _____ kW

Target Demand _____ kW

Load Reduction Amount _____ kW

CUSTOMER PRIMARY DESIGNEE

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

**CUSTOMER FIRST ALTERNATE
DESIGNEE**

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

**CUSTOMER SECOND ALTERNATE
DESIGNEE**

Name:

Title:

Telephone Number:

Fax Number:

e-mail Address:

Signed: _____

**9. Indian Point 3 Nuclear Power Plant -
Alternate Spent Fuel Pool Cooling
System - Expenditure Authorization**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve a capital expenditure for an additional \$2.8 million to fund engineering, procurement and installation activities to provide an Alternate Spent Fuel Pool Cooling System at Indian Point 3 Nuclear Power Plant (‘IP3’). This system will provide an alternate loop to cool the spent fuel pool while the primary loop is removed from service for corrective and preventive maintenance. This system will consist of an evaporative cooler, heat exchanger, piping, and pumps. Previously, on August 29, 1998 the President approved a capital expenditure of \$2.7 million to design, engineer, procure and install an alternate cooling system. A revised estimate based on the completed detailed engineering has determined that the current cost to complete this project will be \$5.5 million.

BACKGROUND

“The Spent Fuel Pool (‘SFP’) stores all spent fuel that has been used at IP3. The SFP Cooling System dissipates the decay heat generated by this fuel, maintaining the pool’s water temperature at 150°F. The pool’s initial design was based on the assumption that all spent fuel would be sent off site for reprocessing or storage. Although the pool has the capability of storing fuel, as it has for the past 25 years, it was not intended to serve as an intermediate storage facility. After each refueling cycle it was assumed the pool would be empty and the equipment could be maintained as needed.

“At IP3, there is one SFP Cooling Heat Exchanger served by Component Cooling Water (‘CCW’) Loop 31. A failure of the SFP Cooling system could result in boiling of the SFP. There are procedures in place to address such a situation, if it should arise, preventing damage to the stored fuel assemblies. Any preventive or corrective maintenance work on valves, pumps or piping that requires the system to be drained will cause the loss of SFP cooling capability. The installation of an alternate cooling system will ensure availability of SFP cooling.

“Some maintenance on the SFP Cooling System has been deferred over the years because it is the only system available to cool the pool. Unlike many other systems in the plant that are removed from service during an outage for maintenance, the SFP Cooling System must operate continuously. In 1992, a temporary backup system had been installed to effect some repairs on the component cooling heat exchangers. That system consisted primarily of rented equipment. Re-installation of a temporary system was considered; however, it was determined to be uneconomical. There will be several occasions over the remaining life of the plant that an Alternate SPF Cooling System will be needed to support maintenance activities. The resulting additional cost would be about 50% more than that of the proposed permanent system.

DISCUSSION

“The proposed alternate system will be put into service when preventive or corrective maintenance on either the CCW system or the SFP cooling system is required. The system will be comprised of a heat exchanger and evaporative cooler rated at 35 million BTU’s, 25 hp primary loop pumps (2), 200 hp secondary loop pumps (2), 700ft piping, and electrical connections. A local control panel will provide indicating lights and switches for starting the circulating pump and the evaporative cooler fans. Electrical power will be fed from the Radioactive Machine Shop building at the 55' elevation. An outdoor disconnect switch will be installed to allow a backup diesel generator to be hooked up, as required.

“The design criteria for the initial funding request in August 1998 were based on making the design used for the 1992 temporary system permanent. The increase in cost for engineering, procurement and installation resulted from two main differences from the original assumptions: 1) the location for the evaporative cooler needed to be changed. The original location has since been determined unsuitable due to the high risk associated with accurately locating and avoiding underground utilities in the area of the proposed foundation. Relocating the evaporative cooler resulted in piping length increasing from 370’ to 700’ along with adding pipe supports. Secondary side pump HP rating also increased from 100 hp to 200 hp and the use of 2 electrical supply cabinets rather than one to accommodate the increased power demand was required. 2) The need to install redundant pumps and valves. This resulted from satisfying the criteria of the Nuclear Safety Evaluation. Unlike the temporary system installed in 1992 as a ‘contingency’ system, this system was required to be functionally equivalent to the existing Spent Fuel Pool Cooling system, hence, redundant pumps are required.

“This equipment will be installed prior to the 1999 Refueling outage.

FISCAL INFORMATION

“Indian Point 3 Improvement Project proceeds Account has a current balance of \$73.9 million of which \$56.8 million is available to fund this request and additional tasks not yet authorized or identified in the Capital Plan. Based upon current cash flow projections, funds are available through the year 2001. Thereafter, funding will be from the Capital Fund. Payment for this request will be made from the Indian Point 3 Improvement Project Proceeds Account.

RECOMMENDATION

“The Site Executive Officer - Indian Point 3 Nuclear Power Plant, and the Vice President - Nuclear Engineering recommend that the Trustees approve an additional capital expenditure in the amount of \$2.8 million.

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

Chairman Rappleyea introduced Fred Dacimo, the new Plant Manager at IP3. Mr. Dacimo distributed to the Trustees a graph depicting the existing component cooling loops and spent fuel and service water systems as well as the new cooling systems and their proposed location.

Trustee McCullough expressed concern with the drastic increase in proposed project costs since the original Trustee approval just 7 months earlier. Trustee McCullough stressed the difficulty of having confidence in staff’s estimates even when the latter give assurances that the current amount is accurate. Mr. Dacimo expressed staff’s apologies and stated that there would be no similar occurrences during his tenure, adding that the fluctuating costs of the instant project arise from the fact that the estimate originally submitted to the Trustees last August was based primarily on a conceptual approach which, by definition, carries the risk of proving to be insufficient as time progresses. Trustee Ciminelli inquired whether the original concept was developed by Authority employees. Mr. Dacimo explained that Authority has been involved, albeit not exclusively, in the planning. Trustee Ciminelli questioned whether NYPA’s original assumptions had been incorrect. Mr. Dacimo responded in the affirmative, explaining that staff had hoped to be able to re-use certain equipment, which turned out to be not feasible since certain technical specifications could not be met. Mr. Dacimo further explained that additional issues arose in

connection with the location of the evaporative coolers, which required additional structural work and expenditures for components such as pumps. Trustee Ciminelli again expressed the Trustees' frustration with continual cost overruns.

Trustee Miller asked whether, had the Federal government met its original commitment to provide facilities for disposal of hazardous waste, the need for this work and consequential expenditures would have been obviated. Mr. Dacimo responded in the affirmative. In response to further questions from Trustee Miller concerning dues and assessments which the Authority had paid out to the government for the disposal facilities, Mr. Blabey explained that the Authority is party to an ongoing lawsuit concerning such issues and the payments made related to the new cooling system could be an element of damages.

President Zeltmann noted that two salient points emerge from the foregoing discussion: first, that the need for the spent fuel-related work is a direct result of the Federal government's broken promises concerning waste disposal. Second, that staff's cost assessments were based on a conceptual approach, which led to underestimates, and which only serves to illustrate the need for greater budget realism Authority-wide on the part of staff. President Zeltmann expressed gratification that the Trustees continually demonstrate their commitment to budget adherence.

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

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

<u>Capital</u>	<u>Expenditure Authorization</u>
Indian Point 3 Nuclear Power Plant	
<u>Alternate Spent Fuel Pool Cooling Project</u>	
Previous Authorization	\$2,700,000
Current Request	<u>\$2,800,000</u>
Total Amount Authorized	<u>\$5,500,000</u>

March 30, 1999

**10. Procurement (Services) Contract - Architect/Engineer
Contract for Licensing and Engineering - 500 MW Combined
Cycle Plant Option – Award – Burns & Roe Enterprises, Inc.**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award of a contract to Burns and Roe Enterprises, Inc., an Architect/Engineer firm, for licensing and engineering services required in connection with the Authority’s consideration of the option of installing a 500 MW combined cycle plant at the Charles Poletti Plant site (‘Poletti’). The amount of the contract will be \$5,500,000.

“Funding for this work is within the \$7.5 million authorized by the Trustees on December 15, 1998 for the 500 MW Combined Cycle Plant option.

BACKGROUND

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

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

“The Settlement Agreement in the Con Edison Competitive Opportunities case (Case No. 96-E-0897) provides that the Authority will comply with any ISO-established capacity requirement for in-city generation. Although the ISO filing with FERC includes no locational installed requirements, it proposed a penalty payment for insufficient reserve capacity of approximately \$180,000/MW/year. In its Order of January 28, 1999, the FERC reserved judgment on installed capacity issues. In order to avoid this penalty, if it and an 80% in-city requirement are adopted by the ISO and approved by FERC, the Authority may need to purchase capacity from other in-city generators and/or implement a customer load management program if it wants to maintain its existing customer load in SENY. The Settlement Agreement which is in effect until April 1, 2002, provides that until such date, Con Edison will reimburse the Authority’s reasonable costs of acquiring any additional capacity required to meet any in-city capacity requirement. Beyond April 1, 2002, the Authority will be responsible for all such costs necessary to meet any such requirement. It is unlikely that a locational installed capacity requirement for New York City will become effective prior to the year 2000 and it might be implemented in phases. In the long term, assuming that the ISO will adopt an 80% capacity requirement and assuming it is approved by FERC, the Authority will have to acquire some 500 MW of additional in-city capacity in order to continue service to its existing customers in New York City.

“Staff evaluation of various options for meeting an 80% in-city capacity requirement determined that the most cost-effective option at this time would be to construct a 500 MW combined cycle power plant at the Poletti site. The proposed combined cycle plant would have the highest efficiency and the best air emission control

technology of the plants in the City compared to the existing plants. Operation of such a plant would significantly reduce air emissions by reducing use of existing plants.

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

“The effort over the first two years will concentrate on developing the engineering work and environmental studies required to site a 500 MW combined cycle plant at Poletti. If the Trustees approve the construction of the plant pursuant to a resolution to be submitted in the future, the effort for the following two years would consist of reviewing vendor submittals, supporting construction activities, and assisting in plant start-up and testing.

“The Authority requested bids from Architect/Engineers to provide the engineering services necessary to support the licensing effort. On January 12, 1999, proposals were received from the six Architect/Engineer firms listed below:

Raytheon
Sargent & Lundy
Burns and Roe
Duke Engineering
Proto Power
Parsons Brinkerhoff

“An Evaluation Team consisting of representatives from Contract Administration, Engineering, Licensing, Project Management, Environmental and Operations evaluated the six bidders.

“The Evaluation Team determined that of the six bidders, the three bidders with the most extensive experience in licensing a facility of this complexity in New York were Sargent and Lundy; Burns and Roe; and Raytheon. The bidders selected for further consideration also have significant experience in the engineering and design of combined cycle power plants of similar size.

“The three selected bidders were then invited to give presentations on their licensing and engineering capabilities. Raytheon made its presentation on February 23, 1999. Burns and Roe and Sargent and Lundy gave presentations on February 24, 1999.

“The Evaluation Team rated the three bidders on both their proposals and presentations, and concluded that all three were qualified to undertake the work. Burns and Roe presented a licensing team which included air and water quality specialists with extensive experience working in those media in New York City and New York State. They demonstrated their expertise in these crucial areas during their discussion of the issues associated with licensing a facility in New York City. In addition the Burns and Roe proposal was the least costly of the evaluated bids. Also related to cost, it is noted that Burns and Roe is located locally and therefore travel and living expenses will be minimized. Based on these considerations, the Evaluation Team recommended that the contract be awarded to Burns and Roe.

“The Trustees are requested to approve the award of a contract to the evaluated lowest bidder, Burns and Roe, for A/E services for licensing and engineering.

FISCAL INFORMATION

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

RECOMMENDATION

“The Vice President – Project Management and the Senior Vice President – Corporate Planning recommend that the Trustees authorize the award of a contract in the amount of \$5,500,000 to Burns and Roe Enterprises, Inc. for licensing and engineering services in connection with the potential siting of 500 MW of combined cycle capacity at the Poletti site.

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

In response to questions from Trustees Miller and Ciminelli concerning the timing of a local reliability requirement for New York City, Mr. Blabey explained that the ISO must first approve such a requirement, which will be subject to FERC approval, and that it may be some time yet before the ISO will deal with this issue. Mr. Blabey stressed that the proposed course of action is just one of several options which it is now prudent to pursue contemporaneously and which include obtaining a license for plant construction. Mr. Blabey stated that the ultimate need for a plant to be built will be determined by the Trustees at a later date after FERC takes action on any ISO local reliability standard, and that a license, once obtained, could be sold to another party if the Trustees so decide.

Trustee Ciminelli expressed his understanding that there is a need to authorize certain expenditures at present so as to preserve future options. John English pointed to the Authority’s ultimate potential for liability for substantial monetary penalties if no action is taken. President Zeltmann confirmed that the proposed action serves as a hedge against a variety of possible future developments. Trustee McCullough expressed his understanding that the proposed contract with Burns and Roe can be terminated at the Authority’s option with liability only for services actually performed. Mr. Hiney confirmed that the Authority would have that flexibility because the work under the contract will be awarded only incrementally. In response to questions from Trustee Miller concerning new power marketing firms coming into the New York City market, Ms. Morman explained that such firms are obligated to have 80% in-city generation pursuant to a settlement agreement before the PSC relating to Consolidated Edison and that the major unknowable variable is any future percentage requirement.

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 granted to enter into a contract with Burns and Roe Enterprises, Inc. in the amount of \$5,500,000 for licensing and engineering services necessary to consider the option of constructing a 500 MW combined cycle plant at the Charles A. Poletti Plant site, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Contract Approval Amount</u>	<u>Projected Closing Date</u>
Licensing and Engineering Services Burns and Roe Enterprises, Inc.	<u>\$5,500,000</u>	December 2002

11. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-nuclear facilities and Headquarters Office - Extensions, Approval of Additional Funding, and Increases 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 ‘11-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Office. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with Litton Enterprise Solutions for Year 2000 (‘Y2K’) detailed assessments, remediation and testing of plant-embedded systems at IP3 and JAF and for Authority-wide contingency planning, to \$2,622,410 from the previously authorized ceiling of \$1,422,410; and an increase in the combined compensation ceiling of the procurement contracts with five firms (G.D. Barri & Associates, Inc., HEPCO Inc.; Lehigh GIT, Rotator Services Inc.; and Sun Technical Services Inc.), for temporary field engineering personnel to support IP3 and JAF, to \$22,000,000 from the previously authorized ceiling of \$12,500,000; as well as an increase in the combined compensation ceiling of the procurement contracts with eight firms (Alaron; American Ecology Recycle Center; Chem Nuclear Systems Inc.; Diversified Scientific Services Inc. (‘DSSI’); Envirocare of Utah Inc.; Frank W. Hake Associates; GTS Duratek; and Manufacturing Sciences Corp.), for the processing, treatment and disposal of low level radioactive waste from both nuclear plants, to \$10,900,000 from the previously approved ceiling of \$7,900,000. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

“The Authority’s Expenditure Authorization Procedures require Trustees’ approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services 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 ‘11-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees’ approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

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

“Extension of each of the contracts identified in Exhibit ‘11-A’ is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; or 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place.

Contracts in support of the Non-nuclear sites and Headquarters Office:

“The contract with **A. R. Bacon Architecture, P.C. (S95-76957)** provides for architectural and interior design services, on an ‘as required’ basis, as well as any additional services relating to the leasing of space in the Authority’s White Plains Office (‘WPO’) building. Professional services may include programming and design development services, preparation of construction documents, and construction management services. The original award became effective on December 5, 1995 for an initial term of one year in the amount of \$75,000, with an option to extend services for one additional year. At their meeting of November 26, 1996, the Trustees approved the option for a one-year extension through December 31, 1997, as well as additional funding of \$40,000. In accordance with the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures, the contract was extended for an additional year to continue ongoing services. Because there is still additional space to lease at WPO, and due to A. R. Bacon’s satisfactory performance and knowledge of the building, an additional one-year extension is now requested. The current contract amount is \$105,863 (of the \$115,000 previously approved by the Trustees); it is estimated that an additional \$25,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1999 and to approve the additional funding requested.

“The contract with **The Aztec Service Group, Inc. (C98-Z0033)** provides for maintenance of the metallic entrances and lobby area of the Authority’s White Plains Office (Centroplex Building), which are finished in a variety of stainless steel and aluminum surfaces. Services include cleaning, washing/waxing, and/or refinishing metal surfaces on the building exterior and lobby interior (e.g., doors, window frames, panels, elevator, mailbox, hardware, etc.), as well as bi-annual inspection/maintenance of the revolving and swing doors on the lobby level and recommendations for repairs and system enhancements. The original award, which was competitively bid, became effective on May 1, 1998 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services. The current contract amount is \$12,500; it is anticipated that an additional \$25,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through April 30, 2001 and to approve the additional funding requested.

“The two contracts with **Miller Advertising Agency Inc. (S98-03187)** and **Peter J. Marcus Advertising Inc. (S98-03186)** provide for personnel recruitment advertising services to support operations at the Authority’s Headquarters offices as well as all operating plants and facilities throughout the state. Positions include, but are not limited to, nuclear and non-nuclear engineering, technical, financial, administrative and clerical personnel. The scope of agency services generally includes the creation of advertisements, including copywriting and design, recommendations for selection of which media type (e.g., newspapers, trade journals, etc.) should be utilized, and actual placement of advertisements, subject to approval of media, design and copy by the Authority. The original awards became effective on May 15, 1998 for an initial term of one year, with an option to extend for two additional years. Although the use of these contracts has been limited, a two-year extension is now requested in order to continue the subject services on an ‘as required’ basis. The current contract

amounts are \$100,000 for each firm; no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contracts through May 14, 2001 with no additional funding requested.

“The agreement with **SYSECA Inc. (C98-Z0070)** provides for software support and maintenance services for the new Supervisory Control and Data Acquisition ('SCADA') replacement computer systems at the St. Lawrence-FDR and Blenheim-Gilboa Power Projects. Services include product updates, emergency/remedial services, telephone consultation, and related applications engineering, as may be required. This 'master' agreement establishes the common terms and conditions, as agreed to by the Authority and SYSECA, with no funding committed. For administrative purposes, each site issues separate purchase orders, referencing the terms and conditions in the master agreement, and adds funding on an annual basis. This occurs as the respective warranty period for each site is completed. Where initial authorization was given to SYSECA, the original computer software developer, to support the SCADA system at the St. Lawrence Project for 1998, approval is now requested for an additional four years. Services for the Blenheim-Gilboa Project provided under this agreement will commence on March 1, 2000, upon expiration of their warranty period. The cost for the St. Lawrence Project is \$30,000 per year for the first two years, with a 25% discount per year per site when the agreement becomes effective for both sites. Cost projections are \$127,500 for the five-year term for the St. Lawrence Project and \$67,500 for the initial three years for the Blenheim-Gilboa Project. The Trustees' approval is requested to extend the subject agreement through October 31, 2002 and to approve the funding requested. It should be noted that the Authority has the right to renew this agreement annually thereafter, should such services continue to be required.

“The contract with **Turboprop East Inc. (S98-02738)** provides for aircraft maintenance services for the Authority's 1988 Beechcraft B-200 King Air corporate plane. Services include scheduled inspections consisting of a four-phase, 200-hour interval inspection program; unscheduled maintenance per manufacturer, operational, and Federal Aviation Regulations requirements; and avionics installation, troubleshooting and repair, on an 'as required' basis. The contract, which was competitively bid, became effective on May 1, 1998 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise this option in order to continue services. The current contract amount is \$220,000. The Trustees' approval is requested to extend the subject contract through April 30, 2000 with no additional funding requested.

Contracts in support of the nuclear plants:

“The contract with the **Miller Environmental Group Inc. (C98-I6030)** provides for the cleaning and maintenance of the discharge canal oil booms at IP3. Services may include: repair/replacement of steel cable, cable strips, side bridles, steel shackles, and grommet anchor points; and scrubbing/power washing both sides of the boom sections. The work is performed by technicians qualified to maintain and/or repair Slickbar equipment. The original award, which was competitively bid, became effective on April 1, 1998 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue services. The current contract amount is \$28,500; it is anticipated that an additional \$32,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through March 31, 2001 and to approve the additional funding requested.

“The contract with **NCS Corp. (C98-I6121)** provides for the testing of charcoal samples from the nuclear filtration systems at IP3, including charcoal ignition temperature testing, on an ‘as required’ basis, in accordance with ANSI N510 requirements for such Category I nuclear safety related services. The original award became effective May 10, 1998 for an initial term of one year, with an option to extend for up to two additional years. The NCS laboratory is approved by the NRC to perform such testing and its 10CFR 50 Appendix B Program has been approved by the Authority. A one-year extension is now requested in order to exercise this option in order to support the forthcoming IP3 refueling outage (‘RO10’) in 1999. The current contract amount is \$5,000; it is anticipated that an additional \$15,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through May 9, 2000 and too approve the additional funding requested.

Increases in Compensation Ceiling:

“The contract with **Litton Enterprise Solutions (C98-Z0088)** provides for Year 2000 (‘Y2K’) detailed plant-specific assessments and remediation test plan development for plant embedded systems and components at IP3 and JAF. In order to comply with the Nuclear Regulatory Commission’s mandate that all mission critical systems at nuclear plants be Y2K ready by June 30, 1999, the President authorized the contract award in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The contract, which was competitively bid, became effective on November 4, 1998 for an initial term of less than one year, in the original amount of \$972,410. The work scope includes tasks in project management, software implementation, inventory validation, vendor contact and assessment, and remediation test planning for various plant systems at both nuclear plants, such as reactor protection, control room, radiological and environmental services (‘RES’), and high pressure coolant injection. A subsequent change order in the amount of \$450,000 was authorized by the President to increase the number of plant specific assessments and remediation test plans and to commence preliminary development of a Y2K contingency planning program for the nuclear plants. An extension through March 31, 2000 is now requested in order to continue and successfully complete this process for the nuclear plants within the required time frame, as well as to expand contingency planning services to include the Authority’s non-nuclear facilities. Tasks would include conducting additional assessments (e.g., of infrastructure, vendors, etc.) to develop an Authority-wide Integrated Contingency Plan, including mitigation and readiness plans. The schedule for the Y2K work is such that bidding this additional work (if such resources were available given the current industry needs) is not feasible and would expose the Authority to significant costs from not complying with the NRC requirement to have all nuclear plants ready by June 30, 1999. The current contract amount is \$1,422,410; it is anticipated that an additional \$1,200,000 may be required for the extended term. The Trustees’ approval is requested to extend the subject contract through March 31, 2000 and to approve the additional funding requested, thereby increasing the compensation ceiling to \$2,622,410.

“The ten contracts with **G.D. Barri & Associates Inc. (a Women’s Business Enterprise; C97-Z0098 & C98-J0104); HEPCO Inc. (C97-Z0096 & C98-J0105); Lehigh GIT (C97-Z0097 & C98-J0103); Rotator Services Inc. (C97-Z0099 & C98-J0101); and Sun Technical Services Inc. (C97-Z0100 & C98-J0102)** provide for temporary field engineering support personnel in various disciplines for IP3, JAF, and headquarters, on an ‘as required’ basis. For administrative and cost tracking purposes, two contracts were issued per vendor; the headquarters-issued contracts provide services for WPO and IP3 and the JAF-issued contracts support their site engineering programs. It should be noted that the JAF contracts reference the terms and conditions and pricing established in the original headquarters contracts. The scope includes temporary engineers and designers in the following disciplines: electrical, mechanical, structural/civil, licensing, environmental, facility, fire protection, chemical, construction and construction services, estimating, and instrumentation and control; draftsmen, engineering aides, and clerical aides are also provided. Tasks include, but are not limited to, performing engineering calculations and system design; preparation of engineering sketches and drawings, procedures, schedules, purchasing specifications; review of design drawings; construction supervision, field engineering and testing; and performing refueling outage and non-outage maintenance and construction support activities. Most of these staff augmentation services are competitively bid among the five firms. Awards are based on an evaluation of submitted resumes/qualifications, corresponding costs, and appropriate level of staffing to meet Authority

needs. The awards are made on a time and materials basis, and ensure the best possible services and price for the Authority, meeting schedule requirements.

“At their meeting of December 16, 1997, the Trustees approved the award of the subject contracts for a term of three years, in the total combined amount of \$10,000,000. An additional \$2,500,000 was authorized in accordance with the Authority’s Expenditure Authorization Procedures (‘EAPs’). The combined current contract amount totals \$12,500,000. These contracts have been utilized to support the recent refueling outage at JAF. It is intended that they will also support two more refueling outages, one at IP3 scheduled for this fall, and another at JAF next fall. In addition, the 50.54(f), Y2K, and Improved Technical Specification programs have required additional contractor support. The Authority does not have the staffing to handle this volume of work, which does not represent normal baseload activity, and it would not be cost-effective to hire permanent staff to perform these services. Approval is now sought for additional funding in the amount of \$9,500,000 to support ongoing and projected activity. The mark-up rates will remain firm for the duration of the contracts. The Trustees’ approval is therefore requested to ratify the funding previously authorized in accordance with the EAPs (\$2,500,000) and to approve the additional \$9,500,000 now requested, thereby increasing the combined compensation ceiling of the subject contracts to \$22,000,000 to support the aforementioned and other special services that may be required during the remaining contract term. Commitments and expenditures for all ten contracts will continue to be tracked against the approved total.

“The seven contracts with **Alaron (unawarded; PO # TBA); American Ecology Recycle Center (S96-81635); Chem Nuclear Systems Inc. (S97-05929); Diversified Scientific Services Inc. (‘DSSI’; S97-00759); Envirocare of Utah Inc. (S998-04776); Frank W. Hake Associates (S96-81627); and Manufacturing Sciences Corp. (S96-81634)** provide for processing, treatment and disposal services for radioactive materials and low level radioactive waste for both IP3 and JAF. The radioactively contaminated materials and low level radioactive waste may include, but are not limited to: contaminated sludge and debris; spent processing resins and charcoal filter media; irradiated hardware; radioactively contaminated metals and wood; contaminated mechanical or electrical equipment; contaminated asbestos; contaminated used oils and hydraulic fluids; and contaminated lead (shielding). At their meeting of March 26, 1996, the Trustees approved the award of the subject contracts for a term of three years, in the total combined amount of \$4,000,000. An extensive evaluation indicated that awarding multiple contracts would provide responsible Authority site managers with the ability to select the most appropriate, efficient, and cost-effective treatment method for each individual radioactive material and waste stream. Although many of the recommended vendors provide a unique service, several provide the same or similar services, but have different receipt or acceptance criteria. Multiple awards foster competition by having several vendors providing the same or similar services bid on tasks as they are required; by providing a wider range of lower-cost options for treating and dispositioning materials that will not necessarily end up at the Barnwell, South Carolina disposal site; and by ensuring that each waste stream encountered at the sites can be managed in the most timely and effective manner. The Authority’s agents select a particular vendor for an individual service based upon the criteria deemed most appropriate at the time, including: the material requiring treatment; waste acceptance and license criteria; vendor’s unique capability; timing and availability of service; and pricing. With a multiple contractor approach, the Authority will make use of the particular expertise, specialized technologies, specific areas of service, and unique regulatory licenses of each contractor, to process and dispose of individual wastes at lower costs.

“The contract with **GTS Duratek (formerly Scientific Ecology Group/‘SEG’; S95-74182)** provides for transportation, incineration, compaction, and disposal services for low level radioactive waste from JAF. At their meeting of September 24, 1996, the Trustees approved the extension of an existing contract with SEG, in the amount of \$3,900,000, with the intent that it coincide with the seven aforementioned contracts. GTS offers unique radwaste incineration, waste reforming and extraction services that are not available elsewhere and that complement the services provided by the aforementioned seven other radwaste vendors. The continuation of services provided by GTS, in conjunction with the other service vendors, will provide additional opportunities for both plants to obtain the most competitive pricing for waste processing and reduction services.

“Since there are very few qualified firms that can provide such specialized services and efforts to achieve the most competitive costs are ongoing, staff recommends a two-year extension for all eight subject contracts. The current contract amounts for all eight contracts total \$6,142,607 (of the \$7,900,000 combined total previously approved by the Trustees). It is anticipated that an additional \$3,000,000 (including contingency) will be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through March 31, 2001 and to approve the additional funding, thus increasing the combined compensation ceiling to \$10,900,000.

FISCAL INFORMATION

“Funds required to support contract services for various non-nuclear Headquarters Office Departments/Business Units and non-nuclear facilities, as well as JAF and IP3 have been included in the 1999 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

“The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Regional Manager – Northern New York, the Regional Manager - Central New York, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Director – Corporate Support Services, the Chief Information Officer, 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 ‘11-A’, and of an increase in the compensation ceiling of the contract with Litton Enterprise Solutions, and of an increase in the combined compensation ceiling of the contracts with five firms (G.D. Barri & Associates, Inc.; HEPCO Inc.; Lehigh GIT; Rotator Services Inc.; and Sun Technical Services, Inc.), as well as an increase in the combined compensation ceiling of the contracts with eight firms (Alaron; American Ecology Recycle Center; Chem Nuclear Systems, Inc.; Diversified Scientific Services, Inc. (‘DSSI’); Envirocare of Utah, Inc.; Frank W. Hake Associates; GTS Duratek; and Manufacturing Sciences Corp.), as set forth above.

“The Vice President - Controller, the Chief Nuclear Officer, the Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation.”

Trustee McCullough stated for the record that his law firm had previously had a professional relationship with the A.R. Bacon architectural firm that has since terminated.

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 “11-A” is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with Litton Enterprise Solutions, and an increase in the combined compensation ceiling of the contracts with five firms (G.D. Barri & Associates Inc., HEPCO Inc., Lehigh GIT, Rotator Services Inc., and Sun Technical Services Inc.), as well as an increase in the combined compensation ceiling of the contracts with eight firms

(Alaron, American Ecology Recycle Center, Chem Nuclear Systems Inc., Diversified Scientific Services Inc. ('DSSI'), Envirocare of Utah Inc., Frank W. Hake Associates, GTS Duratek, and Manufacturing Sciences Corp.), be, and hereby are, approved as recommended in the foregoing report of the President, in the amounts and for the purposes listed below:

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide processing, treatment & disposal services for radioactive materials and low level radioactive waste		
<ul style="list-style-type: none"> • Alaron (unawarded; PO # TBA) • American Ecology Recycle Center S96-81635 • Chem Nuclear Systems Inc. S97-05929 • Diversified Scientific Services Inc. S97-00759 • Envirocare of Utah Inc. S98-04776 • Frank W. Hake Associates S96-81627 • GTS Duratek S95-74182 • Manufacturing Sciences Corp. S96-81634 		
Additional Funding Requested	\$3,000,000	03/31/01
Previously Approved Contract Amount	<u>\$7,900,000</u>	
TOTAL REVISED CONTRACT AMOUNT	<u>\$10,900,000</u>	

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide temporary field engineering support personnel for IP3, JAF & HQ		
<ul style="list-style-type: none"> • G.D. Barri & Associates Inc. C97-Z0098 & C98-J0104 • HEPCO Inc. C97-Z0096 & C98-J0106 • Lehigh GIT C97-Z0097 & C98-J0103 • Rotator Services Inc. C97-Z0099 & C98-J0101 • Sun Technical Services Inc. C97-Z0100 & C98-J0102 		
Additional Funding Requested	\$ 9,500,000	12/31/00
Previously Approved Contract Amount	\$10,000,000 (approved by the Trustees)	
TOTAL REVISED CONTRACT AMOUNT	<u>\$ 2,500,000 (authorized per EAPs)</u>	
	<u>\$22,000,000</u>	

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Perform Y2K assessments, remediation & testing of plant embedded systems & components at IP3 & JAF and develop Authority-wide integrated contingency plan		
Additional Funding Requested	\$ 1,200,000	03/31/00
Previously Authorized Contract Amount	<u>\$ 1,422,410</u>	
TOTAL REVISED CONTRACT AMOUNT	<u>\$ 2,622,410</u>	

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
Contracts in support of Headquarters office and the non-nuclear facilities :								
HQ	A.R. BACON ARCHITECTURE PC S95-76957	12/05/95	Provide architectural and interior design services related to leasing WPO space	12/31/99	C/P	\$105,863	\$81,867	\$140,000*
						*Note: includes \$115,000 previously approved by the Trustees + an increase of \$25,000		
WPO	THE AZTEC SERVICE GROUP INC. C98-Z0033	05/01/98	Perform maintenance of metallic entrances and lobby at Centroplex Building (WPO)	04/30/01	B/S	\$12,500	\$10,995	\$37,500*
						*Note: represents an increase of \$25,000		
HQ	2 contracts: 1. MILLER ADVERTISING AGENCY INC. S98-03187 2. PETER J. MARCUS ADVERTISING INC. S98-03186	05/15/98	Provide recruitment advertising services	05/14/01	B/P			\$200,000*
						\$100,000	\$4,914	
						\$100,000	\$0	
						*Note: represents combined total for both contracts; no additional funding requested		
PWR GEN/ STL/B-G	SYSECA INC. C98-Z0070 (zero dollar agreement for Terms & Conditions)	11/01/97	Provide software support and maintenance for SCADA computer system	10/31/02	S/S		\$30,000	\$195,000*
						*Note: includes \$127,500 for STL and \$67,500 for B-G; for administrative purposes, each site will issue separate purchase orders		
ALL SITES	TURBOPROP EAST S98-02738	05/01/98	Provide aircraft maintenance services	04/30/00	B/S	\$220,000	\$70,871	\$220,000*
						*Note: no additional funding requested		

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

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
Increases in Compensation Ceiling:								
IP3/JAF/ WPO	10 contracts : 1. G.D. BARRI & ASSOC. INC. C97-Z0098 & C98-J0104 2. HEPCO INC. C97-Z0096 & C98-J0106 3. LEHIGH GIT C97-Z0097 & C98-J0103 4. ROTATOR SERVICES INC. C97-Z0099 & C98-J0101 5. SUN TECHNICAL SERVICES INC. C97-Z0100 & C98-J0102	01/01/98	Provide Temporary Field Engineering Support Personnel	12/31/00	B/S	\$12,500,000	\$ 6,966,896	\$22,000,000*
								*Note: includes \$10,000,000 previously approved by the Trustees + \$2,500,000 authorized per EAPs + current increase of \$9,500,000
IP3/JAF	8 contracts : 1. ALARON (unawarded; PO# TBA) 2. AMERICAN ECOLOGY RECYCLE CENTER S96-81635 3. CHEM NUCLEAR SYSTEMS INC. S97-05929 4. DIVERSIFIED SCIENTIFIC SERVICES INC. (DSSI) S97-00759 5. ENVIROCARE OF UTAH INC. S98-04776 6. FRANK W. HAKE ASSOCIATES S96-81627 7. GTS DURATEK S95-74182 8. MANUFACTURING SCIENCES CORP. S96-81634	04/01/96-- 10/01/95	Provide processing, treatment & disposal services for radioactive materials and low level radioactive waste	03/31/01	B/S	\$6,142,607	\$ 5,363,108	\$10,900,000*
								*Note: includes \$7.9M previously approved by the Trustees + an increase of \$3M

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

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
IP3/JAF + ALL SITES	LITTON ENTERPRISE SOLUTIONS C98-Z0088	11/04/98	Perform Y2K inventory, assessment, remediation & testing of plant-embedded systems & components + contingency planning	03/31/00	B/P	\$1,422,410	\$118,875	\$2,622,410*
						*Note: includes \$1,422,410 previously approved by the President + an increase of \$1,200,000		
<u>Contracts in support of the nuclear plants:</u>								
IP3	MILLER ENVIRONMENTAL GROUP INC. C98-I6030	04/01/98	Perform cleaning and maintenance of discharge canal oil booms	03/31/01	B/S	\$28,500	\$10,526	\$60,500*
						*Note: represents an increase of \$32,000		
IP3	NCS CORPORATION C98-I6121	05/10/98	Perform charcoal testing of nuclear filtration systems	05/09/00	S/S	\$5,000	\$880	\$20,000*
						*Note: represents an increase of \$15,000		

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

12. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-nuclear facilities; and Headquarters Offices - 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 ‘12-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, the non-nuclear facilities, as well as for the Headquarters Office. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees’ approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$53,000 to \$3,250,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in support of the nuclear plants:

“The contract with **Amtex Corp. (4500002200)** would commence on April 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide microfilming services for documentation in various formats, including computer printouts and roll charts, on an “as required” basis, for JAF, in compliance with ANSI/NMA standards and regulations, NMA practice for operational procedure/inspection and quality control of first-generation, silver gelatin microfilm documents, and applicable Authority procedures and requirements.

Amtek was the sole responding bidder (in addition to 7 declining/non-responding bidders and notice in the Contract Reporter). The intended term of this contract is two years and nine months, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$80,000.

"The contract with **Branch Radiographic Laboratories Inc. (Q-02-2262PL; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide erosion/corrosion inspection services of piping and welds at IP3 and JAF. The general scope of these inspections shall be to determine the pipe wall thickness of the components examined. Services shall be performed in compliance with ASME XI, 1983 Edition through 1992 Edition for personnel, equipment qualification and personnel certification, as well as all applicable codes, standards and recommended practice of the American Society of Non-Destructive Testing and 10 CFR 50, Appendix B. Branch was the low bidder of six bids received (in addition to seven declining/non-responding bidders and notice in the Contract Reporter). The intended term of this contract is **three years with an option to extend for one additional year (for three regularly scheduled refueling outages)**, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the first three years of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$1,000,000.

"The contract with **Branch Radiographic Laboratories Inc. (CI-001134; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide Non-Destructive Examination ('NDE') personnel to perform radiographic, ultrasonic, magnetic particle, penetrant and visual testing, within 12-hours' notice, in support of plant operations for IP3. Qualified personnel must be in compliance with all applicable codes, standards and regulations. Branch was the low bidder of three bids received (in addition to three declining/non-responding bidders and notice in the Contract Reporter). The vendor's Quality Assurance program meets all 10 CFR 50 and 10 CFR 21 requirements. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$350,000.

"The contract with **Corrosion Services, Inc. (Q-02-2258DC; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to perform Flow Accelerated Corrosion ('FAC') program activities at IP3 and JAF. The scope of work includes a review and evaluation of the erosion/corrosion programs for both plants, including program modeling of plant systems affected by erosion/corrosion using the CHECWORKS computer model, independent review of system susceptibility and related screening criteria, review of proposed inspection points, and engineering services to update the small bore erosion/corrosion program. Services will be performed in compliance with an Authority-approved 10 CFR 50, Appendix B Quality Assurance program, as well as 10 CFR 21. Corrosion Services was the low bidder of five bids received (in addition to eight declining/non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$150,000.

"The contract with **Crown HVAC Services Inc. (Q-02-2279; PO # TBA)** would commence on June 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide full-service maintenance, parts and labor for the heating, ventilating and all air conditioning ('HVAC') systems and units at IP3. Services include preventive and corrective service, monthly inspections, semi-annual and annual maintenance, as well as 24-hour emergency service, on an 'as needed' basis, with a two-hour maximum response time. Equipment to be serviced includes several 70 and 160 ton chillers, rooftop cooling towers, 5 and 15 ton central air units and numerous simple wall/window units, as well as supporting equipment (e.g. air compressors, dryers and handlers, exhaust fans, humidifiers, thermostats, associated pumps, motors, sensors, valves, switches, and many other components). The units are located in various site buildings (e.g., Administration, Control, Training, Outage Support, and Turbine). Crown was the low bidder of two bids received (in addition to 9 declining/non-responding bidders and notice in the Contract Reporter). The intended term of the contract is three years, subject to the

Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$550,000.

"The contract with **Ecolochem, Inc. (Q-02-2254DC; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide for the lease, operation and maintenance of a Contractor Water Treatment System ('CWTS') to be shared by the Authority's Indian Point 3 ('IP3') and Consolidated Edison's Indian Point 2 ('IP2') Nuclear Power Plants. The CWTS will be contractor-owned and operated and will supply both plants with high purity makeup water produced from the existing city water supply. The system includes shared water factory rental and operation and maintenance fees, and processed water fees (where each plant pays for the actual amount of water used). The existing water treatment facilities at both IP3 and IP2 require extensive repairs and upgrades. In addition to costly projected repairs, labor costs to staff both such facilities are significant. Staff has determined that the most economic approach to remedy the situation is to jointly lease a CWTS, rather than perform the extensive repairs and upgrades to both plants and sustain the high operating costs. Following an extensive evaluation of the proposals, staff determined that the most cost-effective and feasible option is to lease for a five-year term. Ecolochem was the low bidder of three bids received (in addition to three declining/non-responding bidders and notice in the Contract Reporter). The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$3,250,000 (based on a joint monthly cost of approximately \$53,000 and an additional \$70,000 for contingency in the event both plants require simultaneous start-up, where additional water would be needed). This contract is subject to Consolidated Edison and the Authority entering into a formal cost-sharing agreement for these services. It is anticipated that the Authority's share of these costs will not exceed 50% of the total contract price.

"The contract with **Interstate Equipment Co. (C100-1137; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide on-site repairs of electric powered, pneumatic and common hand tools that are stored and used in the radiologically controlled area at IP3. Interstate was the sole responding bidder of six bids solicited, in addition to notice in the Contract Reporter. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Labor rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the duration of the contract, \$53,000.

"The contract with **Mercury Elevators Corp. (C100-1136; PO# TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of this contract is to provide labor, materials, tools, equipment, and supervision necessary to maintain three plant elevators (manufactured by Otis, Weisblatt, and Westinghouse) at IP3. Services include preventive maintenance and safety inspections, as well as service calls for repairs. Mercury Elevators was the sole responding bidder of six bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. The rates are competitive and will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$56,000.

"The three contracts with **Louis Frey Co. Inc., J.N. Reid & Co. Inc., and UMC Imaging Systems Inc. (Q-02-2287; PO#'s TBA)** would commence on April 1, 1999, subject to the Trustees' approval. The purpose of these contracts is to provide reproduction services, on an 'as required' basis, for the Authority's Configuration Management and Engineering Support programs in support of IP3 and JAF. Services include scheduled and unscheduled pickup and delivery of blue line prints, Xerox prints, sepias, diazo and washoff mylars, aperture cards, roll microfilm, microfiche, slide mounting, etc. in compliance with the ANSI/AIIM standards, NRC regulations, Nuclear Records Management Association guidelines, and plant-specific requirements. The three aforementioned firms were the three responding bidders (in addition to 15 declining/non-responding bidders and notice in the Contract Reporter). Based on their qualifications as well as satisfactory past performance, staff recommends the award of contracts to all three vendors. Work would be assigned according to each vendor's ability and cost to reproduce documents in the required formats. 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 combined amount expected to be expended for the term of the contracts, \$180,000.

System blanket contracts in support of nuclear and non-nuclear facilities:

“Several categories of services have been selected for pilot ‘system’ contracts, i.e., a consolidation of common goods/services under one contract for use by multiple plants/facilities. This approach was based upon achieving cost savings due to bulk procurements of certain goods or services, as well as streamlining the procurement process by eliminating multiple contracts.

“The contract with **PECO Energy Laboratories (Q-02-2148; PO# TBA)** would commence on April 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide calibration and repair services of plant measuring and test equipment (‘M&TE’) for IP3, JAF, and all non-nuclear facilities. Historically, each plant handled contracts for such services independently, often resulting in multiple contracts with various vendors for specialty items that were based on a ‘unit price’ approach for potentially hundreds of items. Competitive bids for the subject contract solicited a revised approach, by M&TE category pricing, which streamlined the pricing to a total of nine pricing/billing categories. This resulted in the standardization and decrease of costs Authority-wide and eliminates the need for multiple contracts and hundreds of redundant unit prices. PECO was the lowest priced qualified bidder of six bids received (in addition to 10 declining/non-responding bidders and notice in the Contract Reporter). PECO has a proven record of providing quality work to IP3 and JAF in terms of good service, reliability, and excellent deliveries, in accordance with plant established Quality Assurance requirements (for QA Category I safety related services), as well as 10CFR50 Appendix B and 10CFR21. In addition, PECO has a radioactive material handling license and is qualified to calibrate contaminated M&TE at both nuclear plants. The intended term of this contract is five years, subject to the Trustees’ approval, which is hereby requested. Pricing will remain firm for the duration of the contract and includes pick-up and delivery service statewide. Approval is also requested for the combined total amount expected to be expended by all Authority plants/facilities for the term of the contract, \$2,850,000. It should be noted that the consolidation of these services under one master agreement for all sites was a recommendation of Focus 9, Team 2.

“The contract with **Underwater Construction Corp. (Q-02-2198; PO# TBA)** would commence on April 1, 1999, subject to the Trustees’ approval. The purpose of this contract is to provide conventional and nuclear underwater diving inspection and maintenance services for IP3, JAF, and the Blenheim-Gilboa Project and related facilities in the Central Region. Underwater Construction was the low bidder of six bids received (in addition to 26 declining/non-responding bidders and notice in the Contract Reporter). Since most routine diving services are performed on a straight time basis, this was based on the lowest straight time for 3-man and 6-man crews, including lowest mobilization/demobilization costs and all applicable standard diving equipment. Underwater has provided quality workmanship and excellent service to the Authority’s nuclear plants for the last three years. In addition, the firm has an approved Quality Assurance program that meets the requirements of 10CFR50 Appendix B. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Rates will remain firm for two years. Approval is also requested for the combined total amount expected to be expended by all three plants and related facilities for the term of the contract, \$2,500,000.

Contract in support of Energy Resource Management/Fuels and the Poletti Plant:

“The Authority is contemplating the expansion of the Charles Poletti Power Plant (‘Poletti’) with the addition of two 250 MW Combined Cycle Combustion Turbines (‘CCCTs’). The reason for the proposed expansion of the existing site is to meet the reliability requirements of the bulk power system, as stipulated by the New York Independent System Operator (‘ISO’). As an electricity provider serving one of the largest ‘load pockets’ within the state, the Authority may be required to have installed capacity equal to 80% of its New York City (‘in-city’) load requirements. Based upon an existing in-city generating capability of 825 MW as currently provided by Poletti, the Authority would have to acquire up to 500 MW of additional in-city generation to continue service to its existing New York City customers. Following an evaluation of various options for providing additional capacity, it was determined that the most cost-effective and viable option is to construct two 250 MW CCCTs at the Poletti site. The enhanced efficiency conferred by the CCCTs, when combined with low cost fuel supplies, would help to ensure the Authority’s ability to effectively compete in a deregulated, highly

competitive marketplace. Given economic and environmental considerations, as well as expected plant design, the fuel of choice would be natural gas, with the option to burn No. 2 (or other) distillate oil as a secondary fuel.

“Due to limited staff resources and expertise, the Authority has sought to retain the services of an experienced fuel consultant to provide assistance in evaluating the cost and feasibility of various fuel supply and transportation options, including ancillary services (such as natural gas storage and balancing) for the proposed expansion of the Poletti facility, in support of the proposed CCCTs as well as the existing steam turbine. The contract with **C.C. Pace Energy Services, LLC (FD-99-06)** would commence on April 1, 1999, subject to the Trustees’ approval. Additional assistance may also be required to provide ongoing support with potential contract negotiations, including the possibility of preparing, issuing and evaluating Request for Proposals; developing fuel price hedging and risk management strategies; and preparing forecasting studies of both fuel and electric power markets in the New York region. C.C. Pace was the low bidder of five bids received (in addition to four declining/non-responding bidders and notice in the Contract Reporter). Pace is exceptionally qualified for this project. The firm is an industry leader in providing consulting services on power plant fuel procurement, with a core competency in natural gas markets and a ‘home market’ in the Eastern United States, the very market of primary interest to the Authority. Pace has extensive experience in all phases of services required, including fuel, power, and finance/risk management consulting. This experience is regionally deep; ranges between strategic, tactical, and operational levels; and encompasses fuel, power, and integrated energy markets. While it is anticipated that the initial phase of work will be completed in less than one year, the aforementioned additional related services may be required for an additional two years. The intended term of this contract is therefore three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$500,000.

FISCAL INFORMATION

“Funds required to support contract services for JAF, IP3, the non-nuclear facilities, as well as the Headquarters Office have been included in the 1999 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.

RECOMMENDATION

“The Site Executive Officer – James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Regional Manager - Central New York, the Regional Manager – Western New York, the Regional Manager – Northern New York, the Regional Manager – Southeast New York, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, the Director – Energy Resource Management 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 ‘12-A’ and as discussed above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit “12-A”, attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.

Awd-A399r1

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<u>Contracts in support of the nuclear plants:</u>								
JAF	AMTEK CORP. 4500002200	04/01/99	Perform microfilming services of various documentation formats	12/31/01	B/S			\$80,000
IP3/JAF	BRANCH RADIOGRAPHIC LABORATORIES, INC. Q-02-2262PL; PO # TBA	04/01/99	Perform erosion/corrosion inspection services	03/31/02 (+ option for 1 addt'l year; for 3 refueling outages)	B/S			\$1,000,000
IP3	BRANCH RADIOGRAPHIC LABORATORIES, INC. CI-001134; PO # TBA	04/01/99	Provide Non-Destructive Examination personnel and services	03/31/02	B/S			\$350,000
IP3/JAF	CORROSION SERVICES, INC. Q-02-2258DC; PO # TBA	04/01/99	Perform Flow Accelerated Corrosion program analyses to evaluate erosion/corrosion	03/31/02	B/P			\$150,000
IP3	CROWN HVAC SERVICES, INC. Q-02-2279JM; PO # TBA	06/01/99	Provide full service maintenance, parts & labor for HVAC System	05/31/02	B/S			\$550,000
IP3 & IP2 (Con Ed)	ECOLOCHEM, INC. Q-02-2254DC; PO # TBA	04/01/99	Provide lease, operation & maintenance of a Contractor Water Treatment System	03/31/04	B/S			\$3,250,000*
								*Note: costs to be shared by the Authority and Con Edison; the Authority's share is expected not to exceed 50% of the total
IP3	INTERSTATE EQUIPMENT CO. Ci-001137; PO # TBA	04/01/99	Provide on-site repair services for pneumatic, electric & common hand tools used in radiologically controlled area	03/31/02	B/S			\$53,000

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

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

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis¹ Contract Type²</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
IP3	MERCURY ELEVATORS CORP. CI-001136; PO # TBA	04/01/99	Provide inspection, maintenance & repair services for three site elevators	03/31/02	B/S			\$56,000
WPO/IP3 / JAF	3 awards (Q-02-2287): 1. LOUIS FREY CO. INC. (PO # TBA) 2. J.N. REID & CO. INC. (PO # TBA) 3. UMC IMAGING SYSTEMS INC. (PO # TBA)	04/01/99	Provide reproduction services to support the Configuration Management & Engineering Support programs	03/31/02	B/S			\$180,000*
*Note: represents total combined expected expenditures for all 3 contracts								
<u>System Blanket Contracts:</u>								
IP3/JAF/ + ALL NON-NUCLEAR SITES	PECO ENERGY LABS Q-02-2148; PO# TBA	04/01/99	Perform calibration and repair services of safety & non-safety related measuring & test equipment	03/31/04	B/S			\$2,850,000
IP3/JAF/ B-G (including Central Region)	UNDERWATER CONSTRUCTION CORP. Q-02-2198	04/01/99	Provide conventional and nuclear underwater diving inspection and maintenance services	03/31/02	B/S			\$2,500,000
<u>Contracts in support of the Non-nuclear plants and Headquarters Business Units:</u>								
ERM-FUELS/ POL	C.C.PACE ENERGY SERVICES, LLC FD-99-06	04/01/99	Provide fuel consulting services re cost & feasibility of fuel supply options for proposed expansion of POL	03/31/02	B/P			\$500,000

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

March 30, 1999

Next Meeting

“The Annual meeting of the Trustees will be held on Tuesday, **April 27, 1999, at the New York Office** at **11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

Motion to Conduct Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session in connection with a matters leading to its employment of services of particular persons and corporations.”

14. Purchase of Installed Capacity from KIAC Partners

The President submitted the following report:

SUMMARY

“The Trustees are requested to ratify the purchase of installed capacity at the Kennedy International Airport Cogeneration plant from the Kennedy International Airport Cogeneration (‘KIAC’) Partners for the benefit of the Authority’s governmental and business customers located in the City of New York.

BACKGROUND

“The KIAC plant is a 109 MW cogeneration plant, which supplies electricity, and hot and chilled water, to the Port Authority of New York and New Jersey’s facilities at Kennedy Airport. The KIAC plant is owned by KIAC Partners, a partnership of the Calpine Corporation and Statoil, the Norwegian state oil company.

“Under the terms and conditions of Rider B to Service Tariff No. 15 applicable to the Port Authority, the generating capacity of the KIAC plant is dedicated to providing electricity for the airport load up to 76.3MW, plus the New York Power Pool generating reserve margin of 18%, for a total of 90MW. The Authority has included the airport load, currently about 60MW (including reserves), and 90MW of the KIAC capacity in its Integrated Resource Plan. Rider B also provides that any generating capacity above the airport loads may be sold to others. The Authority has the right of first refusal of any offer received from a third party by KIAC Partners.

“Until recently, the KIAC capacity in excess of the airport loads had little value due to an excess of generating capacity within the state. The Authority was not called upon to exercise its right of first refusal until last year when it purchased about 50MW of excess capacity from the KIAC plant for a one-year term. With the adoption of the Settlement Agreement in the Consolidated Edison Company of New York, Inc. (‘Con Edison’) Competitive Opportunities case (Case No. 96-E-0897) and its putative requirement that energy services companies participating in the Con Edison retail access program have installed generating capacity located within the City of New York, the capacity had become marketable. While the Authority is not subject to an in-city capacity requirement, and will not be until and unless one is adopted by the Independent System Operator (‘ISO’) and approved by the Federal Regulatory Energy Commission (‘FERC’), others are operating under a 70% in-City requirement pursuant to the terms of the Con Edison Settlement Agreement. In addition, Con Edison is taking steps to meet a self imposed in-city requirement and make up a deficiency of about 320MW of in-city capacity in the summer of 1999.

“The Authority does not support Con Edison’s proposed in-city requirement and staff will work before the ISO and FERC to reduce or eliminate the requirement as it might apply to the Authority. However, staff is developing contingency plans to meet the requirement if it is adopted in the next few years and applies to the Authority. As a short-term strategy, any shortfall in the Authority’s in-city generation could be met through a customer load management program and purchase of installed capacity from third parties. Longer-term strategies include possible new generation at the Poletti site.

DISCUSSION

“On Friday, March 12, 1999, KIAC Partners delivered a letter asking the Authority to determine whether it would exercise its right of first refusal to a sale of KIAC plant capacity to a third party commencing May 1, 1999. The Authority was given until 3:00 p.m. on Thursday, March 18, 1999 to communicate its decision to KIAC Partners.

“The proposal KIAC Partners had received from the third party provided for the sale of excess installed capacity from the KIAC plant and for the provision of power marketing services to KIAC Partners related to excess energy from the plant. KIAC Partners informed the Authority that its acceptance of the proposal would have to be complete and unconditional.

“Upon review of the KIAC proposal, staff determined that the Authority could meet the terms and conditions contained therein. Moreover, the purchase of KIAC’s excess installed generating capacity, located within the City of New York, would advance the Authority’s short-term strategies to meet potential in-city generation requirements that could be imposed by the Independent System Operator. Without the purchase, the excess KIAC plant capacity would no longer be available to the Authority. Accordingly, the President, with the approval of the Chairman, authorized the Senior Vice President – Marketing and Economic Development to exercise the Authority’s right of first refusal. Agreements were executed with KIAC Partners on March 25, 1999.

FISCAL INFORMATION

“With respect to the purchase of installed capacity from KIAC Partners, the Authority has entered into an agreement to resell the excess KIAC plant capacity to a third party for the period through April 30, 2000. For the period beyond April 30, 2000, the Authority would seek reimbursement of its costs from Con Edison pursuant to the Settlement Agreement if the ISO and FERC impose an in-city capacity requirement applicable to the Authority. Should there not be an in-city requirement applicable to the Authority, the capacity would be resold.

RECOMMENDATION

“The Director – Energy Resource Management, the Director - Marketing Planning and the Senior Vice President – Marketing and Economic Development recommend that the Trustees ratify the purchase of excess capacity from the Kennedy International Airport Cogeneration plant and the provision of power marketing services to the Kennedy International Airport Cogeneration Partners.

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

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

RESOLVED, That the Trustees ratify the agreement between the Authority and the Kennedy International Airport Cogeneration Partners as set forth in the attached memorandum of the President and, subject to approval of the form thereof by the Executive Vice-President, Secretary and General Counsel, authorize the Senior Vice President Marketing and Economic Development to execute such other documents and to take such other actions as she deems necessary to effectuate the foregoing.

March 30, 1999

Motion to Resume Meeting in Open Session

“Mr. Chairman, I move that the Authority resume the meeting in open session.”

Closing

Upon motion made and seconded, the meeting was closed at 12:20 p.m.