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

September 26, 2000

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September 26, 2000

Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany 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
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Woodrow W. Crouch	Vice President – Project Management
William Josiger	Vice President – Special Activities
Russell Krauss	Vice President and Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph J. Carline	Assistant General Counsel
Gary Paslow	Executive Director Policy Development
Arthur M. Brennan	Director – Internal Audit
Angelo Esposito	Director – Energy Services Division
James H. Yates	Director – Business Marketing & Economic Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Deputy Secretary
Vernardine E. Quan-Soon	Senior Assistant Secretary
Alice Simon	Assistant Secretary
Barbara Vahue	Assistant Secretary

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on July 25, 2000 and the minutes of the Special Meetings of August 8, 2000 and August 29, 2000 were approved.

2. Financial Report for the Eight Months Ended August 31, 2000

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss reported on the work of the Transition Team in preparation for the sale to Entergy of the Authority's nuclear plants. Mr. Krauss explained that the Team had completed its preparations in time for the originally-scheduled closing date of September 7th; however, the NRC had determined that it would need at least until mid-October to grant the pending requests for license transfers for both JAF and IP3. Consequently, in view of JAF's upcoming refuel outage, (commencing on October 6th), the closing will take place following the outage, most likely in mid-November. Mr. Krauss further reported that Entergy has continued its efforts to reach real property tax agreements with local municipalities. NYPA employees transferring to Entergy had been provided with complete benefits packages, and would physically be moving to the ATT building by mid-October.

President Zeltmann stated he was delighted to advise the Trustees of NYPA's receipt of the American Public Power Association's (APPA) Award for Excellence for NYPA's most recent Annual Report. The President commended Mr. Petralia, as well as Nancy Ames, Ed Eckstein and Marsha Camera among the staff responsible for this superb effort and national recognition. Mr. Petralia stressed that staff members in Marketing and Energy Services deserve credit as well. Chairman Rappleyea stated that a letter would be forthcoming from him and the Trustees to thank all of the individuals involved.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve 132 allocations of available power under the Power for Jobs program to the businesses listed in Exhibit '4-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 MW 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 MW 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 MW of power available and have accelerated the distribution of the power. 267 MW were made available in Year 1.

"In May 2000, legislation was passed which authorized another 300 MW of power to be allocated under the Power for Jobs program. Up to 75 MW may be recommended for allocations to small businesses and not-for-profit corporations. The additional megawatts, described in the statute as 'phase four' of the program shall be allocated in three rounds: 100 MW by October 1, 2000, 100 MW by February 1, 2001 and 100 MW by July 1, 2001. In addition to applicants who have not received a previous allocation under the program, those who received allocations in Year One (December 1997-November 1998) are also eligible for allocations in 'phase four'. Year One allocations totaled 267 MW. However, some allocations were returned unused or recaptured due to failure to meet job commitments. As a result, there are approximately 260 MW in allocations to some 320 customers who would be eligible to apply for 'phase four' power.

"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. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At various meetings from December 1997 through March 2000, the Trustee's approved allocations to 646 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.

"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. One hundred and thirty two applications were deemed highly qualified and presented to the EDPAB for its review on September 26**,** 2000. 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 132 businesses listed in Exhibit '4-A'. Collectively, these organizations have agreed to create or retain over 59,000 jobs in New York State in exchange for allocations totaling 106.752 MW. The allocation contracts will be for a period of three years. The power will be wheeled by the investor-owned utilities as indicated in Exhibit '4-A'. The basis for EDPAB's recommendations is also included in Exhibit '4-A'.

RECOMMENDATION

"The Vice President – Major Account Marketing and Economic Development and the Manager – Business Power Allocations and Compliance recommend that the Trustees approve the allocations of power under the Power for Jobs program to the companies listed in Exhibit '4-A'.

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

Chairman Rappleyea stated that he would abstain on voting with respect to proposed allocations to any applicant companies affiliated with Kraft Foods/Philip Morris.

The following resolution was adopted by a vote of four in favor, and one partial abstention, as noted.

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 106.752 MW of allocations of Power for Jobs power to the companies listed in Exhibit "4-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 "4-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 a total of 106.752 MW of power from the James A. FitzPatrick Nuclear Power 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.

5. Power for Jobs - Competitive Procurement - RFP No. 7

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize execution of Installed Capacity Agreements, and Contracts for Differences (consisting of an International Swap Dealers Association, Inc., Multi-Currency-Cross Border Master Agreement and a Confirmation Agreement), with Coral Energy, L.L.C; East Coast Power, L.L.C., and Niagara Mohawk Energy Marketing, Inc. to fix the cost of energy to be purchased for the Power for Jobs ('PFJ') program. Specifically the Trustees are requested to approve a purchase of up to 227 MW of energy and 150 MW of installed capacity from Niagara Mohawk Energy Marketing, and 63 MW of installed capacity from East Coast Power and 45 MW of installed capacity from Coral Energy.

"Additionally, the recently passed PFJ - Phase Four legislation gives the Authority the authority to obtain power from sources other than the competitive bid process if the cost of power from those sources is less than that available through the competitive bid process. Pursuant to that legislative change, the Trustees are requested to authorize the Senior Vice President - Marketing and Economic Development or her designee to monitor the prices of other energy sources and supply power for the program from Authority sources or enter into agreements with entities providing power at costs lower than those offered by the competitive bids.

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 PFJ 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 PFJ program, as amended, makes available up to 450 MW of power, to be phased in over a three-year period. The legislation provides for up to 225 MW of the power to be made available from the Authority's FitzPatrick Plant, and for up to 225 MW to be purchased from other suppliers pursuant to a competitive procurement process administered by the Authority. For this, the third year of the program, up to 225 MW must be procured from other suppliers.

"On May 15, 2000, Governor Pataki signed into law legislation for PFJ - Phase Four, which expands and extends the program until December 31, 2005. It also allows THE AUTHORITY to provide power from alternate sources if those sources have prices lower than power obtained via the competitive bid process.

"This is the seventh Request for Proposals ('RFP') for competitively procured power under the PFJ program. It was issued under the terms of the PFJ 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; and

- That the process provide the least cost power consistent with the goal of providing safe and reliable service.

The introduction of the New York Independent System Operator ('ISO') on November 18, 1999, significantly altered the power transmission landscape in the State of New York. Accordingly, bidders were asked to provide installed capacity and to bid on a contract for differences to fix the price the Authority would pay to procure energy for PFJ customers in the ISO Locational Based Marginal Pricing ('LBMP') Day Ahead Market. Purchase of energy for PFJ customers from the ISO LBMP Day Ahead Market eliminates the risk that a bidder's generation may not be able to supply energy on a given day and reduces the scheduling burden on the Authority's system operators. The contracts for differences provide that the price the Authority pays for energy will be fixed, with the financial risk of market price fluctuations being borne by the bidder.

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 July 26, 2000 a RFP was issued to 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 August 18, for up to 225 MW of installed capacity, to hedge contracts for differences, and for the sale of firm power and energy.

"Bids were requested for the Winter Capability period from November 2000 through April 30, 2001. Bidders were required to meet a number of requirements, including demonstrating their capability to enter into the necessary agreements and providing financial assurances for meeting their obligations under the Program.

"On August 2, a pre-bid conference was held to answer questions from potential bidders. On August 18, five bidders submitted 42 bids in response to the RFP.

Bid Evaluation

"Bids were submitted by Coral Energy, L.L.C; East Coast Power, L.L.C.; Select Energy, Inc., Niagara Mohawk Energy Marketing, Inc.; and Public Service Energy & Gas.

The bids were evaluated on the basis of the following criteria:

- Proposals must be submitted on time.
- Proposals must be complete, in conformance with the Specifications and other requirements of this Request for Proposals and including all documentation, evidence or verification requested.
- Bidders selected as Suppliers of contracts for differences must provide a Letter of Credit payable to the Authority, in an amount deemed sufficient by the Authority in its sole discretion to ensure faithful and prompt compliance with the contract for differences. Bidders selected as suppliers of ICAP must post a Performance Bond, provide a Letter of Credit payable to the Authority, or provide a corporate or parent company guaranty in an amount and form acceptable to the Authority, if requested to do so by the Authority to insure that the proper amount of ICAP is provided.
- All Suppliers must comply with applicable local, state and federal laws and regulations, including the requirements of the New York State Public Officers Law establishing standards for business and professional activities of State employees and governing the conduct of employees of private firms in business with the State.
- ICAP Bidders are subject to the rules and procedures of the ISO. They must therefore conform to ISO rules and regulations.

- ICAP Suppliers and Contract for Difference Suppliers must agree to indemnify and hold the Authority harmless against all loss, damage and expense of every kind on account of adverse claims, which may arise from such ICAP, Enabling Agreement or Contract for Differences transactions.

"The evaluation included requests for additional information and clarification from the bidders. A discussion of each of the proposals is below.

Niagara Mohawk Energy Marketing, Inc.

Niagara Mohawk Energy Marketing, Inc. ('NMEM') is the unregulated affiliate of the Niagara Mohawk Power Corporation and was formerly known as the Plum Street Energy Marketing, Inc. NMEM proposed to enter into a Contract for Differences and bid to provide 150 MW of installed capacity for Central Hudson, Con Edison, Orange & Rockland, Rochester Gas & Electric, NYSEG and Niagara Mohawk Power Corporation service territories.

East Coast Power, L.L.C.

East Coast Power L.L.C. is a Delaware Limited Liability company owned by affiliates of Enron Corporation, the California Public Employees' Retirement System, El Paso Energy Corporation and Donaldson, Lufkin & Jenrette Securities Corporation. It bid to provide 73 MW of installed Con Edison's in the New York City service area.

Coral Energy, L.L.C.

Coral Energy of Houston, Texas, is Shell Oil's affiliate responsible for gas and power activities on the wholesale level. Coral manages Shell's gas and power assets and markets electricity in the U.S. Coral bid to provide 45 MW of installed capacity in the Long Island Power Authority service territory.

Public Service Electric and Gas Company

The Public Service Gas & Electric, providing utility service in the New Jersey corridor between New York City and Philadelphia is headquartered in Newark. It proposed to enter into Contracts for Differences for zones located in Con Edison, Niagara Mohawk and NYSEG service territories.

Select Energy, Inc.

Select Energy, the Marketing & Trade Group of Northeast Utilities, located in Berlin, Connecticut, bid to provide installed capacity for Niagara Mohawk, Rochester Gas & Electric, NYSEG, Orange and Rockland, and Central Hudson.

The Recommended Bidders

"Based on the evaluation of the bids, it is recommended that installed capacity agreements be entered into with Coral Energy, L.L.C; East Coast Power, L.L.C.; and Niagara Mohawk Energy Marketing, Inc. It is also proposed that a Contract for Differences be entered into with Niagara Mohawk Energy Marketing to fix the price of energy for the program in the NYSEG, Niagara Mohawk, RG&E and Con Edison service territories.

"The proposed amounts of power and energy and the prices of the recommended bidders are shown in Table 1.

"Each of the selected bidders meets the requirements of the RFP and is capable of meeting the financial requirements of the agreements.

<u>The Installed Capacity Agreement</u>

Under the Agreement for the Purchase and Sale of Installed Capacity (the 'ICAP Agreement') Exhibit '5-A', the Authority would purchase from the sellers installed capacity during the capability period, at an agreed-upon price per megawatt. In the event the ISO determines that there is a deficiency in the amount of ICAP provided by the sellers, they would be required to make the Authority whole for any costs and expenses incurred by reason of such deficiency. Their performance would be guaranteed by financial security in an amount and form acceptable to the Authority.

<u>The ISDA Master Agreement and the Confirmation Agreement</u>

"The winning bidder would execute an ISDA Master Swap Agreement Exhibit '5-B', as supplemented, and a Confirmation Agreement (together, the 'Contract for Differences Agreement'). The Contract for Differences Agreement obligates the winning bidder to pay the Authority each month an amount (the 'Floating Monthly Payment') based on the variable ISO LBMP Day-Ahead-Market prices applied to the amount of megawatt hours the winning bidder was obligated to cover. The Floating Monthly payment serves to cover the costs to be paid to the ISO for the amount of energy covered by the Contract for Differences. In turn, under the Contract for Differences, the winning bidder receives from the Authority a monthly payment (the 'Fixed Monthly Payment') equal to the bidder's megawatt-hour commitment for the month multiplied by the fixed price that was bid by the winning bidder**.** The Authority's risk of non-payment by the winning bidder would be covered by a letter of credit or other security device deemed acceptable by the Authority.

<u>FISCAL INFORMATION</u>

"Purchase of installed capacity from the recommended bidders and energy from the ISO Day LBMP Ahead Market or through Enabling Agreements will have no net impact on the Authority's finances. The cost of power and energy 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.

<u>RECOMMENDATION</u>

"The Director of Marketing Planning, the Director of Power Contracts, and the Senior Vice President-Marketing and Economic Development recommend that the Trustees authorize: (a) execution of Installed Capacity Agreements with Coral Energy, L.L.C; East Coast Power, L.L.C.; and Niagara Mohawk Energy Marketing, Inc. and (b) Contracts for Differences with Niagara Mohawk Energy Marketing, Inc. substantially in the form attached hereto as Exhibits '5-A' and '5-B', and authorize the Senior Vice President - Marketing and Economic Development or her designees to enter into such other agreements for alternate sources of power and energy, as she may deem advisable to secure the most economic PFJ arrangements possible, for the purpose of providing up to 225 MW of power for the PFJ program."

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

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

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

WHEREAS, the legislation directs the Authority to enter into agreements 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;

WHEREAS, the Governor of the State of New York signed into law the Power for Jobs - Phase Four as a modification to existing legislation to strengthen New York State's economy; and

WHEREAS, the modified legislation allows the Authority to enter into agreements with non-bidding sources that offer power at costs lower than that offered in the competitive bid process,

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 Installed Capacity Agreements, with Coral Energy, L.L.C; East Coast Power, L.L.C.; and Niagara Mohawk Energy Marketing, Inc. and execute ISDA Master Agreements as supplemented, and associated Confirmation Agreements with Niagara Mohawk Energy Marketing, Inc. for contracts for differences for service to be provided in the NYSEG, RG&E, Niagara Mohawk and Con Edison service territories, and to enter into transactions as contemplated by such agreements for the purpose of providing up to 225 MW of power for the Power for Jobs program, and to take enter into agreements, execute such documents, and take such further actions as may be necessary or desirable to effectuate the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and

BE IT FURTHER 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 monitor the energy sales market and execute such other agreements with entities providing capacity and energy at costs less than that obtained in the competitive bid process for the Power for Jobs program.

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TABLE 1

POWER FOR JOBS – COMPETITIVE PROCUREMENT – RFP NO. 7

RECOMMENDED BIDDERS – INSTALLED CAPACITY

BIDDER	BID AMOUNT	PRICE
East Coast Power, L.L.C.	63 MW	$8.30/kw/mo
Coral Energy, L.L.C.	45 MW	$2.53/kw/mo
Niagara Mohawk Energy Marketing, Inc.	150 MW	$1.50/kw/mo

RECOMMENDED BIDDER – CONTRACT FOR DIFFERENCES
(Bids at 60-70% Load Factor in dollars per MWH)

Niagara Mohawk Energy Marketing, Inc.

Month	NYSEG Option Zone A 14 MW	Costs (000)	NYSEG Option Zone C 51 MW	Costs (000)	NYSEG Option Zone D 1 MW	Costs (000)	NYSEG Option Zone E 14 MW	Costs (000)	NYSEG Option Zone F 3 MW	Costs (000)	Con Ed Option Zone J 40 MW	Costs (000)
Nov	$35.	$19.2	$36.	$72.2	$36.	$1.1	$36.	18.0	$45.00	$4.6	$52.00	$64.3
Dec	$35.	$20.3	$36.	$76. 7	$36.	$1.2	$36.	19.1	$45.00	$5.0	$52.00	$69.8
Jan	$41.	$33.9	$42.	$127.8	$42.	$1.9	$42.	31.8	$53.00	$10.0	$66.00	$141.1
Feb	$41.	$36.3	$42.	$137.0	$42.	$2.1	$42.	34.0	$53.00	$10.4	$64.00	$146.6
Mar	$32.	$22.0	$33.	$82.9	$33.	$1.3	$33.	20.6	$37.00	$5.6	$47.00	$78.5
Apr	$33.	$22.3	$34.	$84.1	$34.	$1.3	$34.	20.9	$37.00	$5.5	$47.00	$77.4
Cost of Option*		$154.0		$581.0		$8.9		$144.4		$41.1		$577.7

*** Purchase of the Option permits the Authority to change the amount of energy purchased on a monthly basis should loads change or if lower cost alternate sources are available.**

TABLE 1 (Continued)

RECOMMENDED BIDDER – CONTRACT FOR DIFFERENCES
(Bids at 60-70% Load Factor in dollars per MWH)

Niagara Mohawk Energy Marketing, Inc.

Month	NIMO Zone A 34 MW	Option Costs (000)	NIMO Zone B 3 MW	Option Costs (000)	RG&E Zone B 16 MW	Option Costs (000)	NIMO Zone C 53 MW	Option Costs (000)
Nov	$35.	$46.7	$35.	$3.9	$35.	$12.0	$36.	$68.2
Dec	$35.	$49.3	$35.	$4.1	$35.	$12.6	$36.	$72.0
Jan	$41.	$82.2	$41.	$6.8	$41.	$21.1	$42.	$120.1
Feb	$41.	$88.0	$41.	$73.0	$41.	$22.6	$42.	$128.6
Mar	$32.	$53.3	$32.	$4.5	$32.	$13.7	$33.	$77.9
Apr	$33.	$54.0	$33.	$4.5	$33.	$13.9	$34.	$79.0
Cost of Option		$373.5		$96.8		$95.9		$545.8

*** Purchase of the Option permits the Authority to change the amount of energy purchased on a monthly basis should loads change or if lower cost alternate sources are available.**

6. <u>Annual Review of Job Commitments</u>

The President submitted the following report:

SUMMARY

"Each year Authority staff initiates a review of all business power allocations and the customers' performance against agreed upon job commitments. In 1999, the 276 contracts reviewed by staff represent overall power allocations of 1,049.450 MW and total employment commitments of 135,699 jobs. In the aggregate, these customers reported actual employment of 150,138 jobs. This represents 110.64% of the total job commitment for industrial customers reporting in 1999. Nevertheless, there are 32 customers whose actual job levels are below the minimum threshold. Ten of these customers also had job commitments below the minimum threshold in 1998. In addition, four customers have requested productivity reviews.

"It is recommended that the Trustees 1) reduce the power allocation and job commitments for five companies; 2) grant termination authority for three companies; 3) approve the continuation of current power allocations to 23 companies that were below their job commitment levels; 4) modify the job commitment level for one company as a result of a change in job location; and 5) adjust the future job commitment levels for four companies that made productivity improvements.

BACKGROUND

"The contracts contain a customer commitment, to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, (80% for 'vintage' customers, with contract allocations prior to 1988), the Authority may reduce that customer's power allocation proportionately. A company may request a productivity review to have their job commitment reduced if the reduction in employment due to increased efficiency or improved technology.

DISCUSSION

"Of the companies reviewed in this item, staff recommends that five companies have their power allocations and job commitments reduced for the reasons discussed in Section I and 3 companies have their power allocation terminated as discussed in Section I-A. Staff also recommends that 23 companies be allowed to continue their current power allocations and job commitments as discussed in Section II and the job commitment level be modified for one company as a result of a change in job location, as discussed in Section II-A. Finally, staff recommends that four companies be allowed to maintain their power allocation at a lower job commitment level to reflect productivity improvements as discussed in Section III. A summary of all contracts discussed in this memorandum is provided as Exhibit '6-A'.

Section I.
Allocations and Job Commitments to Be Reduced

Bristol Myers-Squibb – Buffalo Technical Operations, Buffalo, Erie County

Allocation: 1,000 kW Expansion Power
Jobs Commitment: 610 jobs

Background: Bristol Myers-Squibb formerly Westwood Pharmaceuticals Inc., manufactures dry skin, anti-inflammatory and anti-fungal dermatological products. For the past year Bristol Myers-Squibb averaged 450.33 jobs, 73.83% of its commitment.

Recommendation: Staff recommends that the Trustees reduce Bristol Myers-Squibb's employment commitment by 160 positions to 450 positions and reduce the allocation by 250 kW to 750 kW.

Freezer Queen Foods, Inc., Buffalo, Erie County

Allocation: 1,400 kW Expansion Power
Jobs Commitment: 387 jobs

Background: Freezer Queen Foods, Inc., in business for 30 years, manufactures frozen food dinners. As a smaller manufacturer, Freezer Queen has had its shelf space in frozen food sections reduced due to competition, resulting in the loss of jobs. The company has taken aggressive measures to cut costs and to launch new higher margin lines to gain new business and expand its shelf presence. Capital investment has been made for infrastructure to improve efficiency. However, in 1998 Freezer Queen averaged 82% of its commitment and for the past year averaged 295.00 jobs, 76.23% of its commitment.

Recommendation: Staff recommends that the Trustees reduce Freezer Queen Food Incorporated's employment commitment by 92 positions to 295 positions and reduce the Expansion Power allocation by 350 kW to 1050 kW.

Graphic Controls Corp., Buffalo, Erie County

Allocation: 300 kW Replacement Power
Jobs Commitment: 672 jobs

Background: Graphic Controls Corp., formed in 1957, is a leader in the design, manufacture and distribution of industrial and medical recording charts. Since last year, 200 jobs were lost. For the past year Graphic Controls Corporation. averaged 407.92 jobs, 60.70% of its commitment.

Recommendation: Staff recommends that the Trustees reduce Graphic Control Corporation's employment commitment by 264 positions to 408 positions and reduce the Replacement Power allocation by 50 kW to 250 kW, the minimum allocation allowed for Replacement Power.

J. J. Cassone Bakery, Inc., Port Chester, Westchester County

Allocation: 300 kW Economic Development Power
Jobs Commitment: 350 jobs

Background: J. J. Cassone Bakery, Inc., in business since 1910, makes hearth-baked breads and rolls. Cassone reported that it had averaged 354 employees during 1999, however, an Authority on-site audit of the company's employment records found only an average of 208 employees for 1999. For the past year J. J. Cassone Bakery, Inc. averaged 208 jobs, 59.43% of its commitment.

Recommendation: Staff recommends that the Trustees reduce J. J. Cassone Bakery Incorporated's employment commitment by 142 positions to 208 positions and reduce the allocation by 120 kW to 180 kW.

New York/National Envelope Co., Long Island City, Queens County

Allocation: 1,350 kW Municipal Distribution Agency (‘MDA’) Power
Jobs Commitment: 588 jobs

Background: New York/National Envelope Company founded in 1951, manufactures and distributes envelopes and other paper products. For the past year New York/National Envelope Company averaged 373.08 jobs, 63.45% of its commitment.

Recommendation: Staff recommends that the Trustees reduce New York/National Envelope Company's employment commitment by 215 positions to 373 positions and reduce the MDA allocation by 500 kW to 850 kW.

Section I-A.
Allocations Requesting Special Trustee Authorization

CMP Publications, Inc., Manhasset, Nassau County

Allocation: 600 kW Municipal Distribution Agency (‘MDA’) Power
Jobs Commitment: 860 jobs

Background: CMP Publishing, Inc. (‘CMP’), in business since 1971, provides high technology publishing, information and marketing services. In June 1999 the company went through a merger and many jobs were moved to San Francisco. CMP would not allow the Authority’s auditors access to its employment records last year. At their meeting of September 28, 1999, the Trustees authorized the Authority to terminate CMP’s contract if the Authority’s auditors were not allowed in to review these records. In March 2000, CMP again prevented the Authority’s auditors from reviewing the proper payroll documentation.

Recommendation: Staff recommends that the Trustees authorize the full take back of the allocation.

ConAgra Inc., Buffalo, Erie County

Allocations: 700 kW Expansion Power and 1,100 kW Replacement Power
Job Commitments: 190 jobs and 180 jobs

Background: ConAgra Inc., in 1988 purchased the flour mill from International Multifoods. The mill was one of the region’s leading flour makers. The mill will be closing this year.

Recommendation: Staff recommends that the Trustees authorize the full take back of the allocation.

Euro United Corp., Buffalo, Erie County

Allocation: 1,000 kW Replacement Power and 1,400 kW Expansion Power
Jobs Commitment: 1,000 jobs and 500 jobs

Background: Euro United Corp., in NYS since 1996, manufactures injection molded plastics, as well as, importing and exporting third party products. Euro United is currently in bankruptcy

Recommendation: Staff recommends that the Trustees authorize the full take back of both allocations.

Section II.
Allocations to Continue With No Change

Avery Dennison Corporation, Buffalo, Erie County

Allocation: 250 kW Replacement Power
Jobs Commitment: 117 jobs

Background: Avery Dennison Corporation, in business at its current location since 1973, manufactures label products for office, manufacturing service and medical markets. Avery hired a new employee in the first quarter 2000. The company has plans to add two new presses this year and hire additional new employees to work the presses. For the past year Avery Dennison Corporation averaged 98.58 jobs, 84.26% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Burton Industries, North Babylon, Suffolk County

Allocation: 900 kW receiving 800 kW Economic Development Power
Jobs Commitment: 51 jobs

Background: Burton Industries, in business since the early 1970s, provides heat-treating services to the commercial and military aerospace industry. Burton uses electric and gas ovens to heat specialty metals to create the desired characteristics of those metals. For the past year Burton Industries averaged 45.00 jobs, 88.24% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Carborundum – Microelectronics, Sanborn, Niagara County

Allocation: 900 kW Replacement Power
Jobs Commitment: 35 jobs

Background: Carborundum - Microelectronics develops ceramics to dissipate the heat generated by electrical circuits, in order to make smaller, faster and more powerful computer chips and other heat sensitive devices. Carborundum - Microelectronics expect the market for its product to rise significantly during the next couple of years. For the past two years Carborundum – Microelectronics averaged 27.33 jobs, 78.09% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time but monitor the company's employment level and make a decision whether to reduce its allocation and/or commitment after the Authority receives job data through the last quarter of 2000.

Carborundum Abrasives Company, Niagara Falls, Niagara County

Allocation: 1,400 kW Replacement Power
Jobs Commitment: 639 jobs

Background: Carborundum Abrasives Company, in business at this location since 1984, produces sandpaper, grinding discs and foam seals. For the past year Carborundum Abrasives Company averaged 568.20, 88.92% of its commitment.

Recommendation: Staff recommends that the Trustees take no action.

Confer Plastics, North Tonawanda, Niagara County

Allocation: 300 kW Replacement Power
Jobs Commitment: 91 jobs

Background: Confer Plastics, in business since 1972, manufactures above-ground pool ladders and accessories, using the plastics blow molding process. Since December 1999, employment increased significantly. As of May 2000, Confer employs 93 people, over 100% of its commitment. For the past year Confer Plastics averaged 75.17 jobs, 82.60% of its commitment.

Recommendation: Staff recommends that the Trustees take no action.

Ellanef Manufacturing Corp., Corona, Queens County

Allocation: 1,700 kW Economic Development Power
Jobs Commitment: 335 jobs

Background: Ellanef Manufacturing Corp., founded in 1940, is the largest privately held manufacturer of aerospace-machined parts and assemblies in the nation. Ellanef manufactures parts for commercial industry and the defense industry, with Boeing, NASA, and IBM as major customers. A sharp downturn in the commercial airplane sector compounded with cancelled orders from Boeing resulted in the reduction of employees last year. Ellanef is aggressively seeking new business opportunities with Boeing in order to get the employment level back to the contracted level. For the past year Ellanef Manufacturing Corp. averaged 299.50 jobs, 89.40% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Fieldbrook Farms Ice Cream Inc., Dunkirk, Chautauqua County

Allocations: 1,000 kW Expansion Power and 2,000 kW Expansion Power
Job Commitments: 600 jobs and 600 jobs

Background: Fieldbrook Farms Ice Cream Inc., founded in 1914, is a major producer of ice cream and yogurt products. Since acquiring Dunkirk Ice Cream Company four years ago from the brink of closing, Fieldbrook Farms has made the facility efficient and competitive. Sales and volume are growing. Recently Fieldbrook Farms signed on a major new customer and is also starting a new product line. For the past year Fieldbrook Farms Ice Cream Inc. averaged 520.00 jobs, 86.67% and 86.67% respectively, of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

FMC Corp. – Peroxygen Chemicals, Tonawanda, Erie County

Allocation: 750 kW Replacement Power

Jobs Commitment: 153 jobs

Background: FMC Corp. – Peroxygen Chemicals, at this site since 1960, manufactures food-grade peroxygen chemicals. For the past year FMC Corp. – Peroxygen Chemicals averaged 135.92 jobs, 88.83% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

H. M. Quackenbush, Inc., Herkimer, Herkimer County

Allocation: 400 kW Economic Development Power
Jobs Commitment: 110 jobs

Background: H. M. Quackenbush, Inc., in business since 1871, manufactures housewares and also provides metal plating and finishing services for other companies. Reversing its plans to move from Herkimer to Frankfurt, H. M. Quackenbush has installed new processing equipment. The first quarter 2000 job average was 96 jobs. Once production increases in the coming months, jobs growth will increase as well. For the past year H. M. Quackenbush, Inc. averaged 84.92 jobs, 77.20% of its commitment. Staff will follow-up with the company in six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

Habasit Belting Inc., Buffalo, Erie County

Allocations: 250 kW Replacement Power and 250 kW Replacement Power
Job Commitments: 170 jobs and 170 jobs

Background: Habasit Belting Inc., in business since 1916, manufactures and supplies conveyor belts, mainly for food handling. For the past year Habasit Belting Inc. averaged 151.17 jobs, 88.92% and 88.92% respectively, of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Honeywell International, Buffalo, Erie County

Allocation: 300 kW Replacement Power
Jobs Commitment: 168 jobs

Background: Honeywell International ("Honeywell"), formerly Allied-Signal Inc. ('Allied'), has been a research and development lab since the early 1900s. Allied develops and produces atmospherically safe fluorocarbons. Honeywell is moving some out-of-state jobs to Buffalo. As of March 2000, seven jobs were added, bringing the company up to 89.88% of its commitment. Thirteen more jobs are expected to be added by October 2000. For the past year Honeywell averaged 144.00 jobs, 85.71% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Island Container Corp., Wheatley Heights, Suffolk County

Allocation: 450 kW Economic Development Power
Jobs Commitment: 128 jobs

Background: Island Container Corp. ('Island Container'), founded in 1956, produces corrugated sheets and boxes. Last year Island invested millions in new equipment to increase production. The company will be adding a third shift with at least nine new employees, by the end of the summer. For the past year Island Container averaged 107.00 jobs, 83.59% of its commitment. Staff will follow-up with the customer in six months.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>**Leica Inc.**</u>**,** Depew, Erie County

Allocation: 450 kW Expansion Power
Jobs Commitment: 315 jobs

Background: Leica Inc. ('Leica'), in business under various names since 1838, produces microscopes and precision ophthamalic instruments. For the past year Leica averaged 281.67 jobs, 89.42% of its commitment. However, employment as of April 2000, is 290 positions, 92.06% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>**Mele Manufacturing Co.**</u>**,** Utica, Oneida County

Allocation: 1,000 kW Economic Development Power
Jobs Commitment: 344 jobs

Background: Mele Manufacturing Co. ('Mele'), founded in 1912, manufactures jewelry cases, custom packaging and desk accessories, legal binders and custom injection molding. Due to ongoing problems in recruiting and retaining qualified production workers, Mele has been forced to use outside temporary labor as well as outside contractors in order to meet the production commitments. For the past year Mele averaged 297.82 jobs, 86.58% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>**Monofrax Inc.**</u>**,** Falconer, Chautauqua County

Allocation: 2,082 kW Expansion Power
Jobs Commitment: 380 jobs of which 68 jobs must be created by year three

Background: Monofrax Inc. ('Monofrax'), uses an electric furnace ceramic foundry to manufacture Monofrax Fused Cast Refractories, which are primarily used to line melting furnaces production of glass products. Monofrax's business is down this year but they expect business to turn slightly up over the next year and dramatically improve after that. For the past year Monofrax Inc. averaged 272.67 jobs, 87.39% of its commitment.

Recommendation: Staff recommends that the Trustees no action at this time.

<u>**Native Textiles**</u>**,** Glens Falls, Warren County

Allocation: 1,200 kW Economic Development Power
Jobs Commitment*:* 100 jobs

Background: Native Textiles, in business for over 100 years, produces textiles, especially lace and tricot. By December 1999, Native Textiles had 90 jobs. For the past year Native Textiles averaged 88.58 jobs, 88.58% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Pohlman Foundry Co.</u>, Buffalo, Erie County

Allocation: 450 kW Expansion Power
Jobs Commitment: 72 jobs

Background: Pohlman Foundry Co., in business for over a century, is a high quality jobbing foundry, producing gray and ductile iron castings that are parts of pumps, compressors, turbines, refrigerator units, machine tools and construction equipment. Last year saw a downturn in demand for iron castings, however, business since the end of 1999 significantly increased. This year new employees will be added and Pohlman expects to be meeting its commitment within a few months. For the past year Pohlman Foundry Co. averaged 61.00 jobs, 84.72% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time, but monitor the company's employment level and make a decision whether to reduce its allocation and/or commitment after the Authority receives job data through the last quarter of 2000.

<u>Special Metals Corp.</u>, Dunkirk, Chautauqua County

Allocation: 1,000 kW Expansion Power
Jobs Commitment: 81 jobs

Background: Special Metals Corp. ('Special Metals'), founded in 1952, a world leader in super-alloy technology, pioneered the vacuum induction melting method to produce super-alloys for military and civilian use in jet engine turbines. Nearly every jet engine in the free world has some alloy in it, produced by Special Metals. For the past year Special Metals averaged 71.21 jobs, 87.91% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Steuben Foods Inc.</u>, Elma, Erie County

Allocation: 5,000 kW Expansion Power
Jobs Commitment: 500 jobs

Background: Steuben Foods Inc., in business for over 20 years, using New York State agricultural products, develops and produces extended shelf life and aseptic food products for major food marketing companies, such as chocolate pudding and long life milk products. For the past year Steuben Foods Inc. averaged 393.00 jobs, 78.60% of its commitment. However, by August 2000, Steuben's employment level had risen to the contracted commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

<u>Syracuse China Company</u>, Syracuse, Onondaga County

Allocation: 2,000 kW Economic Development Power
Jobs Commitment: 500 jobs

Background: Syracuse China Company ('Syracuse China'), founded in 1871, manufactures high-end china for restaurants, hotels, universities and health care facilities. While job numbers are not yet at commitment, they are trending up and look positive for the rest of the year. For the past year Syracuse China averaged 438.00 jobs, 87.60% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Trico Products Corp., Buffalo, Erie County

Allocation: 250 kW Expansion Power
Jobs Commitment: 250 jobs

Background: Trico Products Corp. ('Trico'), founded in 1917, manufactures windshield wiper parts and systems. The reason for the low job numbers is that operations started shifting to the new facility in September. Trico has asked for a transfer of power to the new facility. In June 1998, the Empire State Development Corporation offered Trico support to help the company remain in business. The State incentives included a grant to support the creation of 30 new jobs by 2001. For the past year Trico averaged 163.50 jobs, 65.40% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time, but monitor the company's employment level and make a decision whether to reduce its allocation and/or commitment after the Authority receives job data through the last quarter of 2000.

Unison Industries, Norwich, Chenango County

Allocation: 1,500 kW Economic Development Power
Jobs Commitment: 375 jobs

Background: Unison Industries ('Unison'), established in the 1940s, manufactures electrical components for aerospace engine applications, such as engine exciters, alternators and ignition leads. Unison has invested capital to expand production and will be shifting jobs from out of state to the Norwich facility. Also, Unison is expecting a contract with Lockheed-Martin to begin soon. For the past year Unison Industries averaged 316.00 jobs, 84.27% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

World Class Film Corp., Yonkers, Westchester County

Allocation: 1,900 kW MDA Power
Jobs Commitment: 130 jobs

Background: World Class Film Corp. ('World Class Film'), established in 1992, produces extruded polyethylene film rolls, sheeting and bags. For the past year World Class Film averaged 112.00 jobs, 86.15% of its commitment.

Recommendation: Staff recommends that the Trustees take no action at this time.

Section II-A.
Job Commitment to Be Modified for Change in Location

Republic National Bank of New York, New York, New York County

Allocation: 700 kW Economic Development Power
Jobs Commitment: 1,462 jobs with 500 jobs at Hanson Place

Background: Republic National Bank of New York ('Republic National'), founded in 1966, with its headquarters on Fifth Avenue in Manhattan and back office in Brooklyn at One Hanson Place. Republic

National was purchased by HSBC Holdings plc this past year. Jobs that would have been at Hanson Place have been shifted to other locations within the city. For the past year Republic National averaged 2,042.67 jobs overall with 350.00 jobs at Hanson Place, 139.72% of its commitment overall and 70% of its commitment at Hanson Place.

Recommendation: Staff recommends that the Trustees reduce the employment commitment at Hanson Place by 150 positions to 350 positions while increasing the commitment by 150 positions to other locations where the Economic Development Power is used by the company.

Section III.
Allocations To Continue With Job Commitment Changes For Productivity Improvements

Carbon Graphite Group, Niagara Falls, Niagara County

Allocation: 23,900 kW Expansion Power
Jobs Commitment: 460 jobs

Background: Carbon Graphite Group (‘C/G’), formed from the assets of the Airco Carbon Division of the BOC Group, Inc. in 1988, produces graphite electrodes that are used in the electric furnace production of steel. C/G has made various productivity improvements through computerization and combining job functions. As a result of job combinations in the inspection department and bake department, as well as, a new $10 million dollar machining project, the automation and incorporation of computerized systems and installation of technologically advanced equipment and other modifications to existing equipment, C/G remains competitive in an extremely difficult market. Due to these job combinations and technological improvements the company requests that its job commitments for both Replacement Power and Expansion Power be reduced by 30 jobs and 159 jobs respectively, to reflect the benefits of C/G's efficiency and technological improvements.

Recommendation: Staff recommends that the Trustees reduce the job commitment for the Expansion Power allocation only, by 130 positions to 330 positions.

Delphi Automotive Systems LLC, Lockport, Niagara County

Allocation: 14,300 Expansion Power
Jobs Commitment: 6,297 jobs

Background: Delphi Automotive Systems LLC (‘Delphi’), a division of General Motors, supplies radiators and hi-tech temperature controlling systems for GM cars. Delphi requested a productivity improvement employment commitment reduction. Delphi has cut waste and focused heavily on productivity improvements, including major technological improvements in manufacturing, this past year. New assembly methods for condensers and HVAC, installation of an automated core block stacker, in addition to other machine improvements, and job combinations have resulted in significant efficiency improvement. Delphi requests that the employment commitment be reduced by 137 positions to 6,160 positions. For the past year Delphi averaged 6,402 jobs, 103.93% of its commitment.

Recommendation: Staff recommends that the Trustees reduce the job commitment for Delphi by 137 positions to 6,160 positions.

Ferro Electronic Materials Corp., Niagara, Niagara County

Allocation: 3,115 kW Replacement Power
Jobs Commitment: 302 jobs

Background: Ferro Electronic Materials Corp. ('Ferro'), in business for nearly a century, develops and produces titanium products and zirconium ceramic powders for the high-tech electronics, ceramics and metallurgical industries. The company's average 1999 employment was 249. The shortfall, 249 actual versus 302 committed (82%), was due in part to the $2.5 million of capital expenditures invested into the company's production and manufacturing line. The investments include installation of an automated product load/unload system, installation of a precision batch weigh system, and installation of a Computer Aided Design system. Ferro is seeking to reduce its job commitment by 26 jobs, making its new commitment 276 positions.

Recommendation: Staff recommends that the Trustees reduce Ferro's job commitment by 26 positions to 276 positions.

G.M. Powertrain, Buffalo, Erie County

Allocation: 1,100 kW Expansion Power
Jobs Commitment: 4,297 jobs

Background: GM Powertrain ('GM'), Tonawanda Engine Plant, in use since 1937, produces four types of internal combustion engines. GM has made aggressive productivity improvements over the past two years. Changes in relief practices in all machine floor operations, consolidation of crankshaft and piston repair, rebalancing workload, and automation of some workstations have resulted in significant efficiency improvement. GM requests a productivity improvement employment commitment reduction from 4,279 positions to 4,118 positions. For the past year GM averaged 3,953 jobs, 91.99% of its commitment.

Recommendation: Staff recommends that the Trustees reduce GM's employment commitment by 161 positions from 4,279 jobs to 4,118 jobs.

RECOMMENDATION

"The Manager – Business Power Allocations and Compliance and the Vice President – Major Account Marketing and Economic Development recommend 1) that the Trustees approve 1) reductions in the power allocations and job commitments for the five companies as outlined in this item; 2) grant termination authority for three companies; 3) approve the continuation of current power allocations for 23 companies specifically addressed in this item; 4) modify the job commitment level for one company as a result of a change in job location; and 5) adjust the job commitments for four companies due to productivity improvements as outlined in this item. In addition, it is recommended that the Trustees authorize the Manager – Business Power Allocations and Compliance to provide written notice to those companies whose power allocations and/or job commitments are being reduced.

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

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

RESOLVED, That the Trustees hereby 1) approve the reduction of power allocation and job commitments for five companies; 2) grant termination authority for three companies; 3) approve the continuation of current power allocations to 23 companies that were below their job commitment levels; 4)

modify the job commitment level for one company as a result of a change in job location; and 5) adjust the future job commitment levels for four companies that made productivity improvements, and be it further

RESOLVED, That the Manager - Business Power allocations and Compliance is hereby authorized to provide written notice to these companies whose allocations and job commitments are being reduced, to execute any and all documents necessary or desirable to effectuate the foregoing, 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.

7. Municipal and Rural Cooperative Economic Development Program - Allocations to the Jamestown Board of Public Utilities

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an allocation of power under the Municipal and Rural Cooperative Economic Development Program ('Program') to the Jamestown Board of Public Utilities ('Jamestown').

BACKGROUND

"The 1991 amendment to the power sales agreement between the Authority and the Municipal and Rural Cooperative Systems reserved 108,000 kW of power for economic development in the systems. As of October 28, 1998, 28,650 kW have been allocated.

"Power from this block can be allocated to individual systems to meet the increased electric load resulting from eligible new or expanding businesses in their service area. Under the guidelines established for the Program, an allocation to a system should meet a target number of new jobs per megawatt. The guidelines provide that for businesses new to a system, the jobs per megawatt ratio is considered on a case-by-case basis. For projects involving existing businesses, the number of jobs per megawatt is the number of new jobs as compared to the level of employment prior to the expansion. Specifically for companies employing 100 or less, the target ratio is 25 jobs per megawatt; for companies employing between 101 and 250, the ratio is 50; for companies employing between 251 and 500, the ratio is 75; and for companies employing over 500, the ratio is 100 jobs per megawatt.

"Jamestown has submitted an application for power under the Program for consideration by the Trustees.

DISCUSSION

"An application has been submitted on behalf of Anderson Screw Products, Inc. Anderson Screw Products is a privately held corporation that was founded in 1891 in Jamestown, NY. Anderson specializes in custom precision metal turned products and is well known as an industry leader in the markets it serves. Its products are used in various industries such as automotive, appliance, heavy vehicle parts, and business products. Typical product applications require more complex and tighter tolerance parts that are worth a premium to their customers.

"Anderson is planning an expansion project to enable it to enter new markets within its core business line. The expansion involves a 22,000 square foot addition to its existing facility and an investment of over $1,000,000 in new equipment, with anticipation of similar equipment investments annually for the next several years. Anderson currently employs 112 people. The expansion will provide for approximately 40 new jobs over the next three years, adding significant revenue to the local and state economies. The existing electrical load of approximately 500 kW is expected to increase by 60% to approximately 800 kW. It is recommended that the Trustees approve an allocation of 300 kW to Anderson Screw Products under the Program.

"The Municipal Electric Utilities Association Executive Committee supports the recommended allocation to Jamestown.

"The recommended allocation under the Program comprises half hydropower and half incremental power. In accordance with the Authority's marketing arrangement with the municipal and cooperative customers, the hydropower will be added to the recipient system's contract demand at the time a project becomes operational. The hydropower earmarked for this Program is presently sold to the municipal and cooperative customers on a withdrawable basis.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the Trustees approve the allocation of power under the Municipal and Rural Cooperative Economic Development Program to Jamestown in accordance with the attached memorandum of the President.

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

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

RESOLVED, That the allocation of power to the Jamestown Board of Public Utilities under the Municipal and Rural Cooperative Economic Development Program is hereby approved as set forth in the foregoing report of the President; and be it further

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

8. Municipal and Rural Cooperative Economic Development Program – Modification of Program for Partial Requirements Systems

The President submitted the following report:

SUMMARY

"The Municipal Electric Utilities Association ('MEUA') and the City of Jamestown, New York have requested the Trustees to approve a waiver of certain terms under the Municipal and Rural Cooperative Economic Development Program ('the Program'). The waiver would eliminate the requirement that one-half of the power needed to serve a customer under the Program be comprised of non-hydroelectric power purchased from the Authority. The other half is comprised of hydropower reallocated from other municipal and cooperative system customers.

BACKGROUND

"The 51 municipal and rural cooperative systems in New York State may participate in the Program. Currently Under the Program, a system may apply for an allocation of power, provided that it has an eligible business customer that is planning to create new jobs and increase electric load at a facility located in the system's service area. This Program is embodied in the 1991 Amendment to the power sales agreement between the Authority and each of the systems. Under the 1991 Amendment, a block of 108 MW of power is reserved for economic development in the municipal and rural cooperative systems, comprising equal portions of Authority hydroelectric and incremental power. To date, about 29 MW has been allocated to six full and eight partial requirements systems. Partial requirements systems participating in the program currently receive the hydropower and incremental power under Service Tariff 39A and Service Tariff 39B, respectively. These systems either generate or purchase from suppliers other than the Authority the power they require in excess of their Authority hydroelectric allocations.

DISCUSSION

"The current requirement that partial requirements systems purchase incremental power from the Authority to serve one-half of any Program allocation has been a disincentive to such systems' participation in the Program. Waiver of the Program requirements that the partial requirements systems purchase incremental power from the Authority will remove an obstruction to the utilization of the Program, optimize the use of our valuable hydropower and be responsive to a request from our customers. The waiver would allow the partial requirements systems to use incremental power from their own sources in conjunction with Authority hydropower. Of course, the full requirements systems will continue to purchase from the Authority all incremental requirements, including those associated with the Program.

RECOMMENDATION

"The Manager - Municipal and Cooperative Marketing recommends that the Authority waive the provisions of the Municipal and Rural Cooperative Economic Development Program to allow the partial requirements systems participating in the Program to use incremental power from their own sources in conjunction with Authority hydropower.

"The Senior Vice President - Marketing and Economic Development, the Executive Vice President, Secretary and General Counsel, and I concur in the recommendation."

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

RESOLVED, That the Authority waive enforcement of the provisions of the Municipal and Rural Cooperative Economic Development Program to allow the partial requirements systems participating in the Municipal and Rural Cooperative Economic Development Program to use incremental power from their own sources in conjunction with Authority hydropower, as recommended in the foregoing report of the President.

9. Selection of Nuclear Decommissioning
Trust Fund Investment Managers

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the selection of BlackRock Financial Management ('BlackRock') and Tattersall Advisory Group ('Tattersall') to provide investment management services for the fixed income portion of the Authority's Nuclear Decommissioning Trust Fund for a three year term which may be extended by the Authority for an additional two years.

BACKGROUND

"Pursuant to the Nuclear Regulatory Commission ('NRC') ruling, NUR-0584, the Authority established a Nuclear Decommissioning Trust ('Trust') in 1990. The monies must be beyond the Authority's day-to-day administrative control and, accordingly, the Authority competitively selected two professional investment managers to manage the funds in the Trust and the Bank of New York as Trustee. Current fund balances are expected, together with earnings on these balances, to be sufficient to pay the costs of decommissioning the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants upon expiration of their licenses in 2014 and 2015, respectively.

"As of June 30, 2000, the balance in the Trust was $647 million. Of this amount $485 million was invested in fixed income securities. Under the Purchase and Sale Agreement with the prospective Entergy Corp. subsidiary owners of the plants ('Entergy'), the Authority will retain authority for management of the Trust, but will not have to contribute any additional funds to insure that sufficient monies are available to pay the costs of decommissioning the plants at license expiration.

"The Trust funds are actively managed, with the objective of preserving principal and maximizing the earnings on the funds. The Trust authorizes the investment managers to invest in government and municipal securities and high quality corporate bonds rated 'AA' or better. As part of the sale of the Authority's nuclear facilities to Entergy, the guidelines will be amended to increase the portion of equities in the fund to 35% from 25%. This amendment has not taken effect yet, but will become effective on the closing. The guidelines are not expected to be amended thereafter. Currently, the existing guidelines are in effect.

"The two investment managers the Authority retained in 1995 were Strong Capital Management, Milwaukee, WI ('Strong') and Dresdner RCM Global Investors, San Francisco, CA ('RCM'). Performance has met or exceeded the benchmark, the Lehman Aggregate Bond Index (the 'Index'), three of the last four years (1996-1999). The Index is used as a benchmark because it is representative of the universe of investments allowable under the guidelines of the Trust and has a duration of five years on average. This duration over time produces optimal returns while mitigating market risk. During the current contract period beginning October 1, 1995 and through June 30, 2000, the managers' average annualized rate of return, net of management fees, has exceeded the Index by six basis points.

DISCUSSION

"With the current investment managers' contracts due to expire, the Authority solicited proposals from 18 firms known to provide these services and advertised the request for these services in the Contract Reporter. The Authority received 16 proposals for investment management services, all of which were evaluated and deemed to be qualified bids.

"Because a high level of performance in the Trust funds is the primary factor in preserving principal and maximizing earnings, staff determined each firm's average fee-adjusted, four-year return for managed portfolios with an intermediate duration of four to five years. Based upon staff's calculations, the following three firms were the top performers: Insight Investment Management; BlackRock Financial Management and Tattersall Advisory Group.

"Staff then reviewed the year-to-date performance through July 31, 2000 for each of the three firms, as well as the performance of the current managers, RCM and Strong. The average annualized rates of return, net of fees, for each of the firms during the period January 1, 1996 through July 31, 2000, as compared to the Index were as follows:

Firm	**Rate of Return**
Insight	6.17%
BlackRock	6.06%
Tattersall	5.97%
Strong	5.80%
RCM	5.71%
Index	5.70%

"Using a numerical point system, the five firms were examined further. Considered second to performance was the consistency of each manager's yearly performance returns, i.e., whether they had consistently exceeded the Index, exhibited a trend, or produced sporadic returns. Finally, qualitative factors were considered, including caliber and depth of personnel, the firm's technological support, and credit research capabilities.

"While Insight had the highest average rate of return for the period, this was accomplished by maintaining a duration significantly shorter than that of the Index. Guidelines established for the Authority's Trust will not allow a deviation in duration of more than 10% of the Index. The shorter duration, coupled with Insight's less consistent performance during the period, has led staff to eliminate Insight from consideration.

"BlackRock and Tattersall now rank first and second based upon their high returns and consistency of performance during the period. BlackRock has exceeded the Index each of the five years, and Tattersall has exceeded it four out of five years. Strong and RCM ranked third and fourth based on returns and consistency of returns with each exceeding the Index three of the five years.

"Further, staff believes that BlackRock and Tattersall's technological support, credit research, market capabilities and personnel will provide excellent benefits to the Authority. BlackRock , located in New York City, manages $177 billion in assets with $97 billion in fixed income. Tattersall, located in Richmond, VA, manages $7 billion in fixed income assets.

"Staff recommends that BlackRock and Tattersall each be awarded a three-year investment management contract, to commence on November 1, 2000, which may be extended for an additional two years at the Authority's option. The Authority will reserve the right to terminate these services on thirty days' notice. Staff will closely monitor performance and submit summary reports quarterly to the Trustees highlighting the investment managers' performance. The Authority's Trustees will also be provided with an annual report on the investment managers' performance.

<u>FISCAL INFORMATION</u>

“Fees for trust investment management services will be paid from the Trust funds based upon the fee schedule set forth in Exhibit ‘9-A’. Based upon June 30, 2000, Trust fund balances, management fees for one year would be $585,000. The fees will be paid from the Trust.

RECOMMENDATION

“The Deputy Treasurer and the Treasurer and recommend that the Trustees approve the appointment of BlackRock Financial Management and Tattersall Advisory Group to provide investment management services for the Nuclear Decommissioning Trust.

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

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

RESOLVED, That BlackRock Financial Management and Tattersall Advisory Group be, and hereby are, appointed to serve as investment managers for the Master Decommissioning Trust under such terms and conditions as the Senior Vice President and Chief Financial Officer, Treasurer or Deputy Treasurer, deems advisable for a term of three years, commencing November 1, 2000, and each of the foregoing officers is authorized to execute a contract with such companies to effectuate this resolution, having such terms and conditions as deemed necessary or advisable by such officer; subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, and be it further

RESOLVED, That the Senior Vice President and Chief Financial Officer, Treasurer and Deputy Treasurer be, and each hereby is, authorized to execute, if such officer deems it advisable, on behalf of the Authority, one two-year extension to each investment manager’s contract 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.

10. Amendment to the 1997 Revolving Credit Agreement

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the amendment of the 1997 Revolving Credit Agreement so as to (1) increase the fee paid to participating banks to ten basis points (10/100 of 1%) from the present eight basis points; and (2) extend termination date three months to January 10, 2001, with an option to extend for an additional three month period under the revised terms.

BACKGROUND

"The 1997 Revolving Credit Agreement with The Bank of The Nova Scotia, an agent, and a syndicate of banks, which provides liquidity support for the Authority's Series 4 Commercial Paper Notes, will expire on October 10, 2000. The banks have advised the staff that market conditions, along with the increasing cost of capital, now require that pricing be increased to ten basis points.

DISCUSSION

"The Authority had anticipated that it would convert the Series 4 Commercial Paper Notes to Fixed Rate Bonds prior to the expiration of the 1997 Revolving Credit Agreement on October 10, 2000. The conversion will not take place until sometime after the closing of the nuclear sale. Consequently, it is recommended that the 1997 Revolving Credit Agreement be amended to provide for the increased fee, be extended until January 10, 2001 and contain an option to extend for an additional three months.

RECOMMENDATION

"The Treasurer recommends that the Trustees approve the extension of the existing 1997 Revolving Credit Agreement, with amendments to increase the fee and extend the term of the Agreement to January 10, 2001, with an option to extend for an additional three-month period.

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

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

RESOLVED, That the Trustees authorize the execution by the Treasurer, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, on behalf of the Authority, of an amendment to the 1997 Revolving Credit Agreement between the Authority and The Bank of Nova Scotia, as Agent, and the banks listed in such Agreement, to extend the term of such Agreement until January 10, 2001, to allow for an optional three month extension by the Authority and to amend such Agreement to increase the fees paid under such Agreement by the Authority to ten basis points, and with such amendment having such additional terms and conditions as the Treasurer deems necessary or advisable to effectuate the intent of this Resolution; and be it further

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, the Senior Vice President and Chief Financial Officer, the Treasurer, and the Deputy Treasurer, are, and each hereby 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.

11. St. Lawrence/FDR Power Project - Life Extension and Modernization Award of Contract for Unit Power Centers and Other Electrical Equipment to Voith Siemens Hydro Power Generation

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the award of a contract in the amount of $2,987,514 to Voith Siemens Hydro Power Generation, Inc. ('Voith Siemens') for delivery of 16 sets of Unit Power Centers ('UPC'), Motor Control Centers ('MCC') and other auxiliary power equipment for the St. Lawrence/FDR Life Extension and Modernization Program.

"The Authority has issued a purchase order release in the amount of $334,987 for the first unit in order to maintain our schedule. This item requests authorization to award a contract to Voith Siemens for the remaining 15 units in the amount of $2,652,527 for a total contract value of $2,987,514.

BACKGROUND

"At their meeting of November 25, 1997, the Trustees approved the initiation of a program estimated to cost $254,000,000 to renew the generation assets of the St. Lawrence/FDR Power Project and also authorized capital expenditures of $2,211,000 to begin the engineering effort and to continue refurbishment tasks in progress. The Trustees were informed that the Life Extension and Modernization program would begin in 1998 and would require about 15 years to complete.

"At their meeting of July 28, 1998, the Trustees authorized additional expenditures in the amount of $16.2 million for modernization of the first unit. Funding for the first UPC and MCC set of equipment was included in this last authorization.

DISCUSSION

"The St. Lawrence Project/FDR Power ('St Lawrence Project') has operated reliably for more than forty years with its original electrical equipment such as MCCs, transfer switches, electrical distribution panels, and other auxiliary equipment. Many of these components have reached the end of their useful life and need to be replaced in order to maintain plant reliability.

"A Request for Proposals was issued on March 16, 2000, describing the scope for furnishing and delivery of UPC, MCC and other equipment. Addenda 1 and 2 were issued on April 5, 2000 and April 21, 2000, respectively. On April 4, 2000, a pre-bid site visit was attended by two prospective (Square D and Benfield) bidders.

"On May 2, 2000, three proposals were received in response to public advertisement. The as-received prices are summarized as follows:

	Bidder	Price
1.	Voith Hydro, Inc. York, PA	$2,756,582 (Not Firm Price)
2	Benfield Control Systems, Inc. White Plains, NY	$3,688,875 (Firm Price)
3.	CED Baldwin-Hall Massena, NY	Incomplete Bid

"An Evaluation Committee consisting of representatives from the St. Lawrence Project, Procurement, Engineering, and Project Management reviewed the bids and met with Voith Hydro and Benfield Control Systems, to obtain additional information.

CED/Baldwin Hall

The CED/Baldwin Hall proposal was for the UPCs and MCCs only. Exceptions were taken for all of the other specified equipment, which included all of the automatic and non-automatic transfer switches, 125V DC Power Panels, 480V Emergency Power Panels, rotary disconnect switches, Headgate Transformers, Headgate Circuit Breakers, Sump Pump Motor Starters, and the Headgate Portable Motor Control Unit.

The proposed Headgate MCC exceeded the maximum available space and would not fit. In addition, if the transfer switches (automatic and non-automatic) had to be purchased separately and could not be incorporated into the MCC line-up, it would not be possible to mount these devices due to limited space. Purchasing the additional equipment separately would have introduced a schedule delay and increased the engineering and design costs.

CED/Baldwin Hall was not given further consideration for the reasons listed above.

Benfield Control Systems

Benfield Control Systems' ('BCS') initial proposal included all of the required equipment including Allen-Bradley combination starters and solid state overloads but lacked the required detailed information. A meeting was arranged with BCS to discuss their bid. Based on the meeting, BCS re-submitted a more detailed proposal that indicated that the Headgate MCCs would contain all of the specified equipment, including all of the transfer switches. In addition, all of the equipment would be National Electrical Manufacturer's Association ('NEMA') rated and the Headgate MCC would meet the critical dimensions of the Headgate area.

BCS could supply all of the required equipment, and all components would meet the technical requirements of the specification.

The Quality Manual from Benfield was reviewed and found acceptable. Benfield did not take any commercial exceptions.

Benfield did not provide a preliminary subcontracting plan as required for its proposed use of Minority/Women Owned Business Enterprises. Benfield did not provide an EEO policy statement. Also, Benfield did not provide a staffing plan as required by Equal Employment Opportunities Appendix G of the Bid Documents.

Voith Siemens

The initial proposal included all of the specified equipment and offered Allen-Bradley combination starters and solid state overloads. However, the proposed Headgate MCC was too wide for the location. Subsequently, a meeting was held with Voith to resolve this and other exceptions. Based on this meeting, Voith re-submitted their proposal. The re-designed Headgate MCCs would accommodate all of the equipment including the transfer switches and would meet all of the critical dimensions. However, in order to accomplish this, International Electric Commission ('IEC') rated motor starters would be used for the Hoist Gate Motors. The Authority's specification required equipment built to NEMA standards.

Since the headgates typically operate only once or twice per year, and based upon review of motor starter 'life load' curves for the proposed motor starters, (approximately 250,000 operations), the IEC rated starters for the Headgate are acceptable.

Voith's Quality Manual was reviewed and found acceptable.

Voith Siemens had taken three commercial exceptions that were negotiated to mutual acceptance by the Authority and Voith Siemens. They also listed a combination of 57 technical comments, clarifications and exceptions, all of which were resolved.

Voith Siemens did provide a response to the M/WBE subcontracting requirements by indicating on Attachment No.1 of Appendix C that they would be using a M/WBE firm for transportation services. They also provided a staffing plan as required by Appendix 'C' entitled 'Equal Employment Opportunities'.

The revised proposals for all 16 units including training and reflecting all technical corrections, fixed prices, and a five-year warranty were as follows:

	Schedule	
Bidder	Accelerated	Base
Voith Siemens	$2,987,514	$3,317,340 (Firm)
Benfield	$3,689,002	$4,156,006 (Firm)

FISCAL INFORMATION

Payments will be made from the Capital Fund.

RECOMMENDATION

"Accordingly, based upon Voith Siemens' low price and technical acceptable proposal, the Trustees are requested to approve award of a contract to Voith Siemens for the delivery of 16 sets of UPCs, MCCs, and other auxiliary electrical equipment.

"The Regional Manager – Northern New York, the Vice President and Chief Engineer - Power Generation, the Vice President – Procurement, and the Vice President – Project Management recommend that the Trustees approve the award of a contract in the amount of $2,987,514 to Voith Siemens Hydro Power Generation, Inc. for the delivery of 16 sets of auxiliary electrical equipment.

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

Trustee McCullough stated that he would abstain from voting on the proposed resolution.

The following resolution was adopted by a vote of four in favor and one abstention, as noted.

RESOLVED, That approval is hereby granted to award a contract to Voith Siemens Hydro Power Generation, Inc. in the amount listed below and to commit funds for delivery of 16 sets of Unit Power Centers, Motor Control Centers, and associated electrical equipment for the Life Extension and Modernization of the St. Lawrence/FDR Power Project; and be it further

RESOLVED, That the Executive Vice President – Project Operations or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel, to effectuate the foregoing.

Capital	**Contract Approval**
Voith Siemens Hydro Power Generation, Inc.	
Contract Award Amount Requested	**$2,652,527**
Purchase Order Release Previously Approved	**$334,987**
Total Contract Value	**$2,987,514**

12. Niagara Power Project - Approval of Lease of Authority Lands to the Village of Lewiston

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an agreement with the Village of Lewiston ('Village') providing for the Authority to lease to the Village approximately 47 acres of land located in the Town and Village of Lewiston, known as the Plateau, owned by the Authority or under the Authority's jurisdiction. The lease will be for a term of 25 years and for a consideration of $1.00 payment waived.

BACKGROUND

"By letter dated July 27, 1999, the Village asked the Authority to lease or convey approximately 47 acres of land to the Village for development of a public recreation/environmental site. In an August 12, 1999 response to the Village, the Authority indicated that subject to the approval of its Board of Trustees, it would lease the 47 acres sought by the Village for the purposes outlined in the Village's July 27, 1999 letter.

"The 47 acres was until recently a portion of the Earl W. Brydges Artpark complex under a 25-year lease to the State Office of Parks, Recreation and Historic Preservation ('OPR&HP'). That lease expired September 30, 1999, and the Trustees authorized its renewal on September 28, 1999. As a result of the limited use of the subject land by OPR&HP and the proposal by the Village, the 47-acre Plateau was not to be included in the Artpark lease renewal.

"The Village's development of the Plateau as presently proposed will include construction of five soccer/lacrosse/hockey athletic fields, including space for spectators, covering an area of approximately 10.5 acres. Approximately 34 acres will be set aside for wildlife habitat and more passive recreation. The remaining acreage along an access road, adjacent to the athletic fields, will be utilized as a parking area for approximately 60 to 80 vehicles.

"OPR&HP has granted $350,000 to the Village through the State 1993 Environmental Protection Act for this proposed development. The grant is to be matched locally and will create a $700,000 project. The project has widespread public support through cash or in-kind services.

DISCUSSION

"The Plateau is situated outside the Federal Energy Regulary Commission Niagara Project boundary. The Village proposal would place under local control, what is for the most part, a large, visible, presently vacant parcel. The soccer fields occasionally will be utilized for soccer tournaments, thereby drawing visitors to the area with a consequential beneficial economic impact for the community.

"Development of a wildlife viewing and grassland habitat area on approximately 34 acres would promote the Authority's role as a sensitive custodian of the environment through restoration of an area directly impacted by the construction of the Niagara Project. Also, as ecotourism is of major importance to the Niagara Falls area, the development of an esthetically pleasing environment at the north entrance to the Niagara Gorge will aid in attracting visitors to the area.

FISCAL INFORMATION

"The agreement with the Village will have no fiscal impact on the Authority.

RECOMMENDATION

"The Regional Manager - Western New York, the Vice President - Procurement and Real Estate, and the Vice President - Policy and Governmental Affairs recommend that the Trustees approve the use by the Village of the lands known as the Plateau substantially in accordance with the attached agreement on lands located as depicted on Exhibit '12-A' of that agreement.

"The Director – Environmental Programs, 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."

Chairman Rappleyea warmly welcomed the Honorable Richard Soluri, Mayor of the Village of Lewiston, and on behalf of the Authority's Trustees, accepted the ceremonial payment of one (1) dollar in consideration of the leased lands.

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

RESOLVED, That the Authority hereby approves for the consideration of $1.00 payment waived the lease by the Authority to the Village of Lewiston of approximately 47 acres of land known as the Plateau located in the Town and Village of Lewiston, Niagara County, as shown on Exhibit "12-A" attached hereto, for a period of 25 years on the terms as generally set out in this report; and be it further

RESOLVED, That the Authority hereby determines that the above-described agreement is on terms beneficial to the State of New York and the Authority; and be it further

RESOLVED, That the Vice President – Procurement and Real Estate or the Director – Real Estate of the Authority be, and is authorized to execute, on behalf of the Authority to the Village of Lewiston, a lease for a term of 25 years, in such form as approved by the Executive Vice President, Secretary, and General Counsel of the Authority, as well as to execute on behalf of the Authority any and all other agreements, papers, or instruments that may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

13. Procurement (Services) Contracts – James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-Nuclear Facilities; and Headquarters Offices – 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 '13-A' for the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Offices. In addition, the Trustees are requested to approve an increase in the combined compensation ceiling to $48,330,891 from the previously approved amount of $38,690,994 of the procurement contracts with Westinghouse Electric Company, LLC and Siemens Westinghouse Power Corporation, for integrated outage services in support of Refueling Outage 11 ('RO11') at IP3; this constitutes the last cycle of the original three-outage services agreement with Westinghouse Electric Corporation. 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 '13-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 for the Authority's convenience, 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. In addition, an assignment provision will be included in each change order issued for contract extensions in support of the Authority's nuclear plants. This will provide the Authority the ability to assign such contracts to any new owner or operator of the nuclear plants.

"Extension of each of the contracts identified in Exhibit '13-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 facilities and Headquarters Business Units:

"The contract with **Biedermann, Hoenig, Massamillo & Ruff (4500020544)** provides for legal services with respect to aviation matters, including the purchase and sale of aircraft. The original agreement, which was awarded on a sole source basis, became effective on September 30, 1999 for a term of one year. At their meeting of April 18, 2000, the Trustees authorized the President to conduct a study of the need to replace or supplement the Authority's current aircraft. The Authority required counsel experienced in Federal Aviation Administration regulatory matters, various industry issues, as well as certain methods of operation, or prospective operation, of aircraft owned by the Authority. A survey of firms under contract with the Authority led to the conclusion that none had the specific and extensive aviation practice as that of Biedermann, Hoenig, Massamillo & Ruff. This firm was qualified, available and able to provide the requisite services on short notice. The study involved continued consideration of matters on which the Authority has had Biedermann's preliminary opinion. A one-year extension is now requested in order to continue such services, as may be required, until all such matters under consideration have been resolved. The current contract amount is $10,000; it is anticipated that an additional $25,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through September 30, 2001 and to approve the additional funding requested.

"The contract with **CME Associates Inc. (4500006842)** provides for inspection and testing services (soil and concrete) for site construction work in support of the Convertible Static Compensator ('CSC') Project at the Frederick R. Clark Energy Center. The original award, which was competitively bid, became effective on June 8, 1999 for a term of one year. A four-month interim extension through September 30, 2000 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, subject to the Trustees' ratification. Due to changes in scope and delays in schedule, an additional eight-month extension is now requested in order to continue services, as may be required, for the duration of the CSC Project. The current contract amount is $16,106; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and to extend the subject contract through June 7, 2001 with no additional funding requested.

"The contract with **Digital Dreams Media Inc. (4500015198)** provides for video editing services to support the Authority's corporate video news magazine, internal and external corporate communications, video news releases, news conferences and special events, and multimedia projects. The original award, which was competitively bid, became effective on November 1, 1999, for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested to exercise this option in order to continue to provide such services, as well as to assist in the shutdown and dismantling of the video edit facility in the New York Office and the planning, design and video engineering of the new edit studio to be built at the White Plains Office. The current contract amount is $66,000; it is anticipated that an additional $71,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 31, 2001 and to approve the additional funding requested.

"The contract with **Foster Miller Technologies Inc. (4500011785)** provides for the development of a small, cost-effective Micro Data Acquisition Unit ('MDAU') prototype to monitor vibration and air gap on hydroelectric generators. This technology will be implemented at the St. Lawrence/F. D. Roosevelt Power Project as part of the life extension and modernization ('LEM') program; at a later time, it will be implemented at the Niagara Project. The MDAU is one of the key building blocks required for implementing the Machine Condition Monitoring and Expert Diagnostic System. From experience derived at the Blenheim-Gilboa Project with the Automated Remote Monitoring System, the concept of the MDAU was developed to take advantage of recent technology advances in hardware and software tools. The MDAU concept incorporates both vibration and air gap monitoring into one hardware platform (as opposed to the two independent systems installed at B-G). The MDAU will be capable of acquiring and processing data from eight vibration and four air gap signals and will be connected to a local area network. The benefits of implementing this technology at St. Lawrence include O&M savings resulting from reduced operator surveillance, automation of vibration monitoring and analysis, and the ability to implement a predictive maintenance program on the basis of equipment condition. Avoided cost savings include early detection and prevention of catastrophic failures of bearings and other mechanical components.

"The original contract became effective on November 25, 1999 for a term of one year. Due to initial delays in the start of prototype development, the current need to conduct six months of continuous field testing and refinement of the MDAU prototype on an existing (i.e., non-modernized) unit, to be followed by additional performance validation and acceptance of the final product (allowing sufficient time for any additional adjustments that might be required during and after its permanent installation on the first St. Lawrence modernized unit), a thirteen-month extension is now requested. Additional MDAU's will be purchased for the other fifteen St. Lawrence units as they are modernized. The current contract amount is $350,000; it is anticipated that an additional $150,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2001 and to approve the additional funding requested. It should be noted that the Authority owns the product, has licensed it to the vendor for commercialization purposes, and expects to receive royalties.

"The contract with **Four Seasons Land Management Company, Inc. (C97-Z0038)** provides for landscaping and snow removal services for the Authority's White Plains Office located in the Centroplex Building. The original award, which was competitively bid, became effective on April 3, 1997 for an initial term of one year, with an option to extend for one additional year. At their meeting of March 31, 1998, the Trustees approved an extension through April 2, 1999, as well as additional funding. An additional one-year extension was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures; the contract was extended for six-months beyond that term with additional funding for a significant amount of work performed this season by the contractor. An additional three-month extension is now requested to continue to provide services while the contract is rebid. The current contract amount is $164,200; it is currently anticipated that an additional $50,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to ratify the interim extensions and additional funding, to approve the additional extension of the subject contract through December 31, 2000, and to approve the additional funding requested.

"The contract with **General Electric Company (S98-00622)** provides for a two phase Hybrid Energy Storage Development Program ('HESP'), whose goals include demonstrating major reductions in overall tailpipe emissions and petroleum fuel usage, life extension of hybrid propulsion system batteries, and significant reduction in the weight of the advanced energy storage system. The original award, which was cofunded by the Electric Power Research Institute ('EPRI'), Southern California Edison and General Electric, became effective on March 12, 1998. Phase I included a detailed hybrid energy system configuration study for 40 foot hybrid electric transit buses (40,000 lbs. Gross Vehicle Weight), complete with laboratory testing of a sub-scale energy management system and fast charge system using a combination of ultracapacitors and batteries with appropriate power electronic interface hardware. At their meeting of June 29, 1999 the Trustees approved an extension through December 31, 1999. Extensions for a cumulative nine-month term were subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. Based on the successful completion of Phase I, interim approval was recently obtained from the Senior Vice President – Energy Services & Technology to initiate Phase II, subject to the Trustees' ratification and approval. The initial task of Phase II involves an engineering analysis and preliminary design of the energy storage/energy management system for the full-scale laboratory system test and vehicle demonstration, as well as the specification of all requisite equipment, and a configuration/system study with a control strategy which would enable operation for periods in a pure electric mode. Additional configuration studies will be performed to establish the feasibility of applying a hybrid energy storage system to other hybrid heavy-duty vehicles (up to a Gross Vehicle Weight of 66,000 lbs.), including motor coaches, articulated buses and sanitation trucks. The current contract amount is $530,000; it is anticipated that an additional $385,000 will be required for the extended term, increasing the total contract amount to $915,000. It should be noted that the Authority's share of the current contract amount is $265,000. Phase II tasks will be cofunded by EPRI and General Electric; the Authority's total share of the contract would be $525,000. The Trustees' approval is requested to ratify the interim extension and funding to initiate Phase II, to extend the subject contract through January 31, 2002 and to approve the additional funding requested.

"The contract with **Hood-Patterson & Dewar Inc. (4500009579)** provides for the development of a Windows-based software upgrade data acquisition and analysis program, which serves as an analysis tool for monitoring harmonics on the New York State bulk transmission system. The increased use of solid-state equipment to improve system voltage levels generates harmonics (resonance conditions that can have potentially harmful effects on electrical systems and apparatus). To improve the reliability and efficiency of its transmission facilities, the Authority has already installed a Harmonics Measurement System ('HMS'), consisting of various hardware (including satellite synchronized phasor measurement units) and software. The HMS helps to identify sources of harmonics and to trend and analyze harmonic levels. The new software will work with existing specialized HMS hardware to upgrade the data acquisition and analysis program that monitors system harmonics. Staff plans to use this software upgrade during startup and commissioning of the Convertible System Compensator project being installed at the Clark Energy Center.

"The original contract, which was competitively bid, became effective on October 1, 1999 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 the option in order to complete all project tasks. The current contract amount is $75,075; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through September 30, 2001 with no additional funding requested. It should be noted that the Authority owns the product, has licensed it to the vendor for commercialization purposes, and expects to receive royalties.

"The contract with **Katz Bookbinding Company (4500007808)** provides for bookbinding services for Minutes of the Trustees' meetings. The original contract, which was competitively bid, became effective on June 29, 1999 for a term of one year. A one-year extension is now requested in order to continue services, particularly to complete the binding of the Minutes through 1999 and to provide any other related binding services, as may be determined. The current contract amount is $8,600; it is anticipated that an additional $6,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 28, 2001 and to approve the additional funding requested.

"The contract with **Langlois Gaudreau (4500001470)** provides for legal services concerning Canadian legal issues and energy matters, including but not limited to contractual issues between the Authority and Hydro-Quebec. The contract, which was awarded as the result of a competitive search, became effective on October 15, 1999. At their meeting of December 15, 1998, the Trustees approved an initial two-year award in the amount of $150,000 for the first two years, with an option to extend for two additional years. The Authority was originally involved in a dispute with Hydro-Quebec and Consolidated Edison Company of New York ('Con Edison') concerning delivery of energy under the 800 megawatt Diversity Power Contract. The dispute required an interpretation of the contract between the Authority and HQ, which by its terms is governed by the laws of Quebec. Although this matter has been resolved, there is an ongoing need for continuing legal support and assistance on Canadian energy matters in general, particularly in light of the dramatic structural changes underway in the provinces of Ontario and Quebec. A two-year extension is now requested to exercise the contract option in order to provide continued services. The current contract amount is $150,000; it is anticipated that an additional $65,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through October 14, 2002 and to approve the additional funding requested.

"The contract with **Pepco Energy Services (4500016038)** provides for marketing consulting services, which include, but are not limited to, assisting Authority staff in developing, planning and executing risk management analyses, objectives, and strategies to enable the Authority to respond successfully to the changing power market, fuel market and generation resource conditions. The original contract, which was competitively bid, became effective on December 1, 1999 for an initial term of one year, with an option to extend for up to two additional years. A thirteen-month extension is now requested to exercise the option in order to continue such services. The consultant's expertise is needed to assist the Authority in the timely development of an effective risk management program which would incorporate additional requirements related to the startup of the

Independent System Operator ('ISO') and the sale of the nuclear plants. Work tasks include: developing hedging strategies associated with ISO and fuel market exposure; assisting the Authority in implementing a Risk Tracking System; finalizing the policies and procedures for risk management; and assisting the Authority in developing risk limit structure and timely accurate reporting to appropriate levels of management. In accordance with the Authority's Expenditure Authorization Procedures, the President authorized additional funding (in the amount of $250,000) to support the aforementioned expanded requirements. The current contract amount is $375,000; it is anticipated that an additional $300,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through December 31, 2001, to ratify the funding previously authorized by the President, and to approve the additional funding requested.

"The contract with **Pioppi Video Entertainment Corp. (4500015186)** provides for video production and post-production services, including but not limited to: creative concept and program development, research, writing, booking talent and crew, field producing and directing, advising on equipment and software purchases and upgrades, consulting on new technologies, as well as performing editing, graphics and animation design services. The original award, which was competitively bid, became effective on November 1, 1999, for an initial term of one year, with an option to extend for an additional year. A one-year extension is now requested to exercise the contract option in order to continue to provide such services. In addition to the primary tasks involving video editing and production services to support various projects, Business Units, and facilities (e.g., production of the quarterly corporate video news magazine, video news releases for broadcast and cable, news conferences, Trustees' meetings, documentaries, training/safety videos, videos for the Authority's Visitors' Centers (including a series of eight primarily for integration into the new exhibitry at the Niagara Visitors' Center), Speakers Bureau and other community outreach efforts), the consultant will also work on the shutdown and dismantling of the New York Office video edit facility, and will be integrally involved in the layout and configuration, as well as the installation and testing of edit software for the new updated edit studio to be built at the White Plains Office. The current contract amount is $91,000; it is anticipated that an additional $110,000 may required for the extended term. The Trustees' approval is requested to extend the subject contract through October 31, 2001 and to approve the additional funding requested.

"The contract with **Rhema Services Inc. (S95-76364)** provides for electrical rate consulting services, which include assisting Authority staff (in both the Marketing and Economic Development ('MED') and Transmission Business Units) in addressing key issues impacting the Authority related to electric industry restructuring, the evolving competitive environment, and recent utility restructuring proposals in New York State. The major areas requiring consultant services are to: 1) assist staff in developing the theoretical bases for cost analyses primarily for the Authority's hydroelectric facilities; 2) provide staff with technical support in formulating, designing, proposing and implementing Authority production, ancillary service and transmission service rates that meet revenue requirements and which respond to the more competitive marketplace resulting from the federal and state driven industry restructuring; 3) assist staff in utility rate case intervention with advice and expert witness testimony; 4) advise the Authority in its regulatory role concerning municipal electric rates; 5) provide staff support in utility and customer negotiations and litigation; and 6) provide staff assistance in other rate and technical matters, such as evaluating the customer impact of Authority rate proposals. At their meeting of October 31, 1995, the Trustees approved the award of a two-year contract, in the amount of $320,000, with an option to extend for one additional year. The original contract, which was competitively bid, became effective November 1, 1995. The contract option to extend for one additional year was subsequently exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. At their meeting of September 28, 1998, the Trustees approved an additional two-year extension and additional funding to address ongoing key issues impacting the Authority related to open access and industry restructuring at both the state and federal level. The two main areas of support involved 1) litigation with eight municipal and cooperative customers regarding hydroelectric preference power rates, and 2) the defense of the Authority's transmission tariff and revenue requirements and embedded assumptions at Federal Energy Regulatory Commission ('FERC') rate hearings. An additional seventeen-month extension is now requested in order to support two tasks for MED that require the expertise of Rhema Consulting. They include: 1) settlement discussions with Con Edison regarding its delivery services rates applicable to the Southeast New York ('SENY') customers; and 2) multi-year preference power rate development for the Authority's non-industrial customers of the Niagara and St. Lawrence Projects. Due to the projected relicensing costs as well as capital costs incurred in the upgrade of generating units at both Projects, the Authority has spent and will continue to commit substantial funding for these plants. It is imperative that these costs be recovered from the customers for whose benefit they are expended. Given their extensive knowledge and expertise in these areas, familiarity with the issues, past involvement in three prior Authority rate reviews, and the significant amounts at stake, MED is requesting approval of Rhema's continued involvement and participation in such matters via extension of the subject contract. The current contract amount is $1,162,600; it is anticipated that an additional $150,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 31, 2002 and to approve the additional funding requested. It should be noted that the future use of the subject contract by the Transmission Business Unit would only be required in the event of FERC litigation regarding the Independent System Operator ('ISO') tariff, in defense of the Authority's revenue requirements.

"The contract with **Scriba Electric Inc. (4500007471)** provides for electrical grounding services for certain homes in Cicero, New York, as directed by the Authority's representatives. The original contract, which was awarded on a sole source basis, became effective on June 22, 1999 for a term of up to one year. A one-year extension is now requested in order to continue services, as may be required. The current contract amount is $14,999; it is anticipated that an additional $5,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 21, 2001 and to approve the additional funding.

"The South Access Road and transmission line corridor from the plant at the Blenheim-Gilboa Pumped Storage Project is located in an active landslide area on the lower reservoir shore. The slide area sits just one mile away from the 100-foot high lower reservoir earth dam and emergency spillway. Movement in the slide area was observed immediately upon initial operation of the reservoir in the early 1970's. At that time, the area of movement was thought to be limited to the immediate vicinity of the reservoir shoreline. The movements resulted in cracking of roadway pavement and displacement of transmission line conduit insulators. Some localized stabilization measures, such as rock buttresses and deep horizontal drains, were installed along the shore area. This reduced the rate of movement to about two inches per year. Subsequent monitoring revealed that since the fall of 1995, the rate of movement has increased to about four inches per year. A recent infrared image and aerial topographic mapping also revealed that the slide area is much larger than previously assumed. The slide mass is estimated to be approximately 3,000 feet wide, 2,500 feet long, with a depth up to 100 feet. This large size, accelerated movement, and its proximity to the dam alerted engineers to the need for further investigation. The primary concern was the possibility of a rapidly moving massive landslide. Subsurface investigations between 1994 and 1998 included installation of soil borings, piezometers, slope inclinometers and laboratory soil testing. This investigation went to greater depths and covered a larger area than previously studied. Slope stability analyses were conducted with updated soil characteristics and slope geometry. The results imply that a rapid movement of the massive slide is unlikely because the sliding plane is already at residual shear strength. Therefore, the slide area will continue to be active and will likely continue to move at an annual rate of one to four inches per year unless some additional stabilization actions are taken. The analyses also indicate that continued displacement of the slope toe area is likely and the access road and transmission towers located near the toe of the slide are in jeopardy. In addition to the subsurface investigations, an analysis of the tension due to displacement in transmission line conductors was also performed. The findings indicated that all insulators were pulled by the slide movement to tilt downhill at a pair of transmission towers located just uphill of the slide area. This excessive tension was released after a four to five foot extension was added to each affected insulator in 1998. The insulators are back to their normal vertical position. The extension lengths agree quite well with the surveyed annual movement during the past 27 years.

"The firm of **Paul C. Rizzo Associates, Inc. ("Rizzo"; S97-05035)** was retained initially to review and confirm the Authority's engineering staff findings in the slide area study. The original contract, which was competitively bid, became effective on June 20, 1997. Since the review resulted in potential dam safety concerns, more in-depth investigations and a detailed design to stabilize the slide area were required; Rizzo's scope of work as principal investigator was subsequently expanded. To date, Rizzo has completed a detailed subsurface investigation and remedial design of the slide area. The proposed design measures will effectively protect the Authority's transmission towers and lines, as well as the plant access road, which are vital to the operation of the plant. Because of the specialized nature of the soil mechanics, the significance of the slope stability and dam safety concerns related to the South Access Road slide area, and reporting requirements to the Federal Energy Regulatory Commission ('FERC'), Authority staff recommended that a Board of Consultants be formed to assist staff in the investigation, evaluation, analysis, and design of remedial measures. A competitive search for independent geotechnical consultants, who are recognized experts in the field of landslide investigation and analylsis, resulted in the award of two additional contracts to **Dr. Alfred J. Hendron ("Hendron"; S97-08050) and Parsons Brinckerhoff Quade & Douglas Inc. for the services of Thomas S. Lee ("Lee"; S97-08045)**; these contracts became effective on October 13, 1997. The Board of Consultants, which also includes Dr. Paul C. Rizzo of the originally retained firm, has been quite effective in guiding efforts to define the mechanism of failure and to develop cost-effective remedial solutions, and in dealing with FERC, particularly in convincing them that there are no dam safety problems related to the slide area. At their meeting of April 28, 1998, the Trustees approved the extension of the subject contracts for two additional years. Due to the lengthy regulatory construction permit application process, it is necessary to extend the Board's continuing support through construction and close of the regulatory permits. A three-year extension of the subject contracts is therefore requested in order to continue to provide engineering design and construction support services, as may be required, through project completion. Planned activities include construction of various remedial measures, which are intended to reduce the rate of slide movements affecting the South Access Road and the transmission lines and towers. The Board has selected a toe buttress as a means of increasing the stability of the slide area. The concept is to build the buttress in stages and to monitor the effectiveness of each stage. A decision on the necessity for each additional stage will be made based on monitoring the changes in the rate of movement. If the toe buttress does not achieve a satisfactory decrease in the rate of movement, then additional measures such as drainage shafts may be recommended. This effort will be accomplished over a three-year period starting this year. Rizzo will be needed to clarify design details to construction personnel, perform on-site inspection of specific construction items, prepare and/or review design modifications to accommodate changed site conditions, and review select contractor submittals. Hendron and Lee will provide continued expert review and opinions on engineering decisions made on the slide design and remedial construction. The contract amounts are: $656,911 for Rizzo and $50,000 each for Hendron and Lee. It is currently anticipated that an additional $33,089 will be required for Rizzo for the extended term and that no additional funding will be required for Hendron and Lee. The Trustees' approval is requested to extend the subject contracts through December 31, 2003 and to approve the additional funding requested for Rizzo.

Contracts in support of the nuclear plants:

"The contract with **Fire Systems Inc. (4500009687)** provides for on-site and off-site repair services for fire detection system components and printed circuit boards at IP3. The original award, which was competitively bid, became effective on August 10, 1999 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and continue services, on an 'as required' basis. The current contract amount is $20,000; it is anticipated that no additional funding will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through August 9, 2002 and to approve the additional funding.

"The contract with **Unitech Services Group (formerly Interstate Nuclear Services; B9500349)** provides for laundry services for contaminated protective clothing for both IP3 and JAF. At their meeting of September 27, 1995, the Trustees approved the award of a four-year system contract in the total amount of $2,000,000. The original award, which was competitively bid, became effective on October 2, 1995. Through further negotiations, the contractor agreed to extend the firm unit processing rates identified in the original contract from two years to five years, reduce the unit rates by an additional 2%, and increase the leasing of protective clothing furnished under contract from 5,000 to 6,000 at no charge during plant outage periods. Based on these additional cost reductions and savings, the contract was extended one additional year through September 30, 2000 in accordance with the Authority's Guidelines for Procurement Contracts. The President authorized additional funding in the amount of $700,000 for the one-year extension, in accordance with the Authority's Expenditure Authorization Procedures. An additional fifteen-month extension is now requested in order to continue such services, which are specialized in nature with limited sources of supply, through December 31, 2001. Due to the forthcoming outage at JAF, the Refueling Outage at IP3 next spring, the imminent sale of the nuclear plants, as well as continued excellent performance and rates, it would not be prudent to rebid these services at this time. The current contract amount is $2,700,000; it is anticipated that an additional $410,000 will be required for the extended term. It should be noted that rates will remain firm for the duration of the contract. The Trustees' approval is requested to ratify the extension through September 30, 2000, to extend the subject contract through December 31, 2001 and to approve the additional funding requested.

Increases in Compensation Ceiling:

"At their meeting of November 26, 1996, the Trustees approved the award of a contract to Westinghouse **Electric Corporation (S97-00116)** to provide integrated outage services for the 1997, 1999 and 2001 refueling outages at IP3. Funding was also approved in the estimated contract award amount of $20 million in support of the 1997 Refueling Outage ('RO9') only. The contract became effective on May 18, 1997. At that time, Westinghouse Electric Corporation consisted of the Energy Systems Business Unit (for nuclear services); Power Generation Business Unit (for turbine generator services); and ITI –Movats, a wholely owned subsidiary of the Westinghouse Electric Corporation (for valve services). Subsequently, Westinghouse Electric Corporation sold the Power Generation Business Unit to Siemens, effective September 1998. The turbine generator group became Siemens Westinghouse Power Corporation, a Siemens Company. A new contract was therefore awarded to Siemens Westinghouse for the portion of the work relating to turbine generator services. The former Westinghouse Electric Corporation's Energy Systems Business Unit has been doing business as Westinghouse Electric Company, LLC; this former Division of CBS Corporation was subsequently acquired by British Nuclear. Nuclear outage services provided by Westinghouse Electric Company will include: refueling services, reactor coolant pump services, instrumentation and control services, outage management services and parts to perform work under Parts with Service. Siemens Westinghouse will perform turbine generator services, including high pressure turbine control systems, low pressure turbine inspection, generator and exciter services, heat exchanger services, and main boiler feed pump turbine services. For administrative purposes, new contract numbers were issued for RO10 due to the breakup of the Westinghouse companies. Although new contract numbers will also be issued for RO11, the last cycle of the original three-outage agreement, overall this request is considered as an increase in compensation ceiling to the original contract, since the majority of the services will be provided by the remaining division of Westinghouse Electric Company. A separate contract will also be issued for valve maintenance and repair services; funding for valve services is not included in this request.

"At their meeting of December 16, 1997, the Trustees approved additional funding for the settlement of outstanding claims for RO9, increasing the total contract amount to $23,690,994. At their meeting of December 15, 1998, the Trustees approved an additional $15,000,000 to support RO10, increasing the compensation ceiling to $38,690,994. Due to scope reductions and commercial negotiations, total costs for RO10 were only $13,039,897; this brought the total contract amount to $36,730,891, leaving $1,960,103 unexpended and available for RO11. It is currently anticipated that an additional $11,600,000 (including contingency) will be required to support RO11. This is broken down as follows: an estimated amount of $5,000,000 to Siemens Westinghouse for the turbine generator services and an estimated amount of $6,600,000 to Westinghouse Electric Company for all nuclear outage services listed above. Since the aforementioned $1,960,103 of previously approved funding for RO10 remains unexpended, the total amount requested for RO11 is reduced to $9,639,897. The Trustees' approval is requested for awarding the tasks to support RO11 and for the additional funding requested, thus increasing the combined compensation ceiling to $48,330,891.

RECOMMENDATION

"The Site Executive Officer – James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering, the Regional Manager – Central New York, the Regional Manager – Northern New York, the Manager – Electric Transportation, the Director – Corporate Support Services, the Director – Pricing and Forecasting, the Director – Marketing Planning, the Director – Research and Technology Development, the Vice President – Project Management, the Vice President and Chief Engineer – Power Generation, the Deputy Secretary and Deputy General Counsel, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the extension, additional funding and increases in compensation ceiling of the procurement contracts listed in Exhibit "13-A".

"The Senior Vice President and Chief Nuclear Officer, the Senior Vice President and Chief Financial Officer, the Senior Vice President – Transmission, the Senior Vice President – Marketing and Economic Development, the Senior Vice President – Energy Services and Technology, the Executive Vice President –

Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel and I concur in the recommendation."

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "13-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 Executive Vice President – Project Operations; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Westinghouse Electric Co., LLC and Siemens Westinghouse Power Corp. be, and hereby are, approved as recommended in the foregoing report of the Executive Vice President – Project Operations, in the amount and for the purpose listed below:

O & M	Contract Approval (Increase in Compensation Ceiling)	Projected Closing Date
Provide Integrated Outage Support Services for Refueling Outage 11 ("RO11") at IP3:		
Westinghouse Electric Co., LLC S97-000116/new PO# TBA	[est. $6,600,000]	
and		
Siemens Westinghouse Power Corp. (PO # TBA)	[est. $5,000,000]	
Additional Funding Requested	$9,639,897*	12/31/01
Previously Approved Contract Amount	$38,690,994	
TOTAL REVISED COMPENSATION CEILING	**$48,330,891**	

* comprised of $11,600,000 (projected total needed for RO11) less $1,960,103 (unexpended amount of previously approved total through RO10)

14. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday, October 31, 2000**, **at the Albany Office** at **11:00 a.m**., unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

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

David E. Blabey
Executive Vice President Secretary
and General Counsel

SEPTMINS.00