

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

March 28, 2000

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Minutes of the regular meeting of the Power Authority of the State of New York held at the White Plains Office at 11:30 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco
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
H. Ken Haase	Senior Vice President - Transmission
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy 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
John M. Hoff	Vice President – Procurement & Real Estate
Russell Krauss	Vice President and Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Gerald Goldstein	Assistant General Counsel
Gerard Loughran	Assistant General Counsel
William Ernsthaf	Principal Attorney
James Lyons	Principal Attorney
Edward Holman	Senior Environmental Engineer
Jordan Brandeis	Director – Performance Planning
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
Vernadine E. Quan-Soon	Senior Assistant Secretary
Laura Badamo	Assistant Secretary, Legal Affairs
Angela Graves	Assistant Secretary

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

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1. Approval of the Minutes

The minutes of the Regular Meeting held on February 29, 2000 were approved.

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2. Financial Report for the Two Months Ended February 29, 2000

3. **Report from the President and Chief Operating Officer**

At the President's request, Mr. Krauss submitted his final report to the Trustees on the successful completion of the Y2K and Leap Year rollovers. Trustee McCullough commended President Zeltmann, Mr. Krauss and all staff involved on the completion of a task of this magnitude, which was performed professionally, on time and under budget. Chairman Rappleyea expressed concurrence, stressing that staff had done a spectacular job, down to the last details, including training the Chairman and the President in the use of satellite telephones for the December 31st rollover. On behalf of staff, Mr. Krauss expressed thanks, and stressed that the Trustees' interest in and support of the Y2K effort was a prime driver in its success.

4. Power Allocations Under the Power for Jobs Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve 19 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 and 133 MW in Year 2.

“Approved allocations will entitle the customer to receive the power from the Authority pursuant to a sale for resale agreement with the customer’s local utility. A separate allocation contract between the customer and the Authority will contain job commitments enforceable by the Authority.

“The program is designed to assist New York State businesses that are at risk of reducing or closing their operations or moving out of State or are willing to expand job opportunities. Small businesses and not-for-profit corporations are also eligible. Businesses are required to create or maintain a specific number of jobs in order to qualify for an allocation. At 14 meetings from December 1997 through February 2000, the Trustee’s approved allocations totaling 429,595 MW to 628 businesses under the Power for Jobs program.

DISCUSSION

“In an effort to receive quality applications and to announce the program, advertisements announcing the program were placed in major newspapers and business publications statewide; a direct-mail piece was distributed; regional meetings were hosted around the state; and the program was promoted through television ads within and without the state. To date, over 2,950 inquiries have been received and over 1,600 applications have been sent to prospective customers.

“Completed applications were reviewed by EDPAB and recommendations were made based on a number of competitive factors including the number of jobs retained or created, the amount of capital investment in New York State and whether a business is at a competitive disadvantage in New York. Nineteen applications were deemed highly qualified and presented to the EDPAB for its review on March 28, 2000.

“As a result of its meeting, the EDPAB recommended that the Authority’s Trustees approve the allocations to the 19 businesses listed in Exhibit ‘4-A’. Collectively, these organizations have agreed to create or retain 3,845 jobs in New York State in exchange for allocations totaling 20.405 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’. With these allocations the entire 450 MW set aside for the program will be fully allocated.

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

Chairman Rappleyea noted that the EDPAB members had met recently and approved the last allocations for the third and final year of the Governor’s Power for Jobs program, which has resulted in an unparalleled 260,000 N Y State jobs being protected. He further noted that the Governor has proposed extension of the program in currently pending legislation and expressed the hope that this valuable program will be renewed by the legislature.

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

WHEREAS, the Economic Development Power Allocation Board has recommended that the Authority approve an aggregate 20,405 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 20,405 MW of power from the James A. FitzPatrick Plant and power purchased by the Authority in a competitive bid process be sold to the utilities that serve such Customers for resale to them for a period of up to three years under the terms of both the Authority’s Power for Jobs sale for resale contracts with the utilities and separate allocation contracts between the Authority and such Customers; and be it further

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

5. Power for Jobs - Competitive Procurement

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize execution of Installed Capacity Agreements with Select Energy, Inc., and Niagara Mohawk Energy Marketing, Inc. for the purchase of up to 200 MW of installed capacity pursuant to the requirements of the Power for Jobs program. The Trustees are further requested to authorize execution of a Contract for Differences (consisting of an International Swap Dealers Association, Inc., Multi-Currency-Cross Border Master Agreement and a Confirmation Agreement), with Niagara Mohawk Energy Marketing, Inc., to fix the cost of energy to be purchased for the Power for Jobs program in the New York Independent System Operator Locational Based Marginal Pricing Day Ahead Market.

BACKGROUND

“On July 29, 1997, Governor George E. Pataki signed into law Section 189 of the Economic Development Law and related legislation, which established the Power for Jobs program. The legislation was subsequently amended on July 15, 1998. The legislation provides lower cost electricity to businesses and not-for-profit corporations throughout the State to stimulate new jobs and create economic opportunities for New Yorkers.

“The Power for Jobs program, 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.

“This is the sixth Request for Proposals (‘RFP’) for competitively procured power under the Program. It was issued under the terms of the Power for Job legislation, which sets forth the requirements listed below:

- That the competitive procurement process be conducted pursuant to guidelines established by the Economic Development Power Allocation Board (‘EDPAB’) in consultation with the New York State Department of Public Service;
- That the process provide the least cost power consistent with the goal of providing safe and reliable service; and
- That power available through the competitive procurement process be acquired and transmitted at a price not in excess of the price of FitzPatrick power transmitted to the local utilities.

“The introduction of the New York Independent System Operator (‘ISO’) on November 18, 1999 has significantly altered the power transmission landscape in the State of New York. Accordingly, the structure of this RFP is substantially different from those previously issued. Previously, suppliers were asked to both provide installed capacity and to deliver energy to the NYPA via the local utilities, for redelivery to Power for Jobs customers. For this RFP, bidders were asked to provide installed capacity and to bid on a contract for differences to fix the price NYPA would pay to procure energy for Power for Jobs customers in the ISO Locational Based Marginal Pricing (‘LBMP’) Day Ahead Market. Purchase of energy for Power for Jobs 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 NYPA's system operators. The contracts for differences provide that the price NYPA 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 February 18, 2000, a RFP was issued to 43 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 March 10, 2000, for up to 225MW of installed capacity for the Power for Jobs program. The RFP also asked bidders to provide fixed prices for contracts for differences to guarantee the Locational Based Marginal Price of energy in the ISO LBMP Day Ahead Market in the transmission zones where Power for Jobs customers are located.

“Bids were requested for the Summer Capability period from May 1 through October 31, 2000. Bidders were required to meet a number of requirements, including demonstrating their capability to provide the installed capacity and providing financial assurances for meeting their obligations.

“On March 2, a pre-bid conference was held to answer questions from potential bidders. On March 10, three bidders submitted nine bids in response to the RFP.

Bid Evaluation

“Bids were submitted by Constellation Power Source, Niagara Mohawk Energy Marketing, Inc, and Select Energy, Inc., a division of The Northeast Utilities System. The bids were evaluated on the basis of the following criteria:

- Proposals submitted on time.
- Proposals 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 providing a Letter of Credit payable to NYPA, in an amount deemed sufficient by NYPA 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 NYPA, or provide a corporate or parent company guaranty in an amount and form acceptable to NYPA, if requested to do so by NYPA to insure that the proper amount of ICAP is provided.
- All Suppliers complying 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 recognizing that installed capacity providers 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 agreeing to indemnify and hold the Power Authority harmless against all loss, damage and expense of every kind on account of adverse claims which may arise from such ICAP or contract for difference transactions.

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

Constellation Power Source

“The shareholders of Baltimore Gas & Electric formed a holding company called the Constellation Energy Group. Constellation Energy Group was separated into two divisions: the regulated Baltimore Gas & Electric and the unregulated Constellation Enterprises. Constellation Power Source (‘CPS’) is a wholly-owned subsidiary of Constellation Enterprises. CPS was designed to help the organization take advantage of emerging bulk power supply market. Constellation Power Source’s bid failed to offer firm prices and was rejected as nonresponsive to the terms of the RFP.

Select Energy, Inc.

“Select Energy, Inc (‘SEI’) is a Connecticut Corporation and a wholly-owned subsidiary of Northeast Utilities. SEI allows Northeast Utilities to participate in the unregulated competitive retail energy services industry. SEI’s bid offers to hedge energy prices in Zones A and C in the NYSEG service territory. Its bid was delineated in Peak and Off-Peak prices. SEI also proposes to sell NYPA 75 MW of installed capacity at a price of \$1190 /MW/Month. SEI’s bid relating to the contract for differences was rejected as nonresponsive to the terms of the RFP since it imposed restraints on the Authority’s flexibility.

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’s proposes to hedge price and enter into a contract for differences for:

- Central Hudson in Zones G and E.
- Con Edison in Zones G, H, I, and J.
- Orange and Rockland in Zone G.
- RG&E in Zone G.
- NYSEG in Zones A, B, D, E, and F.
- NMPC in Zones A, B, C, D, E, and F.

“NMEM also proposes to sell NYPA 50 MW of installed capacity at a price of \$1500/MW/Month, and has advised Staff that it may be able to sell the Authority an additional 75 MW at that price.

The Recommended Bidder

“Based on the evaluation of the bids, it is recommended that Installed Capacity Agreements be executed with Select Energy, Inc., and Niagara Mohawk Energy Marketing, Inc. It is further recommended that a contract for differences be entered into with Niagara Mohawk Energy Marketing, Inc. The proposed prices of the recommended bidder at the 60-70% load factor 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.

The Installed Capacity Agreement

“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.

The ISDA Master Agreement and the Confirmation Agreement

“The winning bidder would execute an ISDA Master Swap Agreement (Exhibit ‘B’), as supplemented, and a Confirmation Agreement (Exhibit ‘5-B’) (together, the ‘Contract for Differences’). The Contract for Differences 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 bulk of the costs to be paid to the ISO for the actual energy delivered by the ISO, with the portion of the ISO costs not covered by the Contract for Differences being paid by the Power for Jobs customers. 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.

FISCAL INFORMATION

“Purchase of installed capacity from the recommended bidders and energy from the ISO Day LBMP Ahead Market 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.

RECOMMENDATION

“The Director of Marketing Planning, the Director of Power Contracts, and the Senior Vice President-Marketing and Economic Development recommend that the Trustees authorize execution of Installed Capacity Agreements with Select Energy, Inc., and Niagara Mohawk Energy Marketing, Inc. and execution of an ISDA Master Agreement and a Confirmation Agreement 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 transactions as contemplated by the agreements for the purpose of providing up to 200 MW of power for the Power for Jobs program.

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

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

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;

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 Select Energy, Inc., (for 75 MW) and Niagara Mohawk Energy Marketing, Inc. (for 125 MW), and to execute an ISDA Master

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Agreement, as supplemented, and a Confirmation Agreement with Niagara Mohawk Energy Marketing, Inc., substantially in the form attached hereto as Exhibits "5-A" and "5-B" respectively, and to enter into transactions as contemplated by such agreements for the purpose of providing up to 200 MW of power for the Power for Jobs program, and to take such other and further actions as may be necessary or desirable to effectuate the foregoing.

TABLE 1
POWER FOR JOBS – COMPETITIVE PROCUREMENT – RFP NO. 6

RECOMMENDED BIDDER

(Amounts at 60-70% Load Factor in dollars per MWH)

Niagara Mohawk Energy Marketing

<u>Month</u>	<u>NYSEG</u>	<u>Zone A</u>	<u>Zone C</u>	<u>Zone D</u>	<u>Zone E</u>	<u>Zone F</u>
May		38.00	37.50	37.50	38.00	45.00
June		62.00	56.50	56.50	57.00	74.00
Jul-Aug		86.00	77.50	77.50	78.00	98.00
Sept		41.00	41.50	41.50	42.00	50.00
Oct.		34.00	34.50	34.50	35.00	40.00

<u>Month</u>	<u>NIMO</u>	<u>Zone A</u>	<u>Zone B</u>	<u>Zone C</u>	<u>Zone D</u>	<u>Zone E</u>	<u>Zone F</u>
May		37.00	37.00	37.50	37.50	38.00	41.00
June		56.00	56.00	56.50	56.50	57.00	70.00
Jul - Aug		77.00	77.00	77.50	77.50	78.00	94.00
Sept.		41.00	41.00	41.50	38.50	42.00	46.00
October		35.00	34.00	34.50	34.50	35.00	36.00

TABLE 1 CONTINUED

POWER FOR JOBS – COMPETITIVE PROCUREMENT – RFP NO. 6

(Bid Amounts at 60-70% Load Factor in dollars per MWH)

Niagara Mohawk Energy Marketing

<u>Month</u>	<u>Con Edison Zones</u>	<u>H</u>	<u>I</u>	<u>J</u>
May		46.00	46.00	49.00
June		75.00	75.00	88.00
Jul- Aug		99.00	99.00	118.00
Sept		51.00	51.00	55.00
October		41.00	41.00	43.00

<u>Month</u>	<u>Central Hudson</u>	<u>Zone G</u>
May		45.00
June		74.00
Jul-Aug		98.00
September		50.00
October		40.00

TABLE 1 CONTINUED

POWER FOR JOBS – COMPETITIVE PROCUREMENT – RFP NO. 6

(Bid Amounts at 60-70% Load Factor in dollars per MWH)

Niagara Mohawk Energy Marketing

Bid Amounts at 60-70% Load Factor (in dollars per MWH)

<u>Month</u>	<u>RG&E</u>	<u>Zone -B</u>
May		37.00
June		56.00
Jul-Aug		77.00
Sept		41.00
Oct		34.00

6. Quarterly Review of Power For Jobs Employment Commitments

The President submitted the following report:

SUMMARY

“Each quarter, beginning with this first review, Authority staff initiates a review of all Power for Jobs power allocations that have an anniversary within the quarter being reported upon against agreed-upon job commitments. The anniversary date is the date the company began receiving power under the Program. This quarterly review covers companies that took down power during the first and second quarters of 1998. Due to the first quarter of 1998 being the first time that power was released under the program, there were too few companies (5 customers) to warrant a first quarter 1998 review. Therefore, this one time only, there will be a multiple quarter review. In the first and second quarters of 1998, the Authority had 58 customers first receiving power in the Power for Jobs program. This review covers a total of 62 contracts. This memorandum focuses specifically on 14 contracts with 14 customers.

“Each contract contains a customer commitment to retain or add a specific number of jobs. If the actual job level falls below 90% of that commitment, the Authority may reduce that customer's power allocation proportionately.

“It is recommended that the Trustees reduce the power allocations and jobs commitments for two companies, reduce the job commitment for one company, grant termination authority for one company, and approve the continuation of current power allocations to ten companies that were below their job commitment levels (one of the ten companies, Multimatic Products, Inc., will be reevaluated mid-year).

BACKGROUND

“The 62 contracts reviewed by staff represent overall power allocations of 73,504 MW and total employment commitments of 31,732 jobs. In the aggregate, these customers reported actual employment of 33,646 positions. This represents about 106% of the total job commitments for Power for Jobs customers reporting on their anniversary with power first received in the first and second quarters of 1998. There are, however, 14 customers whose actual job levels are below the minimum threshold.

DISCUSSION

“Of the companies reviewed in this memorandum, staff recommends that four companies have their power allocations and/or job commitments reduced for the reasons discussed in Sections I and I-A below. Staff recommends that nine companies be allowed to continue their current power allocations and job commitments as discussed in Section III. Finally, staff recommends that one company's power allocation be terminated as discussed in Section II. A summary of all contracts discussed in this memorandum is provided as Exhibit ‘6-A’.

SECTION I.

Allocations and Job Commitments to be Reduced

Diversified Manufacturing Incorporated ('DMI'), Lockport, Niagara County

Allocation: 320 kW of Power for Jobs power

Jobs Commitment: 139 jobs first year; 143 jobs second year; 145 jobs third year

Background: DMI is a highly skilled job shop specializing in designing, machining and fabricating among other things, pressure vessels and Onsi fuel cells. Unfortunately, DMI has not met the level of employment agreed upon with NYPA for Power for Jobs power. While the last reported quarter had an upward trend in employment numbers they are still significantly below its commitment. For the past year DMI averaged 110 jobs, 79% of its commitment.

Recommendation: Staff recommends that the Trustees reduce Power for Jobs allocation by 65 kW and its employee commitment by 35 jobs, adjusting the allocation to 255 kW and the job commitment level to 110 positions.

W & H Stampings, Inc., Hauppauge, Suffolk County

Allocation: 350 kW of Power for Jobs power

Jobs Commitment: 40 jobs first year; 43 jobs second year; 45 jobs third year

Background: W & H Stampings, Inc. ('W&H') is a company whose business is precision metal stamping for such items as fuses and small caliber weapons. W & H has not met the level of employment agreed upon with NYPA for Power for Jobs power and they do not anticipate adding additional employees. For the past year W & H averaged 32 jobs, 79% of its commitment.

Recommendation: Staff recommends that the Trustees reduce W & H Stampings, Inc.'s Power for Jobs allocation by 75 kW and its employee commitment by 13 jobs, adjusting the allocation to 275 kW and the job commitment level to 32 positions.

SECTION I-A.

Job Commitments to be Reduced

Vail Ballou Press, Inc., Binghamton, Broome County

Allocation: 1800 kW of Power for Jobs power and 609 Jobs

Background: Vail Ballou Press, Inc., established in 1910, is a book manufacturer. Unfortunately, Vail Ballou has not met the level of employment agreed upon with NYPA for Power for Jobs power. However, the lower employment figure is due to the sale of the Composition division after the contract with NYPA was signed. NYPA made the decision to provide an allocation with the knowledge of the pending sale. Thus, the level of employment commitment needs adjustment to account for that sale. For the past year, Vail Ballou averaged 492 jobs, 81% of its commitment.

Recommendation: Staff recommends that the Trustees reduce Vail Ballou Press, Inc.'s Power for Jobs employee commitment by 109 jobs, adjusting the job commitment level to 500 positions.

SECTION II.

Allocations Requesting Special Trustee Authorization

Seneca Knitting Mills, Seneca Falls, Seneca County

Allocation: 400 kW of Power for Jobs Power and 203 Jobs

Background: Seneca Knitting Mills Corporation, manufacturer hosiery and socks has moved its main knitting plant to North Carolina, as of May, 1999. For the past year Seneca Knitting Mills averaged 141 jobs, 70% of its commitment. It now has only a small distribution center in New York State.

Recommendation: Staff recommends that the Trustees authorize termination of the contract.

Section III.

Allocations to Continue With No Change

Air-Flo Manufacturing Company, Incorporated, Prattsburg, Steuben County

Allocation: 130 kW of Power for Jobs Power and 110 Jobs

Background: Air-Flo Manufacturing Company, Inc. manufactures ice control equipment and truck bodies used in the construction industry. While Air-Flo had a lower than contractually agreed-upon employment level for the past year, it was not significantly below that requirement. Air-Flo needs some more time in order to meet its obligation to NYPA for Power for Jobs power. For the past year Air-Flo averaged 94 jobs, 86% of its commitment.

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

Anorad Corporation, Hauppauge, Suffolk County

Allocation: 600 kW of Power for Jobs Power

Jobs Commitment: 420 jobs first year; 460 jobs second year; 510 jobs third year

Background: Anorad Corporation, founded in 1972, manufactures precision motion control equipment in the semiconductor industry. Anorad had a lower than contractually agreed upon employment level for the past year. The industry as a whole had a downturn last year but expects to rebound this year. For the past year Anorad averaged 360 jobs, 86% of its commitment.

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

Appleton Papers Inc., Newton Falls, St. Lawrence County

Allocation: 3000 kW of Power for Jobs power and 396 Jobs

Background: In 1995 Appleton Papers Inc. purchased the business of Newton Falls Mill. It is a coated wood-free paper business. Since that time it invested nearly \$35 million in process and equipment improvements for the site. Unfortunately, market conditions beyond the company's control have not allowed for the level of employment agreed upon by Appleton Papers with NYPA for Power for Jobs power. For the past year Appleton Papers Inc. averaged 311 jobs, 78% of its commitment. Currently, the Newton Falls Mill site is for sale. New York State is working with Appleton Papers to find a buyer for the mill.

Recommendation: Staff recommends that the Trustees take no action at this time and give the company a year to try to sell the business and save the jobs.

Hammond & Irving, Inc., Auburn, Cayuga County

Allocation: 600 kW of Power for Jobs Power

Jobs Commitment: 94 jobs first year; 104 jobs second year; 114 jobs third year

Background: Hammond & Irving, Inc., founded in 1919, manufactures seamless rolled rings and open die forgings for the bearings industry. While Hammond & Irving had a lower than contractually agreed upon employment level for the past year, it was not significantly below that requirement. The industry had a downturn last year due to the Asian financial crisis but expects to rebound this year. For the past year Hammond & Irving averaged 80 jobs, 85% of its commitment.

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

Jerrico Tools, Inc., Alden, Erie County

Allocation: 20 kW of Power for Jobs Power

Jobs Commitment: 13 jobs first year; 14 jobs second year; 15 jobs third year

Background: Jerrico Tools, Inc., builds plastic injection molds. Unfortunately, Jerrico Tools has not met the level of employment agreed upon by Jerrico Tools with NYPA for Power for Jobs power. Due to the small job commitment, just having a few workers less than the contractual requirement would render a dramatic showing of non-compliance. Business has been slow and a lot of manufacturing has moved out of state or to China. The company is also having a hard time filling a position with a qualified worker. The company will probably hire one to two more workers over the next year. For the past year Jerrico averaged 8.5 jobs, 65% 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 next year whether to terminate its allocation.

KMS Plastics LLC, Oneonta, Otsego County

Allocation: 240 kW of Power for Jobs Power and 48 Jobs

Background: KMS Plastics LLC, an affiliate of the Audiosears Corporation, manufactures injection molded plastic parts. The past year was a slow one, but business has rebounded. The last quarter of employment data shows a sharp increase in the number of workers, bringing the level of employment to almost 90% of the contracted employee commitment. For the past year KMS averaged 35 jobs, 73% of its commitment.

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

Multimatic Products, Inc., Hauppauge, Suffolk County

Allocation: 90 kW of Power for Jobs Power

Jobs Commitment: 61 jobs first year; 65 jobs second year; 69 jobs third year

Background: Multimatic Products, Inc., is a jobbing machine shop that manufactures metal component parts for the microwave electronics industry. Several of its major customers were hit hard by the downturn in the Asian economy last year. This negatively affected Multimatic. The company has entered into some new business relationships that should increase its employment level. Multimatic expects to see the increase in its employment level by mid 2000. For the past year Multimatic averaged 49 jobs, 80% 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 we receive second quarter 2000 job data.

Norwich Aero Products, Inc., Norwich, Chenango County

Allocation: 200 kW of Power for Jobs Power

Jobs Commitment: 115 jobs first year; 138 jobs second year; 167 jobs third year

Background: Norwich Aero Products, Inc. manufactures temperature sensors and accessories for the Aerospace industry. While Norwich Aero Products had a lower than contractually agreed upon employment level for the past year, it was not significantly below that requirement. The aviation market had a downturn last year. However, the company secured orders with new customers and gained more business from current customers. Thus, the employment level should rise soon. For the past year Norwich Aero Products averaged 100 jobs, 87% of its commitment.

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

Tompkins Metal Finishing, Inc., Batavia, Genesee County

Allocation: 400 kW of Power for Jobs Power

Jobs Commitment: 96 jobs first year; 110 jobs second year; 126 jobs third year

Background: Tompkins Metal Finishing, Inc., was established in 1993 as a metal finishing line (anodizing) where it performs chromate conversion coatings and electroless nickel plating on steel. TMF currently has a new zinc line, which it believes will boost employment levels significantly. The zinc line is the biggest line and will create the most jobs. TMF is beginning the hiring for this new line at the new facility. The reason for the lower than contracted employment level this past year is that the company has not completed the move to its new facility. For the past year TMF averaged 79 jobs, 82% of its commitment.

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

Ultralife Batteries, Inc., Newark, Wayne County

Allocation: 1800 kW of Power for Jobs Power

Jobs Commitment: 404 jobs first year; 424 jobs second year; 444 jobs third year

Background: Ultralife Batteries, Inc., was purchased from Kodak in 1991. The company makes lithium batteries for communications, security and medical applications. While Ultralife Batteries had a lower than contractually agreed upon employment level for the past year, the last reporting quarter was trending up towards its commitment and expect to meet it this year. For the past year Ultralife Batteries averaged 333 jobs, 82% of its commitment.

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

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance and the Vice President – Major Account Marketing and Economic Development recommend that the Trustees approve reductions (including full take-back of an allocation) in power allocations and/or job commitments for four companies as outlined in this memorandum and that the Trustees defer action with regard to ten companies addressed above in this memorandum. 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/fully taken back.

“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.”

March 28, 2000

In response to questions from Trustee McCullough, Mr. Yates explained that there is no PFJ power remaining to allocate since the end of the program has been reached.

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

RESOLVED, That the Authority hereby approves the reduction of power allocations and/or job commitments to four companies; defers action with respect to the ten other companies identified in the report; and be it further

RESOLVED, That the Manager – Business Power Allocations and Compliance hereby is authorized to provide written notice to these companies whose allocations and job commitments are being reduced/full taken back, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel.

7. **Transfers of Industrial Power**

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the transfer of Industrial power for 12 existing customers that have been acquired. As part of the transfers, 11 out of the 12 transferees will honor the associated job commitments. The Trustees are also requested to authorize the reduction in the power allocation and related job commitment for the one company that cannot honor the existing job commitment.

BACKGROUND

“Twelve companies have requested that the Authority grant approval to their requests for the continued delivery of Industrial Power to facilities that have all gained prior approval for an allocation of Industrial power with pre-existing company names and ownership. The present owners of these same facilities are now requesting that the Authority authorize the continuation of the Industrial Power allocations that were granted to the previous company names and ownership associated with these facilities. The Trustees have previously approved transfers of this nature.

DISCUSSION

“**Allied-Signal, Inc.** (‘Allied Signal’) was approved for a 300 kW Replacement Power allocation effective January 31, 1989. The company’s businesses center around advanced technologies in aerospace, automotive products, and engineered materials. Allied-Signal’s Buffalo Research Facility retains approximately 130 jobs and is dedicated to research efforts on the development of a full-line of environmentally safe substitutes for chloroflourocarbons. The company has recently merged with Honeywell and is now officially called Honeywell International.

“**Allied Signal Laminate Systems** (‘Allied Signal Laminate’) was recommended to receive a 750 kW Power for Jobs allocation at its Hoosick Falls facility by the members of the EDPAB at their meeting of August 26, 1998. The Trustees of the Authority subsequently approved the allocation at their meeting of September 29, 1998. Allied Signal Laminate committed to retain 147 jobs in New York State in return for the allocation. The company was officially acquired by Isola Laminates Systems as of September 3, 1999. Isola Laminate Systems has taken ownership of all assets and liabilities for the plant located in Hoosick Falls. Isola Laminate Systems is a division of Rutgers Corporation and is committed to its employees and wishes to continue receiving Power for Jobs power as previously contracted with Allied Signal Laminate.

“**Cascades Niagara Falls** (‘Cascades’) The Trustees approved the transmittal, to the Governor, of a contract for the sale of 12,000 kW of High Load Factor Power to Cascades Niagara Falls at their meeting of November 26, 1996. The company agreed to retain 140 jobs. In January of 1998 the company announced the formation of a new organization called Norampac which was formed from the 50/50 merger of Cascades and Domtar’s containerboard and packaging divisions. Norampac will maintain the original job commitment.

“**Dean Foods Vegetable Company** (‘Dean Foods’) was recommended to receive a 1,500 kW Power for Jobs allocation at its Fulton facility by the members of the EDPAB at their meeting of August 26, 1998. The Trustees of the Authority subsequently approved the allocation. Effective September 23, 1998, Dean Foods was acquired by Agrilink Foods, Inc. of Rochester.

“**Lawson Mardon Packaging, Inc.** (‘Lawson Mardon’) was recommended to receive a 1,300 kW Economic Development Power allocation at its Baldwinsville facility by the members of the EDPAB at their meeting of October 10, 1991. The Trustees of the Authority subsequently approved the allocation on December 19, 1991. Lawson Mardon committed to create 140 new jobs in New York State in return for the allocation. The

company was sold to The Specialized Packaging Group on August 3, 1998. The Baldwinsville facility commenced business on August 4, 1998 under the ownership of the Specialized Packaging Group, Inc, doing business as Specialized Packaging Radisson, Inc.

“**Leroy Industries, Inc.** received a total allocation of 1,300 kW of Economic Development Power (‘EDP’), approved by the Trustees at their meeting of June 30, 1992 for the retention of 284 jobs and the creation of 28 jobs. Subsequently, on January 24, 1999, with the Trustees’ annual review of job commitments, Leroy Industries’ allocation was reduced to 900 kW for 212 jobs. The company subsequently filed for bankruptcy protection.

“Effective November 24, 1999, Automotive Corp. acquired from M&T Bank in Buffalo, New York some of the assets of Leroy Industries. In the asset purchase, Automotive Corporation did not assume any of the liabilities of Leroy Industries. Automotive Corp. now wishes to assume all the rights, title, interest, liabilities, responsibilities, and obligations associated with the Economic Development Power allocation made to Leroy Industries. Automotive Corp. is not at this time able to commit to Leroy Industries’ pledged job commitment of 212; however, the company is committed to maintaining 100 positions of employment.

“The amount of Automotive Corporation’s reduced power allocation will be determined at the Trustees’ next review of annual job commitments which is currently scheduled for May 23, 2000. Staff recommends that the Trustees reduce Automotive Corporation’s EDP allocation by 475 kW and its job commitment by 112 jobs, adjusting the allocation to 425 kW and the job commitment to 100 positions.

“**Louis Levin & Company** of Tonawanda (‘Louis Levin’) was recommended to receive a 100 kW Power for Jobs allocation at its Tonawanda facility by the members of the EDPAB at their meeting of August 26, 1998. The Trustees of the Authority subsequently approved the allocation on September 29, 1998. Louis Levin committed to retain 25 jobs in New York State in return for the allocation. On February 1, 1999, Metalico, Inc. (‘Metalico’) acquired all of the assets and assumed all of the liabilities of Louis Levin. The company was moved to a new location in Buffalo. As part of the transfer, Metalico will honor the associated job commitment of 25 jobs.

“**Roth Brothers Smelting** (‘Roth Brothers’) was recommended to receive a 1,200 kW Economic Development Power allocation at its East Syracuse facility by the members of the EDPAB at their meeting of November 29, 1994. The Trustees of the Authority subsequently approved the allocation on January 31, 1995. Roth Brothers committed to retain 218 jobs in New York State in return for the allocation. The company was acquired by Wabash Aluminum Alloys, L.L.C.

“**Sanyo Sewing America, Inc.** was recommended to receive a 200 kW Power for Jobs allocation at its Oneonta facility by the members of the EDPAB at their meeting of June 22, 1999. The Trustees of the Authority approved the allocation on June 29, 1999. Sanyo committed to retain 80 jobs in New York State in return for the allocation. On October 1, 1999, Valley Fashion Apparel, L.L.C. (‘Valley Fashion’) purchased the Oneonta facility from Sanyo. Valley Fashion acquired all of the assets and assumed all of the liabilities at the facility. As part of the transfer, Valley Fashion will honor the associated job commitment of 80 jobs.

“**Smith Barney, Inc.** On September 25, 1984, the Trustees of the Authority approved a contract for the sale of 16,000 kW of firm Fitzpatrick Power to Shearson Lehman/American Express, Inc. for use at the company’s Information Services Center located at 390 Greenwich Street in New York City. Shearson Lehman/American Express committed to retain 2,500 jobs in New York State in return for the allocation. At their meeting of August 31, 1993 the Trustees approved the transfer of Shearson Lehman/American Express, Inc.’s industrial power allocation to a new firm known as Smith Barney Shearson which incorporated the brokerage unit of Shearson which is currently receiving Industrial power. The allocation and job commitments have varied over the years and currently stand at 16,000 kW to retain 3,350 jobs.

“The company requests that its contract with the Authority be amended to recognize the merger of Smith Barney with Salomon Brothers, to create Salomon Smith Barney, Inc. (‘SSB’), and the subsequent merger of Smith Barney’s prior parent company Travelers Group, Inc. with Citibank, which created SSB’s current

parent company, Citigroup, Inc. Thus, as a result of a succession of interest from the original allottee, Shearson/American Express, Inc., the current allottee under its contract with the Authority, should be recognized as Citigroup, Inc. SSB and its parent Citigroup have agreed to continue to maintain the job commitments currently associated with the allocation to Smith Barney, Inc.

“Snyder Tank Corp. (‘Snyder Tank’) was recommended to receive a 400 kW Power for Jobs allocation at its Hamburg facility by the members of the EDPAB at their meeting of April 28, 1998. The Trustees of the Authority subsequently approved the allocation at their meeting of April 28, 1998. Snyder Tank committed to retain 146 jobs in New York State in return for the allocation. In 1997, the company was sold to the Kuhlman Corporation, (‘Kuhlman’).

“On December 31, 1998, Kuhlman merged with Kysor Snyder Corporation (‘KSC’). On March 1, 1999 Borg-Warner Automotive Corporation purchased 100 percent of the stock of KSC as part of its acquisition of the Kuhlman Corporation. Subsequently, the name of KSC was changed to Borg-Warner Automotive Fuel Systems Corp. (‘BWA Fuel Systems’). BWA Fuel Systems is the surviving entity and is the same legal corporation as KSC.

“Southside Laundry of Hempstead was recommended to receive a 700 kW Economic Development Power allocation at its Hempstead facility by members of the EDPAB at their meeting of June 11, 1992. The Trustees of the Authority approved the allocation at their meeting of February 23, 1993. Southside Laundry committed to retain 215 jobs and create 41 jobs. The company was sold to Tarten Textile Services, Inc. in a wholesale purchase as of May 1, 1998.

“In accordance with Section 186 of Article 6 of the Economic Development Law, and with Section 460.7 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1988)), no voluntary transfer of Economic Development Power may be made without the written approval of the Authority.

“Except in the case of Automotive Corporation, Inc., the new corporate entities have agreed to assume all of the obligations of the present allottee, and honor all of the commitments made to the Authority with respect to jobs and reporting requirements.

RECOMMENDATION

“The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the transfers of Industrial Power allocations to the eleven companies as described herein and authorize the reduction in the power allocation and associated job commitment for one company as outlined in this memorandum

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

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

RESOLVED, That the Authority hereby authorizes the transfers of Industrial Power allocations as described in the foregoing report of the President and substantially in accordance with the terms described in such memorandum; and be it further

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

8. Village of Greenport – Increase in Retail Rates - Notice of Adoption

The President submitted the following report

SUMMARY

“The Board of the Village of Greenport, New York has requested the Trustees to approve revisions in the Village’s base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about \$196,000 or 9.9 percent. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Village Board has requested the proposed rate increase to provide revenues to meet Greenport Municipal Lighting Department’s additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1994, when the Trustees approved an 8% rate reduction. The Village’s last rate increase was in 1990.

“The management of the Village of Greenport has planned additions to plant-in-service amounting \$ 2,035,500. The capital program consists of a major upgrade of the Village’s powerplant, which includes among other things, installation of a new distribution system and related transmission lines, replacement of line transformers, replacement of old poles and the purchase of new transportation equipment. The Village plans to debt finance \$ 1,005,000 and fund the remainder of the planned capital program from the rate increase.

“Under the Village’s new rate design, an average residential customer with usage of 750 kWh who currently pays \$64.38 a month, will pay \$71.48 or 9.5 cents per kWh. A commercial customer with usage of 1,500 kWh currently paying \$133.20 a month, will pay \$150.95 or 10.1 cents per kWh after the increase. One of the Village’s industrial customers with usage of 30,000 kWh and 106 kW, currently paying about \$2,045 a month, will pay \$2,294 or 7.7 cents per kWh after the increase.

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

DISCUSSION

“Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village’s proposed revisions in retail rates. Such notice was published on February 9, 2000 and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village of Greenport on January 4, 2000. There were several comments concerning the proposed rates. Authority staff reviewed all comments and concluded that the proposed rate increase is appropriate. The Village Board voted to approve the proposed rates on January 4, 2000.

“An expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘8-A’, ‘8-B’ and ‘8-C, respectively.

RECOMMENDATION

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

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

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

In response to questions from Trustee McCullough, Mr. Banner explained that a variety of comments had been received in response to the public notice and hearing. A number of such comments expressed support of the Village’s position, and the remaining comments were varied.

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

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

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

9. Otsego Electric Cooperative – Increase in Retail Rates - Notice of Adoption

The President submitted the following report

SUMMARY

“The Board of the Otsego Electric Cooperative, New York has requested the Trustees to approve revisions in the Cooperative’s base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about \$349,000 or 10.1 percent. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Cooperative Board has requested the proposed rate increase to provide revenues to meet Otsego Electric Cooperative's additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1983.

“The management of the Otsego Electric Cooperative has planned additions to plant-in-service amounting \$6,660,000. The capital program consists of a major upgrade of its distribution substation equipment, consumer meters, line transformers and replacement of old poles. The Cooperative plans to finance its capital program by borrowing \$5,360,000 and the remainder from the Cooperative’s General Fund.

“Under the new rates, an average residential customer who currently pays about 7.7 cents per kWh, will pay about 8.5 cents. A small commercial customer currently pays 7.8 cents per kWh and will pay 8.5 cents after the increase. Large commercial (Single Phase) customers are presently paying 9.0 cents and will pay 9.9 cents after the increase. Large Commercial (Multi Phase) customers currently pay 7.6 cents and will pay 8.6 cents after the rate increase.

“The proposed rate revisions are based upon a cost of service study prepared by the Otsego Electric Cooperative and reviewed by Authority staff.

DISCUSSION

“Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Cooperative’s proposed revisions in retail rates. Such notice was published on February 9, 2000 and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Electric Cooperative on December 27, 1999. There was no opposition to the proposed rates and the Cooperative Board has requested that they be approved.

“Expense and revenue summary, comparisons of present and proposed total annual revenues and their corresponding rates by service classification are attached as Exhibits ‘9-A’, ‘9-B’ and ‘9-C’, respectively.

RECOMMENDATION

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

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

March 28, 2000

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

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

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

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

**10. St. Lawrence/FDR and Niagara Power Projects
Relicensing – Expenditure Authorization**

The President submitted the following report

SUMMARY

“The Trustees are requested to authorize an additional \$6.5 million in capital expenditures in 2000 for relicensing the St. Lawrence/FDR Power Project. The anticipated tasks related to the St. Lawrence Project involve: (1) performing eel studies and any additional studies required by the Federal Energy Regulatory Commission (‘FERC’) to prepare an application for a new license and an Environmental Impact Statement for the St. Lawrence Project; (2) preparation of a draft license application and consultation with agencies, local governments, and other parties; and (3) third party contractor (‘TPC’) support for the cooperative environmental review process by FERC and New York Department of Environmental Conservation (‘DEC’). To date the Trustees have previously approved \$20.2 million for this project. With the current request, the total authorized amount for this project would be \$26.7 million.

“The Trustees are also requested to approve an additional \$2.0 million in capital expenditures for license related activities this year at the Niagara Power Project. To date, the Trustees have approved \$14.3 for this effort. The emphasis in 2000 will be on: (1) completing the ongoing Socioeconomic Study; (2) continuation of a major effort to develop a Geographic Information System for the Project; (3) development of information necessary for evaluation of the formal preapplication licensing process; and (4) regulatory information assessment and development of a communications program. With the current request, the total authorized amount for this project would be \$16.3 million.

BACKGROUND

“The Authority’s existing FERC license for the St. Lawrence Project expires in October 2003. In accordance with FERC regulations, the Authority’s application for a new license must be filed by October 2001.

“At their meeting of January 26, 1999, the Trustees approved additional expenditures of \$6.7 million for the St. Lawrence relicensing effort to cover expenses through 1999. The additional \$6.5 million currently requested will cover tasks to be performed through the end of 2000. The focus in 2000 will be continued consultation and settlement negotiations with the Cooperative Consultation Process (‘CCP’) Team and completing ongoing studies identified by the CCP Team.

“The Authority’s federal license for the Niagara Power Project expires in August 2007. In accordance with FERC regulations, the Authority’s application for a new license must be filed by August 2005.

“At the Niagara project, the efforts in 2000 will focus upon regulatory information assessment and development. Activities will include: development of information for use in the relicensing process; continuation of Geographic Information System development; fisheries sampling; and a bathymetric survey of the forebay and Lewiston reservoir.

DISCUSSION

St. Lawrence Project Relicensing

“Relicensing of the Project began in 1992 with the creation of a Hydro Relicensing Task Force (‘Task Force’) which included representatives from most of the non-nuclear departments within the Authority. From

1993 to 1995, the Task Force, led by the Licensing Division, identified potential issues to address during relicensing, conducted studies to collect and compile environmental information, and developed an overall plan for relicensing the St. Lawrence Project. Additional activities included obtaining data on existing environmental conditions, conducting turbine upgrade studies, reviewing all issues related to license compliance, and initiating a public outreach program.

“Some of the significant milestones that have been reached since the Authority began the formal relicensing process in 1996 include; 1) a Memorandum of Understanding between the Authority, FERC and DEC to conduct an integrated environmental review of the Authority’s applications for both a new FERC license and a DEC Water Quality Certificate, 2) establishing the Cooperative Consultation Process with FERC, resource agencies, local governments, the Mohawks of Akwesasne, non-governmental organizations, and the public, 3) identifying issues to be addressed during relicensing through a public scoping process, 4) and, identifying, initiating and completing studies for issues raised during the scoping process. In addition, a conceptual settlement agreement has been achieved with New York State Office of Parks, Recreation, and Historic Preservation; five of the seven out-of-state customers; and, the St. Lawrence Aquarium and Ecological Center.

Funding has been included to continue support for:

- 1) meeting with the CCP Team and facilitation support;
- 2) intervenor funding and agency consultation;
- 3) the Third Party Contractor (TPC) to continue assisting FERC and DEC in settlement negotiations, attend meetings, review studies, and prepare the Draft Environmental Impact Statement;
- 4) the services of a Contractor who is managing eel studies and any additional study required by FERC, report preparation and responses to comments, coordination of information being provided to the CCP Team; preparation of the draft license application; and
- 5) outside counsel to provide support in relicensing-related matters.

“It is anticipated that the remaining relicensing-related studies identified in the CCP process will be completed by the end of 2000.

Niagara Relicensing

“The efforts in 2000 will focus upon regulatory information development and assessment. Licensing Staff will focus on developing the information necessary to commence the formal preapplication regulatory process, which commences with the filing in 2002 of a Notice of Intent to seek a new license. The Authority’s Public Affairs staff will embark upon a public outreach program prior to the commencement of formal licensing activities.

FISCAL INFORMATION

“To support relicensing activities, the Licensing Division requests authorization of \$6.5 million capital expenditures for the St. Lawrence/FDR Power Project, and \$2.0 million for the Niagara Power Project. These funds were included in the approved 2000 budget. It is anticipated that these funds will cover expenses through the end of 2000. Funds through 2007 will be included in future budget submittals. Payments will be made from the Authority’s Capital Fund.

RECOMMENDATION

“The Vice President – Policy & Governmental Affairs recommends that the Trustees approve capital expenditures of \$6.5 million for the St. Lawrence and \$2.0 million for the Niagara relicensing efforts in 2000.

“The Senior Vice President and 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, referring to a question he had raised several months earlier, indicated that it would be helpful for the Trustees to be provided with an update on the status of the relicensing efforts at the next regularly scheduled Trustee meeting. Trustee Ciminelli expressed agreement, stressing that he often gets questions about the Niagara effort in particular. President Zeltmann gave assurances that such a briefing will be provided.

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

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

<u>Expenditure Authorization</u>	<u>St. Lawrence/FDR Relicensing</u>	<u>Niagara Relicensing</u>
Previous Authorization	\$20.2 million	\$14.3 million
Current Request	<u>\$ 6.5 million</u>	\$ 2.0 million
TOTAL AMOUNT AUTHORIZED	<u>\$26.7 million</u>	\$16.3 million

11. Niagara-Adirondack Tie Line - Acquisition of Property
Map No. OWE-1429, Parcel Nos. 1429A, 1429B, and 1429C

The President submitted the following report

SUMMARY

“The Trustees are requested to authorize the acquisition by purchase or eminent domain of a danger tree easement located in the Town of Westmoreland, County of Oneida, New York as shown and described on Map No. OWE-1429, Parcel Nos. 1429A, 1429B, and 1429C, containing 8.17± acres. The proposed easement will encumber 50-foot-wide strips of land adjacent to both the northerly and southerly right-of-way boundaries of the Niagara-Adirondack Tie Line.

BACKGROUND

“The Niagara-Adirondack Tie Line (‘NATL’) right-of-way is 300 feet wide, running from the Niagara Power Project to the Edic Substation near Utica. The rights-of-way for the NATL were acquired in the early 1960’s before the Authority established the policy of acquiring “danger tree easements” contemporaneously with transmission line easements. In some instances the Authority has purchased easements (either temporary or permanent) to remove trees adjacent to the NATL, but in the vast majority of cases, the Authority has purchased the right to cut individual trees. In the past, the Authority has been able to negotiate payment for such trees on the basis of timber value or other agreement with the landowner. This procedure has been increasingly difficult to follow as land uses and landowner attitudes change.

DISCUSSION

“The transmission line maintenance department has identified numerous trees (hereinafter ‘danger trees’) on the subject property as trees that threaten the continued safe operation of the NATL. A ‘danger tree’ is defined as a tree outside the Authority’s existing easement that, either currently or in the near future, could fall into the transmission line. Such an occurrence would cause a flash-over or possible outage of that transmission line. To prevent these occurrences and their associated hazardous consequences, danger trees must be monitored and eliminated when they threaten the line. Because of the large number of trees to be cut on this property adjacent to the NATL, the real estate division was requested to obtain from the current owner the rights to cut within certain areas on the property to allow for the removal of these danger trees. To date, efforts to negotiate a purchase price with this landowner have not been successful, and acquisition by eminent domain may be necessary.

“The NATL is the major east-west transmission facility in New York State responsible for transporting as much as six - eight percent of total electric load in New York. Due to the importance of the NATL to the reliability of electric service in New York, and the threat presented by these danger trees to both the operation of the line and the health and safety of those people living proximate to the line, it is necessary to acquire permanent tree-cutting rights across the subject property.

FISCAL INFORMATION

“Funds required for this purpose have been included in the 1999 approved O&M Budget. Payment will be made from the Operating Fund.

RECOMMENDATION

“The Director - Environmental Programs, the Director - Real Estate, the Regional Manager - Central New York, the Vice President and Chief Engineer Engineering and Power Generation, and the Assistant General Counsel - Regulatory and Contracts recommend that the Trustees approve the acquisition of the permanent

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easement as shown and described on the Niagara Project, Niagara-Adirondack Tie Line Map No. OWE-1429, Parcel Nos. 1429A, 1429B, and 1429C.

“The Vice President - Procurement and Real Estate, the Senior Vice President and Chief Financial Officer, the Executive Vice President - Corporate Services and Human Resources, the Executive Vice President, Secretary, and General Counsel, the Executive Vice President - Project Operations, and I concur in the recommendation.”

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

RESOLVED, That pursuant to the provisions of Article 5, Title 1 of the Public Authorities Law, the Authority hereby finds it necessary to acquire by purchase or eminent domain the real property shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line Map No. OWE-1429, Parcel Nos. 1429A, 1429B, and 1429C, and hereby finds and determines that such real property is required for a public use and hereby determines that such real property is reasonably necessary for the operation of the Niagara-Adirondack Tie Line, and that because of the critical situation caused by the trees the public interest will be endangered by any delay caused by the public hearing requirement of the Eminent Domain Procedure Law; and be it further

RESOLVED, That in the opinion of the Authority the acquisition of the real property shown and described on Power Authority of the State of New York, Niagara Power Project, Niagara-Adirondack Tie Line Map No. OWE-1429, Parcel Nos. 1429A, 1429B, and 1429C is *de minimis* in nature so that the public interest will not be prejudiced by the acquisition of such real property without a public hearing; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President - Project Operations, or the Regional Manager - Central New York of the Authority be, and each hereby is, authorized and directed to execute on behalf of the Authority such certificates, requests, and directions on terms and conditions substantially in accord with the foregoing report of the President and Chief Operating Officer, as are necessary or desirable for the acquisition of such real property; and be it further

RESOLVED, That the President and Chief Operating Officer, the Executive Vice President, Secretary and General Counsel, or Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing, subject to approval of the form thereof by the Executive Vice President, Secretary and General Counsel;

12. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-nuclear facilities; and Headquarters Offices – Awards

The President submitted the following report

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘12-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Offices. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. In addition, an assignment provision will be included in each new contract issued 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. Approval is also requested for funding all contracts, ranging in estimated value from \$30,000 to \$8,000,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in Support of the Nuclear Plants:

“Competitive bids for multi-year services contracts were solicited by Headquarters' procurement staff for temporary engineering/design services in several specialized areas to support one or both of the Authority's nuclear plants. Commercial and technical evaluations of the respective proposals determined that, in most cases, multiple awards known as ‘General Services Agreements’ (‘GSAs’) to several lowest or most technically qualified bidders in each category of services would be most efficient and cost-effective to the Authority. Some tasks will be assigned on a sole source basis to the firm with a specific specialty or which can meet compressed schedule requirements. For most tasks, however, the selected firms in each category will be competitively bid against each other for services, as tasks

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are identified to be performed, by submitting their qualifications, corresponding costs, and appropriate level of staffing to meet the required schedule for each task. The awards, to be released through change orders, will be made on a lump sum or time and materials basis, as appropriate, and will ensure the best possible services and price for the Authority, meeting schedule requirements. Commitments will be made to the individual contracts as tasks are assigned to the successful bidder(s) within the group; commitments and expenditures for all contracts within each grouping will also be tracked against the approved total for that category.

“The four General Services Agreements with **Burns and Roe Enterprises, Inc.; Enercon Services, Inc.; Proto-Power Corp.; and Sargent & Lundy, LLC (Q-02-2497; PO #s TBA)** would commence on April 1, 2000, subject to the Trustees’ approval. The purpose of these contracts is to provide for engineering and design services to support modification packages for IP3 and JAF. Services include, but are not limited to: preparation of modifications, engineering design, studies, estimating, scheduling, inspections, quality assurance, licensing support, testing activities, specifications, permits, licenses, procedure preparation and other specialized tasks. The areas of specialized tasks include, but are not limited to, upgrades or replacement of various piping, valves, flanges, etc. Use of such outside consultants is necessary when certain engineering tasks cannot be performed by Authority engineering staff due to the volume of tasks, schedule constraints, outages (both scheduled and unscheduled), Nuclear Regulatory Commission regulatory issues, and/or the nature of specialized services.

“Sixteen bids were received in response to the Authority’s request for proposals (in addition to twelve declining/non-responding vendors, including notice in the Contract Reporter). They were assessed according to the following weighted criteria: nuclear power plant experience; qualifications of personnel; full service/broad range; and past performance on Authority projects. Due to the nature of the work to be performed under these agreements, it is vital to have the most technically qualified vendors performing this work. Past experience in the nuclear field and with Authority modification procedures are the most critical components of a successful bid. Based on these commercial and technical evaluations, as well as past experience with this approach, staff recommend that multiple awards to several most technically qualified bidders would be most efficient and cost-effective to the Authority. The final ranking of the four most technically qualified bidders, based on the summation of the weighted attributes of experience, performance and cost, follows: Proto-Power Corp., Burns and Roe Enterprises, Inc., Enercon Services, Inc., and Sargent & Lundy, LLC. This spectrum of consultants will ensure that high quality technical skills are available to meet the Authority’s diverse technical needs at its nuclear plants. This will ensure the best possible product/services and prices for the Authority. The intended term of these contracts is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the three-year term of the contracts, \$8,000,000. Commitments will be made to the individual contracts as tasks are assigned or bid; commitments and expenditures for all four contracts will be tracked against the approved total.

“The contract with **C.C. Boyce & Sons, Inc. (Q-02-2543; PO # TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide waste removal services, on an “as needed” basis, for IP3. The contractor is responsible for providing numerous dumpsters of various capacities with tarps, as well as compactors. C.C. Boyce was the low bidder of five bids received (including one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is four years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$405,000.

“The contract with **Centrico, Inc. (Q-02-2565; PO # TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide for a factory service representative to provide quarterly preventive maintenance inspection and service for Westfalia equipment at IP3, as well as to perform repairs on such equipment, on an “as required” basis. This equipment removes water and particulates from hydraulic oil systems for the Main Turbine Generator and Main Boiler Feeder Pump. Since Centrico is the only factory certified representative in the United States and Canada for Westfalia, the original equipment manufacturer of this permanently installed system, this contract is awarded on a sole source basis. The intended term of this contract is four years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$42,000.

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“The contract with **Dosimetry Associates (4500019345)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide for quality control irradiations (blind testing) for Panasonic thermoluminescent dosimeters (‘TLDs’) used for personnel monitoring at IP2 and IP3. Such services are performed on a quarterly basis, with additional tests to be performed on request as needed, in compliance with Nuclear Regulatory Commission requirements. IP3 provides for such quality control testing of TLDs, which are supplied and processed by Con Edison for both plants under a separate agreement. These irradiations are required to maintain Con Edison’s certification as a TLD processor. This award is made on a sole source basis, since Dosimetry Associates have provided these services historically for Con Edison and have developed long-term quality control charts based upon all testing they have performed to date. Changing vendors would introduce another variable into the quality control program (where fewer variables signify a better program) and unreasonably increased costs for both IP2 and IP3 to change their dose monitoring programs. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$30,000.

“The contract with **Nichols Systems (Q-02-2483; PO # TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide semi-annual and annual fire alarm system testing, maintenance, parts and repairs, and emergency service for various buildings at IP3, in compliance with the New York State Uniform Fire Prevention and Building Code and Nuclear Electric Insurance Limited (‘NEIL’) and Factory Mutual Fire Insurance Regulations. Services also include central station monitoring service for the digital communicators located in certain buildings. Technicians performing such work must be Pyrotronics/Cerberus factory-trained, qualified and certified to work on this system. Nichols Systems was the sole responding bidder of four bids solicited, including notice in the Contract Reporter. The contractor has provided excellent services under the current contract and pricing for the new contract is reasonable and comparable to current rates. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$60,000.

“The contract with **Normandeau Associates, Inc. (Q-02-25340 # TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide for the macro-fouling monitoring program for IP3. Services include performing plankton sampling, deploying settling plates and flow-through monitoring boxes, counting collected organisms, and preparing monthly reports detailing results. Significant macro-fouling of the service water heat exchangers occurred at IP3 in 1991, due to infestations of dark false mussels and blue mussels. More recently, zebra mussel veligers were found in plankton samples taken in front of the IP3 intakes. The objective of the macro-fouling monitoring program, in effect since 1992, is to determine the effectiveness of the service water chlorination program. Because the circulating water system cannot be continuously chlorinated (due to Environmental Protection Agency and Department of Environmental Conservation restrictions), the monitoring program must provide information as to the settling rate and growth patterns of all bivalves and other macro-fouling organisms, so that appropriate control measures can be determined. Implementation of this program is one element of the Authority’s response to the Nuclear Regulatory Commission’s Generic Letter 89-13, which details preventative measures to be taken to protect service water systems from a variety of problems. Normandeau was the low bidder of two bids received (in addition to six declining/non-responding bidders and notice in the Contract Reporter). The contractor has provided excellent services under the current contract and pricing has remained virtually unchanged. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$40,000.

“The contract with **Sure-Tech Diagnostics (Q-02-2464; PO # TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide blind quality control (urine) specimens to test the proficiency of the Authority’s laboratory in support of the Fitness for Duty program at IP3. These specimens are mandated by 10CFR26. A certain percentage of the specimens must be certified negative and the remaining percentage should verify positive for five drugs of abuse per the National Institute of Drug Abuse (‘NIDA’). Sure-Tech was the low bidder of three bids received (in addition to one declining bidder and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$30,000.

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“The contract with **T.S. Mathieson Construction Co. (45000018469)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide the equipment and labor necessary to transport wet sludge (consisting of human effluents and wastewaters collected from sanitary facilities) from various JAF holding tanks as well as the Emergency Operations Facility in Fulton to the Minetto Wastewater Pollution Control Plant for sewage treatment. T.S. Mathieson was the sole responding bidder of eight bids solicited, including notice in the Contract Reporter. The contractor has provided satisfactory service under the current contract, the pricing remains at the 1997 level and is firm for the duration of this contract. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$45,000.

Contracts in Support of the Non-nuclear Facilities and Headquarters Business Units:

“The two contracts with **Aon Consulting, Inc. and Buck Consultants (Q-02-2527; PO #s TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of these contracts is to provide for benefit consulting services for the Authority in the following areas: compliance with federal and state requirements for flexible benefits programs; flexible benefits design and pricing; self-insured funding arrangements; request for proposal for management services; and other consulting services, as may be required. Six proposals were received for the subject services, in addition to sixteen declining/non-responding bidders including a notice in the Contract Reporter. An extensive evaluation of the proposals, including pre-award clarification meetings and submittal of estimates for sample projects indicated that two contracts should be awarded for such services. Staff recommend a primary award to Aon Consulting, the lowest, most technically qualified bidder for the following scopes of work: flexible benefits design (including review of current benefits options, cost benefits analysis and recommendations for changes); flexible benefits pricing (including review of the methodology for determining current flex credits and for pricing the benefits plans in order to determine future pricing strategies); review of self-insured funding arrangements for cost-effectiveness; assist the Authority in the preparation of a Request for Proposals for management services and in the subsequent vendor selection to provide Third Party Administration Services; and other consulting services, as needed. Aon responded with the highest level of expertise, assembling a team to manage the Authority account with a good mix of competencies that was most appropriate for the scope of the projects; they most clearly articulated a detailed plan for implementation and seemed flexible to accommodate any forthcoming organizational changes in the Authority. A second award to Buck Consultants is also recommended to provide for compliance and discrimination testing for the flexible benefits (‘cafeteria’) plans, including flexible spending accounts and limitations on benefits and contributions under qualified plans. As the provider of such services to the Authority for the past five years, Buck has gained invaluable historical knowledge and experience in compliance and discrimination testing. Retaining Buck to continue to provide their expertise for such services would be most cost-effective for the Authority. The consultant will also provide expert advice regarding the New York State Employees’ Retirement Plan, 401(k) and 457 plans in the context of current and prospective Internal Revenue Service codes and regulations, as well as consulting services on issues requiring the aforementioned historical perspective, as may be required. The intended term of these contracts is three years, subject to the Trustees’ approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$300,000.

“The two contracts with **Lucius Pitkin, Inc. and Ithaca Materials Research & Testing, Inc. (Q-02-2438; PO# TBA)** would become effective on April 1, 2000, subject to the Trustees’ approval. The purpose of these contracts is to provide for failure analysis and metallurgical examination and testing services in support of the Authority’s non-nuclear facilities and transmission lines. Technical services include providing the equipment, materials and labor required to sample, test and analyze metallic and other elements used in power plant equipment and components. The work will be performed at the Authority’s facilities, construction sites, manufacturer’s plants, or in the consultant’s laboratory. Based upon their in-house qualifications, equipment, personnel, past experience, proximity to the sites and the White Plains Office, quality assurance and itemized pricing, staff recommends an award to Lucius Pitkin, the most technically qualified bidder of seven bids received (in addition to four declining/non-responding bidders, including responses to a notice in the Contract Reporter). In addition, staff also recommend a second award to Ithaca Materials as an alternate, to be used on

an 'as needed' basis. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$150,000.

FISCAL INFORMATION

"Funds required to support contract services for JAF, IP3, the non-nuclear facilities, as well as the Headquarters Offices have been included in the 2000 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Director – Environmental Programs, Director – Employee Benefits, Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, the Vice President and Chief Engineer, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '12-A' and as discussed above.

"The Senior Vice President – Business Services and Chief Financial Officer, the Senior Vice President – Chief Nuclear Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation."

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

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

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 Increase in Compensation Ceiling

The President submitted the following report

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘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, including Energy Services and Technology (‘EST’) programs. In addition, the Trustees are requested to approve an increase in the compensation ceiling to \$12,170,000, from the previously approved amount of \$8,400,000, of the procurement contract with Kleinschmidt Associates, for relicensing studies in support of the St. Lawrence/FDR Power Project; and an increase in the compensation ceiling to \$2,056,286, from the previously approved amount of \$1,306,286, of the procurement contract with PricewaterhouseCoopers LLP, for independent accounting/auditing services of the Authority’s financial records and related special projects; an increase in the compensation ceiling to \$890,000, from the previously authorized amount of \$300,000, of the procurement contract with EAI Environmental Management Services, an increase in the compensation ceiling to \$1,133,000, from the previously authorized amount of \$440,000, of the procurement contract with Roy F. Weston of NY; and an increase in the compensation ceiling to \$900,000, from the previously authorized amount of \$300,000, of the procurement contract with TRC Environmental Corp., all three for asbestos abatement planning and environmental consulting services in support of certain EST programs. It should be noted that all funding in support of the three EST contracts was previously approved by the Trustees; approval is now sought to release and allocate the previously approved funding to each of these three contracts. In addition, all such funding will either be recovered by the Authority from participating customers or will be paid for by the State of New York Clean Air/Clean Water Bond Act funding or by the New York City Board of Education (when supporting the Clean Air for Schools Projects Program). 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 Headquarters Business Units and all Operating Facilities/Plants:

"The contract with **Acres International Corp. (4500006295)** provides for zebra mussel testing at the St. Lawrence/FDR Power Project. Services include the collection and analysis of treated and raw water samples at a minimum of seven locations within the general vicinity of the Project to determine zebra mussel veliger densities and mortality percentages attributable to chlorination. The original award, which was competitively bid, became effective on June 1, 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, as required. The current contract amount is \$11,250; it is anticipated that an additional \$22,500 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 May 31, 2002 and to approve the additional funding.

"The contract with **Akwesasne Task Force on the Environment, Inc. ('ATFE'; 4500002326)** provides for a study of traditional cultural properties in a prescribed study area that includes the lands of the St. Lawrence/FDR Power Project and also to provide support for the development of a Cultural Resources Management Plan associated with the Project's relicensing. A traditional cultural property is a property that is eligible for inclusion in the National Register of Historic Places because of its association with cultural practices or beliefs of a living community that a) are rooted in that community's history and b) are important in maintaining the continuing cultural identity of the community. A cultural property can include objects of art, archeological artifacts, places associated with traditional music and dance, and sacred sites. It also includes the term ethnographic resources, which includes specific geographic locations, animal or plant materials, or mineral deposits important to and in the cultural life of Akwesasne Mohawks and their ancestors and predecessors. The original award became effective March 1, 1999 for a term of one year. A three-month extension is now requested in order to complete the draft report, which is likely to be more exhaustive and voluminous than originally envisioned, and to allow sufficient time for the Authority and State Historic Preservation Office, as well as the community, to review the draft report and the ATWE to finalize the report. The current contract amount is \$242,075; it is anticipated that no additional funding is required for the extended term. The Trustees' approval is requested to extend the subject contract through May 31, 2000, with no additional funding requested.

"The contract with **Comforce Alliance Inc. (C96-Z0065)** provides for operating engineers at the Authority's Centroplex Building (White Plains Office). This contract provides for the services of six individuals, including the Chief Building Engineer as well as Assistant Mechanics. They operate the building's heating, ventilating, and air handling units and are required by code to be in the building during operating hours. They oversee and assist in administering work performed by outside contractors (e.g., for large-scale mechanical and electrical modifications and upgrades) and may perform preventive maintenance and repairs, as required. The original award, which was competitively bid, became effective on February 1, 1997 for an initial term of one year, with an option to extend for one additional year. At their meeting of December 16, 1997, the Trustees approved a one-year extension through January 31, 1999 and increased the contract amount to \$1,116,000. It should be noted that staff had successfully negotiated a lower mark-up. A subsequent one-year extension through January 31, 2000 and an additional two-month interim extension through March 28, 2000 were subsequently authorized, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure

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Authorization Procedures. Additional funding totaling \$620,630 was also added to the previously approved contract amount. A one-year extension is now requested to continue services. Once again, staff have successfully negotiated attractive pricing, which would keep the mark-up at the current low level. In addition, Comforce has provided very satisfactory service. The current contract amount is \$1,736,630. It is anticipated that an additional \$610,000 will be required for the extended term; this includes additional funding to support the NYO/WPO relocation project. The Trustees' approval is requested to ratify the interim extension and additional funding of \$620,630, to approve the extension of the subject contract through January 31, 2001, and to approve the additional funding requested.

“The contract with **Duke Engineering & Services, Inc. (4500003132)** provides for dam failure analysis and inundation mapping services in support of the following Authority projects: Niagara Power Project, St. Lawrence/FDR Power Project, Blenheim-Gilboa Pumped Storage Project, Gregory B. Jarvis Power Project, and the Crescent and Vischer Ferry Hydroelectric Projects, as well as for Ontario Power Generation's ('OPG', formerly Ontario Hydro) R.H. Saunders Generating Station and its related hydraulic structures. All such projects licensed by the Federal Energy Regulatory Commission ('FERC') are mandated to have Emergency Action Plans in the event of dam failure; such plans are required by FERC to be completely reprinted every five years. In addition, the Niagara Project is also required to submit a Flood Warning Notification Plan for the Upper Niagara River. FERC requires each licensee to perform new inundation analyses for dam failure according to specific guidelines. In January 1999, FERC issued new guidelines, which were modified to be consistent with the Federal Emergency Management Agency ('FEMA') guidelines for emergency action planning for dam owners dated October 1998. This required a complete reanalysis of the St. Lawrence, Blenheim-Gilboa and Jarvis Projects. In addition, all of the Authority's maps required complete reprinting using current Geographic Information System techniques to comply with the new FERC guidelines. The original award, which was competitively bid, became effective March 30, 1999 for a term of less than one year. To comply with the FERC guidelines, Duke's analysis and numerical modeling was much more extensive than originally anticipated. In order to meet the mandatory FERC filing deadline of December 31, 1999, Duke proceeded with additional work and incurred extra costs that were not anticipated in the original scope or contract. Such costs are currently under review by Authority staff and only those costs acceptable to the Authority will be reimbursed to Duke. The original contract included an option and pricing for additional related services that would result in the production of an aerial photography based inundation delineation product in compact disk ('CD') format. This would involve gathering, manipulating and merging of mapping and other data from various sources and formats, coupled with an overlay of viewing software, to produce one consistent user-friendly CD format. Staff recommends implementation of such optional services, since Duke would provide significant and important data to aid in training and in conducting FERC-required annual Emergency Action Plan meetings with governmental agencies. A one-year extension is now requested to allow sufficient time for the consultant to complete these services and for the Authority to review and test the final product. The current contract amount is \$194,200; it is estimated that a maximum of \$100,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 29, 2001 and to approve the additional funding requested. It should be noted that up to half the costs associated with work on the St. Lawrence Project will be shared by OPG.

“The contract with **Hiscock & Barclay, LLP (S98-01611)** provides for legal services to the Authority with respect to labor and employment law, employee benefits, tax-related issues and other similar matters, as may be required. Services may include research, meetings, negotiations, document preparation and review, court appearances, telephone calls, travel, and all other activities which may reasonably be determined to be appropriate to assist in the identification, definition, protection, and furtherance of the Authority's legal interests. The subject agreement became effective on February 1, 1998 for an initial term of one year; the original request indicated the potential for an extension of up to two additional years. At their meeting of December 15, 1998, the Trustees approved a two-year extension through January 31, 2001 and increased the contract amount to \$150,000. Subsequently, an additional \$37,500 was committed to the contract, in accordance with the Authority's Expenditure Authorization Procedures. Due to unanticipated litigation with a developer who was working under 345kV transmission lines in the Town of Cicero, Onondaga County, the funds granted for the two-year extension have been exhausted during the first year of such extension. Litigation has now been concluded successfully and the developer's unauthorized activities have been permanently enjoined.

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An increase of \$160,000, as well as another two-year extension, are now requested in order to continue such services and support ongoing programs. The firm's professional competence, depth of talent and reasonable cost structure make them a practical and valuable choice. Their experience is extensive and they are particularly knowledgeable in the area of public sector benefits issues. The current contract amount is \$187,500; it is anticipated that the aforementioned amount of \$160,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through January 31, 2003 and to approve the additional funding requested.

"The contract with **International Quality Consultants, Inc. (4500004182)** provides for the services of a third party resident inspector to perform vendor source surveillance for the Authority at US Tool and Die in Pittsburgh, PA during the fabrication of dry spent fuel storage casks for JAF. The inspector provides fabrication activity inspection oversight to ensure that fabricated components for the JAF spent fuel cask meet regulatory license and design requirements, procedural requirements and management expectations. The original award, which was competitively bid, became effective on April 14, 1999 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested to exercise this option in order to continue needed services. The current contract amount is \$132,200; it is anticipated that an additional \$262,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through April 13, 2002 and to approve the additional funding requested. It should be noted that the Authority equally shares the cost of such quality control/quality assurance inspection services with Southern Nuclear Company, thereby ultimately reducing the amounts indicated above by half.

"The contract with **Nims, Howes, Collison, Hansen & Lackert (4500001320)** provides for legal services relating to patent representation and has advised the Authority on other intellectual property matters. The original contract became effective on January 1, 1999 for an initial term of one year with an option to extend for up to two additional years. An interim extension through March 28, 2000 was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The firm's services have been completely satisfactory and the partner in charge has been a responsive and useful resource in many areas. A two-year extension is now requested to exercise the option in order to continue services. Nims is agreeable to providing services at the current rates, which are reasonable and comparable to the rates of other similar firms. Because of the firm's successful ongoing relationship with the Authority, its involvement in pending matters concerning a patent (Cathodic Protection), software licensing (Micro Data Acquisition Unit), and a trademark (Authority logo), selecting another firm would be impracticable and would not serve any economic purpose. The current contract amount is \$80,000; it is anticipated that an additional \$30,000 may be required for the extended term. The Trustees' approval is requested to ratify the interim extension, to approve the extension of the subject contract through December 31, 2001 and to approve the additional funding requested.

"The contract with **NPS Energy Services, Inc. (S96-82810)** provides for general maintenance support services for the Richard M. Flynn and Charles Poletti Power Projects, on an 'as required' basis. These labor support services are provided during periods of routine maintenance, scheduled outages, emergency shutdowns, or technical inspections, as directed by Authority management at the two facilities. At their meeting of June 25, 1996, the Trustees approved the award of the subject contract for an initial term of three years, with an option to extend for one additional year, and funding in the amount of \$5,000,000. The original award, which was competitively bid, became effective on July 1, 1996. A two-year extension is now requested in order to continue such services, as may be required. NPS was the sole responding bidder for the current contract; many potential bidders indicated that they were not interested in pursuing the maintenance contract since the Poletti plant would be placed on intermittent reserve shutdown, resulting in a reduced workload at the plant. Based on the relatively routine work expected to be performed under this contract, staff believes that bidding for such services now would not result in lower costs. NPS has performed satisfactorily during the current maintenance contract. The two-year extension could also accommodate an outage for each facility, depending on the plants' operating cycles. Although labor rates are subject to increase in accordance with the prevailing wage rates for craft labor, Authority staff have successfully negotiated to keep the NPS mark-up firm for the next two years. The current contract amount is \$5,000,000; it is anticipated that no additional funding will be required for the

extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2002, with no additional funding requested.

"The contract with **The Research Foundation of the State University of New York ('SUNY'; C95-Z0024)**, for and in conjunction with the College of Environmental Science and Forestry in Syracuse, provides for comprehensive studies of lake sturgeon (a New York State 'threatened species') in the vicinity of the St. Lawrence Project, as part of the relicensing effort. A small population of lake sturgeon exists in the tailwaters of the St. Lawrence Project and in some tributaries below and upstream of the Project. In recent years, this population has been the subject of research and restoration efforts spearheaded by the New York State Department of Environmental Conservation ('DEC'). Thus, because of its proximity to the Project and its special status, this species is of significant interest to the Authority, particularly as it relates to the relicensing effort. The Authority has pursued studies to understand the status and dynamics of this population in the vicinity of the St. Lawrence Project. The original contract became effective on April 24, 1995 for an initial term of one year. The initial study addressed the movements and behavior of lake sturgeon and identified a suspected spawning site just downstream of the Project. At their meeting of May 21, 1996, the Trustees approved a three-year extension through May 31, 1999 and a total contract amount of \$257,986 to conduct additional, more comprehensive studies. The purpose of such studies included sturgeon population dynamics and age work, which consisted of: evaluating juvenile and adult sturgeon populations downstream and upstream of the Project, evaluating sturgeon stocks in downstream tributaries, tracking movements of sturgeon during spawning season, and determining if spawning was occurring in the tailrace. An additional one-year extension was authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. These studies have been lead by Dr. Robert Werner, one of the foremost fishery biologists in New York State. He is respected not only in the academic community, but also by the regulatory agencies, including the DEC and the United States Fish and Wildlife Service ('USFWS'). His oversight of this research work enhances its credibility. The studies have largely been conducted by his graduate student, Ms. Jennifer Hayes, who has gained considerable knowledge of sturgeon specific to the Project since 1995 and has come to be recognized as an expert on this fish species at regional and national fisheries meetings and conferences. A draft of the comprehensive report summarizing all the studies conducted between 1996 and 1998 was to have been delivered in 1999. However, Ms. Hayes has been seriously ill and has been unable to devote the energies necessary to complete this comprehensive report. She is continuing to work on the report, however at a slower pace. A one-year extension is now requested in order to allow sufficient time to analyze all the data and to complete the report. The current contract amount is \$225,132 (of the \$257,986 previously approved by the Trustees); it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the previous extension and to extend the subject contract through May 31, 2001, with no additional funding requested.

"The contract with **Welch Industrial Supply, a certified New York State Women's Business Enterprise, (4500003738)** provides for all labor, materials, tools and equipment to repair and maintain various machines located in the Maintenance machine shop and Radiological Machine Shop building at IP3. Such machines include lathes, milling machines, drill presses, bandsaws, cut-off saws, 100-ton presses, grinders, threaders and pumps, etc. This includes the services of a field services representative/mechanic qualified and certified to perform such work in accordance with American National Standards Institute ('ANSI') and Authority Quality Assurance program requirements. The contractor also provides same day emergency service, as needed. The original award, which was competitively bid, became effective on April 5, 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 \$26,200; it is anticipated that an additional \$40,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through April 4, 2002 and to approve the additional funding.

"The contract with **William L. Jordan, AIA (4500004001)** provides for architectural, engineering and design services for the interior rehabilitation and preservation of the Lansing Manor Museum, part of the historic Lansing Manor Complex at the Authority's Blenheim-Gilboa Project. Additional services include assessing the annual maintenance needs for the Lansing Manor Complex and recommending a plan of action for the next ten years, including estimated costs. The original award, which was competitively bid, became effective on April

12, 1999 for an initial term of one year. To date, the consultant has submitted a conceptual design recommendation, which has been reviewed and approved by the Authority and the New York State Office of Parks, Recreation and Historic Preservation ('OPRHP'). An extension of approximately twenty months is now requested to continue the services of this historical expert during the bidding, proposal review, restoration work, review and follow-up of museum rehabilitation and repair work scheduled to be completed later this year, as well as during any subsequent repair work at the Lansing Manor Complex in 2001. The consultant will: develop technical specifications for the museum rehabilitation work (to be bid and performed by qualified historical restoration contractors); prepare sketches/drawings of repair work in compliance with relevant historic preservation, environmental, and occupational regulations; provide expert consultation while actual rehabilitation work is performed; assist the Authority with the required submittals to the OPRHP; and prepare a future maintenance plan for the Lansing Manor Complex. The current contract amount is \$15,240; it is anticipated that an additional \$15,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through December 31, 2001 and to approve the additional funding.

Contracts in Support of Energy Services & Technology Business Unit Programs:

"The contract with **Banner Electrical Contracting Corp. (S98-07130/4600000116)** provides for sample electrical installation services at various sites throughout New York City (90%) and Westchester County (10%), in support of the Authority's High Efficiency Lighting Program ('HELP'). The original award, which was competitively bid, became effective on December 7, 1998 for a term of one year, with an option to extend for one additional year. An interim extension through March 28, 2000 was approved in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. A nine-month extension is now requested in order to exercise the option and continue to provide such services at additional sites. The contractor has provided excellent services to the Authority and its customers. Banner has mobilized its forces when called upon, provided all installation services required by project managers, and kept sample installation costs to a minimum. The current contract amount is \$200,000; it is anticipated that an additional \$125,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim extension, to approve the extension of the subject contract through December 6, 2000 and to approve the additional funding. It should be noted that all of the funding will be recovered by the Authority from the participating customers, including interest and Authority overheads.

"The contract with **Harris Energy Systems (S94-63805)** provides for management and implementation services in support of the Authority's SENY Electrotechnologies Program ('EP'). At their meeting of March 29, 1994, the Trustees approved EP for the Authority's customers. EP is a turnkey approach to identifying, procuring and implementing energy efficient electrical technologies that promote economic efficiency for SENY public customers and benefit the environment, often by displacing alternative fueled energy technologies. At their meeting of August 30, 1994, the Trustees approved the award of the subject contract to the aforementioned implementation contractor for an initial three-year term. The original award, which was competitively bid, became effective on September 1, 1994 for an initial three-year term and initial funding for the program, which consisted of a total of three contracts. Additional funding for all contracts supporting this program was subsequently approved by the Trustees at their meeting of July 30, 1996, as part of the authorization to fund energy efficiency services included in the ten-year Long Term Energy Partnership Agreements ('LTEPA') with SENY public customers that had already executed such agreements. Funds were allocated and committed to the subject contract as services were required. At their meeting of December 17, 1996, the Trustees approved a two-year extension through August 31, 1999 to exercise the option in the contract; this was necessitated by design changes and the internal review processes by the customer facilities. At their meeting of September 28, 1998, the Trustees approved an extension through June 30, 2000 and additional funding of \$22,326,000 in order to complete projects in progress at the following facilities: Lincoln Hospital, North Central Bronx Hospital, Hunter College, American Museum of Natural History, Brooklyn Supreme Court, One Police Plaza, and Police Academy. An additional two-year extension is now requested due to a one and one-half year delay in obtaining final customer approvals during each of the major milestones for the Hunter College project (i.e., feasibility study, 30% design, and 90% design). A major cause of these delays involved the negotiation of contractual issues between the City University of New York/Dormitory Authority of the State of New York and the

Authority. This project, originally scheduled to commence in August 1998, is now scheduled to start in April 2000. Hunter College is a chiller and boiler replacement project, which will cost approximately \$18,000,000. The current contract amount is \$30,326,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2002, with no additional funding requested. It should be noted that all of the funding will be recovered by the Authority from the participating customers, including interest and Authority overheads.

"The contract with **Vanderlinde Electric Corp. (S98-02658)** provides for an electrical lighting upgrade and installation services for the State University of New York at Geneseo ('SUNY Geneseo'), in support of the Authority's High Efficiency Lighting Program ('HELP'). The original award, which was competitively bid, became effective on May 1, 1998 for a term of one year. The scope of work was reduced in the original award per request of SUNY Geneseo to exclude the dormitory facilities because of planned major renovations. Subsequently, however, the campus requested an expansion of the scope to include the replacement of lighting in the fourteen dormitories. Since this work had been included in the original bid, a change order was issued to perform such services in the dormitory buildings. An interim extension through March 28, 2000 was approved in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. Various concerns related to working in the dormitories have increased the amount of time required to complete all such services under the subject contract; e.g., access to student living areas was limited in order to provide for student safety and privacy; work hours in the dormitories were reduced to ensure no disruptions in student sleep and study periods and to minimize worker contact with the student body. An extension through April 30, 2000 is now requested in order to complete all requisite services under this contract. The current contract amount is \$399,351; 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 approve the extension of the subject contract through April 30, 2000, with no additional funding requested. It should be noted that all of the funding will be recovered by the Authority from the participating customers, including interest and Authority overheads.

"The four contracts with **Goldman Copeland Associates, P.C. (S97-03525/460000333)**, **Harris Energy Systems (S97-03526/460000335)**, **Parsons Brinckerhoff Quade & Douglas (S97-03516/460000336)**, and **Wendel Construction (S97-03527/460000334)** provide for project management and program implementation services associated with the Authority's Clean Air for Schools Projects Program ('CASP'), as part of the coal boiler conversion in selected schools in New York City, Great Neck, and Buffalo. The funds expended on this program will not exceed amounts made available by the State of New York to the Authority from the Clean Air/Clean Water Bond Act of 1996 (the 'Bond Act') appropriations and funding provided by the New York City Board of Education. The Bond Act funds are disbursed to the Authority by the State, as set forth in the New York Environmental Conservation Law. At their meeting of February 25, 1997, the Trustees approved the implementation of CASP, using the Bond Act funds. As the General Contractor for the CASP, the Authority contracts for the conversion of existing coal-fired boiler plants to clean, modern, gas and/or oil-fired plants in qualifying public schools through the use of implementation contractors ('IC'). Services include facility audits, detailed design and engineering services, preparation of project design documents, construction management, equipment procurement, and installation of proposed system and measures, hazardous waste disposal and asbestos abatement, etc. At their meeting of April 30, 1997, the Trustees approved the award of contracts to the four aforementioned ICs for an initial three-year term, with an option for a two-year extension. The original awards, which were competitively bid, became effective on May 1, 1997. The current contract amounts are \$22,408,143 for Goldman Copeland; \$24,745,026 for Harris Energy Systems; \$22,460,215 for Parsons Brinckerhoff; and \$5,629,000 for Wendel, respectively. To date, \$72,000,000 has been made available to the Authority by the State of New York for implementation of this program. A total of \$25,000,000 has been appropriated in the current New York State fiscal year budget and will be transferred to the Authority (March 2000) as a CASP allocation for schools that have been selected by the State legislature. An additional \$28,000,000 in Bond Act proceeds will be available for a final appropriation in the next fiscal year. A two-year extension is now requested to exercise the option in the original contracts in order to accommodate these final two appropriations. Certain climate control and distribution rehabilitation work in connection with the boiler conversion is also necessary for the proper performance of the heating system of a school. Such work is funded in full by the New York City Board of Education ('BOE'); to date, \$10,105,598 has been made available to the Authority by the BOE. The Trustees' approval is requested to extend the subject contracts through April 30,

2002 and to approve the release and allocation of funding to each of these contracts, as set forth in the Bond Act or BOE requirements. Implementation fees will remain unchanged for the duration of the contracts. The revised compensation ceilings for the subject contracts will not exceed amounts made available by the State to the Authority from the Clean Air/Clean Water Bond Act appropriations (for coal boiler conversion) and from the BOE (for related climate control work), as applicable. It should be noted that all costs associated with the CASP projects will be recovered by the Authority.

“The seven contracts with **Apex Environmental Inc. (4600000186)**, **Chopra-Lee Inc. (4600000188)**, **EAI Environmental Management Services (4600000146)**, **Roy F. Weston of NY Inc. (4600000144)**, **Stohl Environmental LLC (4600000189)**, **Testwell Laboratories Inc. (4600000187)**, and **TRC Environmental Corp. (4600000147)** provide for asbestos abatement planning and environmental consulting services in support of the Authority’s energy efficiency and coal conversion programs in upstate and downstate public buildings, as well as upstate and New York City schools, on an ‘as needed’ basis. Services include, but are not limited to, performing site inspections, sampling and conducting an inventory of materials containing asbestos and lead, estimating the costs of the abatement, developing work plans and designs, overseeing regulatory submittals, etc. The original contracts, which were competitively bid, became effective in May and June of 1999 (as indicated in Exhibit ‘A’) for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested to exercise this option in order to complete ongoing projects and to provide such services for up to ten new large projects. Such projects may entail chiller, boiler or window replacement, which often require asbestos abatement first. The determination regarding which projects will actually proceed to construction will ultimately be driven by economics and the customers’ decision whether or not to proceed. Authority staff invested a significant amount of time training the consultants and making this program efficient. The consultants are familiar with Authority requirements and procedures and have performed nearly flawlessly. This applies to all contracts except Apex, which is expected to be completed by August 31, 2000. Rates will remain firm for all contracts for the extended term. The current contract amounts are as follows: \$200,000 for Apex; \$150,000 each for Chopra-Lee, Stohl and Testwell; \$300,000 each for EAI and TRC; and \$440,000 for Roy F. Weston. It is estimated that the following additional funding will be required for the extended term of the six contracts: \$50,000 for Apex; \$245,000 for Chopra-Lee; \$590,000 for EAI; \$693,000 for Roy F. Weston; \$378,000 for Stohl; \$318,000 for Testwell; and \$600,000 for TRC. The Trustees’ approval is requested to extend the subject contracts through: August 31, 2000 (Apex); May 2, 2001 (EAI, Roy F. Weston and TRC); and June 28, 2001 (Chopra-Lee, Stohl, and Testwell), respectively, and to approve the additional funding requested. Since the additional amounts requested for EAI, Weston, and TRC exceed the \$500,000 approval threshold for personal services contracts, the Trustees’ approval is required to increase the compensation ceiling of the contracts to \$890,000 (EAI), \$1,133,000 (Weston), and \$900,000 (TRC), respectively. It should be noted that all of the funding will be recovered by the Authority from the participating customers, including interest and Authority overheads or will be funded by the Bond Act or the NYC Board of Education, when supporting the CASP program.

Increase in Compensation Ceiling:

“The Authority’s existing Federal Energy Regulatory Commission (‘FERC’) license for the St. Lawrence/FDR Power Project (‘Project’) expires in October 2003. In 1996, the Authority initiated relicensing activities with FERC and the New York State Department of Environmental Conservation (‘DEC’) and began formal consultation with the public and regulatory agencies, in a process known as the Cooperative Consultation Process (‘CCP’). Working with other members of the CCP Team, the Authority identified a number of environmental, land management, recreational, socioeconomic and other studies required to address issues raised in the CCP and to prepare an Environmental Impact Statement (‘EIS’) in conjunction with the Authority’s application for a new license. Given the relicensing schedule, number and magnitude of studies, range of issues, and demand for Authority staff to participate in settlement discussions, the Authority required the assistance of a relicensing services contractor to plan and manage these studies and to prepare associated reports in a timely fashion. At their meeting of May 20, 1997, the Trustees approved the award of a multi-year contract to **Kleinschmidt Associates (‘KA’; C97-Z0048)** for planning, procuring, managing, and coordinating services for various studies to be performed in support of the Project relicensing effort. The Trustees also authorized

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\$8,400,000 (\$6,000,000 for studies to be conducted by subcontractors and \$2,400,000 for the management of these subcontractors by KA). The original award became effective on May 21, 1997 for an initial term of three and one-half years. During the past two and three-quarters years, KA has prepared and/or finalized detailed study scopes of work, selected qualified firms as subcontractors in consultation with the Authority, coordinated studies, managed field and office studies, reviewed study results and reports, assisted the Authority in coordinating EIS preparation with the CCP Team, and provided support to the Authority for settlement discussions. KA has performed very well, providing the Authority with good technical direction and studies of good quality (approximately 30 to date). They have been very effective in managing studies, selecting subcontractors and controlling costs. KA staff have been very responsive to the Authority, at times under very aggressive schedules. KA's knowledge of the Authority, the Project and the study data makes them unique to be considered for continuing this work. The current contract amount is \$8,400,000. It is anticipated that the authorized funding will be exhausted by late spring of this year and that an additional \$3,770,000 will be required through December 31, 2000 (to be allocated to as follows: approximately \$1.32 million to KA and \$2.45 to subcontractors, as needed). KA's work through the end of this year will include: 1) reviewing and finalizing reports for studies initiated in 1999; 2) planning, procuring, managing and coordinating qualified firms/subcontractors to perform additional relicensing studies related to a) upstream and downstream passage of American eel, b) studies required by FERC, c) studies agreed upon in the settlement agreement; 3) providing expert consultation services to the Authority, as well as mapping services and related engineering work; 4) supporting the Authority in settlement negotiations; 5) coordinating study results, data and material to be used by the Third Party Contractor to prepare the DEIS; and 6) preparing the draft license application. The Trustees' approval is therefore requested for the additional funding, thereby increasing the compensation ceiling to \$12,168,000. Studies in support of relicensing and settlement negotiations are ongoing and are anticipated to continue until June 2003. KA will also continue to assist the Authority in the preparation of the draft and final license applications and draft and final EIS. Additional authorization to extend this contract and associated funding beyond 2000 will be requested at a future time.

"The contract with **PricewaterhouseCoopers LLP (S97-05455)** provides for independent accounting services to perform the annual audit of the Authority's financial records and to provide other special accounting services, as may be required. At their meeting of June 24, 1997, the Trustees approved the award of this contract for a term of five years, in the amount of \$584,000. At their meeting of December 15, 1998, the Trustees approved additional funding and a revised compensation ceiling of \$1,306,286 to support additional tasks. The need to perform unanticipated additional tasks has expended funding for this contract at an accelerated rate. The largest such unanticipated task involves a financial review and consulting services in connection with the sale of the Authority's two nuclear plants (\$224,600). Other such tasks include: hedging analyses associated with gas purchases for the Authority's Richard M. Flynn Plant; development of a procedures manual for the Authority's various Economic Development programs and associated workplan for maintaining accurate records therefor; financial review procedures related to the update of the Series 3 and 4 Commercial Paper Offering Memorandum; and review of the Authority's Internal Audit Division to develop recommendations for improving operational efficiency and effectiveness. Projected tasks for the current year include: consulting services to develop an implementation plan for enhancing the Authority's executive and management reporting system; financial review procedures relating to an official statement regarding the issuance of long term debt (of which the proceeds will be used to: refinance existing debt, finance the Niagara Project upgrade and relicensing, and pay for construction of a new combined cycle plant); and financial review procedures relating to an official memorandum regarding the issuance of long term debt (of which the proceeds will be used to defease any remaining debt associated with the nuclear plants after their sale). Projected tasks for 2001 include financial review procedures relating to an official statement issued in connection with long term debt refinancing. Approval is now sought for additional funding to support the aforementioned special services. The current contract amount is \$1,306,286. It is anticipated that an additional \$750,000 will be required for current and projected tasks. The Trustees' approval is therefore requested for the additional funding in the amount of \$750,000 to support the aforementioned and other special services that may be required during the remaining contract term, thereby increasing the compensation ceiling of the contract with PricewaterhouseCoopers to \$2,056,286.

FISCAL INFORMATION

“Funds required to support contract services for various non-nuclear Headquarters Office Departments/Business Units and non-nuclear facilities, as well as for JAF and IP3 have been included in the 2000 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

“Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment for contracts in support of the HELP, Electrotechnologies and other Energy Services programs will be made from the Energy Conservation Effectuation and Construction Fund. Payment for contracts in support of the Clean Air for Schools Program (‘CASP’) will be made from the Clean Air/Clean Water Bond Act funds (for coal boiler conversion) and funding provided by the New York City Board of Education (for climate control work). Funds required to support the contract for the St. Lawrence Project relicensing effort will be withdrawn from the Capital Fund and will be disbursed in accordance with the Project’s relicensing Capital Expenditure Authorization Request.

RECOMMENDATION

“The Regional Manager – Central NY, the Regional Manager – Northern NY, the Regional Manager – Western NY, the Regional Manager – Southeast NY, the Director – Energy Services, the Site Executive Officer – James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President – Nuclear Operations, the Vice President - Nuclear Engineering, the Vice President & Chief Engineer, the Vice President – Policy & Governmental Affairs, the Vice President – Controller, the Vice President – Public Affairs, the Deputy Secretary and Deputy General Counsel, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit ‘A’, and of an increase in the compensation ceiling of the contracts with Kleinschmidt Associates, PricewaterhouseCoopers LLP, EAI Environmental Management Services, Roy F. Weston of NY Inc., and TRC Environmental Corp., as set forth above.

“The Senior Vice President – Chief Nuclear Officer, the Senior Vice President – Energy Services & Technology, the Senior Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President, Secretary and General Counsel, the Executive Vice President – Project Operations, and I concur in the recommendation.”

Trustee Miller asked whether the reimbursement to Duke Engineering & Services, Inc., in connection with the firm’s services for dam failure analysis and inundation mapping, would include the additional work items described in the President’s memorandum. Mr. Hoff responded in the affirmative.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "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 President; and be it further

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, an increase in the compensation ceiling of the contracts with Kleinschmidt Associates, PricewaterhouseCoopers LLP, EAI Environmental Management Services, Roy F. Weston of NY Inc., and TRC Environmental Corp., be, and hereby are, approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide planning, procurement, management & coordination services for studies to be performed in support of the St. Lawrence/ FDR Project relicensing:		
Kleinschmidt Associates		
C97-Z0048		
Additional Funding Requested	\$3,770,000	12/31/00
Previously Approved Contract Amount	<u>\$8,400,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$12,170,000</u>	

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Perform independent accounting/ Auditing services of the Authority's Financial records and related special Projects:		
PricewaterhouseCoopers LLP		
S97-05455		
Additional Funding Requested	\$ 750,000	06/15/02
Previously Approved Contract Amount	<u>\$ 1,306,286</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$ 2,056,286</u>	

<u>Capital</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide asbestos abatement planning and environmental consulting services in support of the Authority's energy efficiency and coal conversion programs:		
1. EAI Environmental Management Associates		
4600000146		
Additional Funding Requested	\$590,000	05/02/01
Previously Authorized Contract Amount	<u>\$300,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$890,000</u>	
2. Roy F. Weston of NY Inc.		
4600000144		
Additional Funding Requested	\$693,000	05/02/01
Previously Authorized Contract Amount	<u>\$440,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$1,133,000</u>	
3. TRC Environmental Corp.		
4600000147		
Additional Funding Requested	\$600,000	05/02/01
Previously Authorized Contract Amount	<u>\$300,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$900,000</u>	

14. Next Meeting

“The annual meeting of the Trustees will be held on Tuesday, April 18, 2000, at the Albany Office at 11:00 a.m., unless otherwise designated by the Chairman with the concurrence of the Trustees.

Further I propose the following changes to the Trustees' summer meeting schedule for 2000: The June 27th Trustees' Meeting which was scheduled to be held at Clarke Energy Center be changed to the Albany Office and the July 25th Trustees' Meeting scheduled to be held at B-G be changed to the Clark Energy Center.”

March 28, 2000

Closing

Upon motion made and seconded, the meeting closed at 11:30 a.m.

David E. Blabey
Executive Vice President
Secretary and General Counsel

MARMINS.00