

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

June 25, 1996

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the Blenheim-Gilboa Pumped Storage Power Plant at 10:00 a.m.

Present: Clarence D. Rappleyea, Chairman  
Thomas R. Frey, Vice Chairman  
Louis P. Ciminell, Trustee  
Hyman M. Miller, Trustee  
Robert J. Waldbauer, Trustee

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Robert G. Schoenberger	President and Chief Operating Officer
Arthur T. Cambouris	Assistant General Counsel
William J. Cahill	Chief Nuclear Officer
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Energy Efficiency & Technology
Robert L. Tscherne	Senior Vice President - Business Services
Woodrow W. Crouch	Vice President - Project Management - Power Generation
Deborah Perry Estrin	Vice President - Human Resources
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
Russell J. Krauss	Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer - Power Generation
Stephen P. Shoenholz	Vice President - Public Affairs
Ronald W. Ciamaga	Regional Manager - Northern New York
James Ford	Regional Manager - Western New York
Rchard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
John W. Blake	Director - Environmental Programs
Jordan Brandeis	Director - Performance Planning
Frederick E. Chase	Director - Community Relations
John L. Murphy	Director - Public Information
Peter L. Poggi	Director - Applications
Mark D. O'Connor	Director - Real Estate
John J. Suloway	Director - Licensing
James H. Yates	Director - Business Marketing and Economic Development
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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Chairman Rappleyea presided over the meeting. Secretary Wagner-Findeisen kept the Minutes.

**June 25, 1996**

**1. Approval of the Minutes**

The Minutes of the Regular Meeting of May 31, 1996 were approved.

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2. **Financial Report for the Five Months Ended May 31, 1996**

***In response to questions from Vice Chairman Frey, Mr. Tscherne stated that staff anticipates meeting the goal of \$ 75 million of net revenues by year's end.***

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**3. Transfer of Replacement Power Between Saint-Gobain SA Facilities**

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the transfer of 1,400 kW of Replacement Power from Saint-Gobain SA's Carborundum Corporation ('Carborundum Corporation') facility at 1801 Buffalo Avenue, Niagara Falls to its Carborundum Abrasives facility at Walmore Rd., Niagara Falls.

BACKGROUND

Carborundum Corporation and Carborundum Abrasive Company are both wholly-owned subsidiaries of Saint-Gobain SA. Carborundum Corporation became part of the Saint-Gobain SA family on March 1, 1996. At their meeting of April 25, 1995, the Trustees approved the transfer of a portion of the Carborundum Company's Replacement Power allocations to a new entity (subsequently known as Carborundum Corporation) whose stock was ultimately purchased by Saint-Gobain SA. Carborundum Corporation is currently allocated 7,400 kW of Replacement Power and Carborundum Abrasive is allocated 3,400 kW of Replacement Power.

Carborundum Abrasive takes coated abrasive materials and makes them into sheet and disc products such as sandpaper and grinding wheels. In February, before the merger activity was completed, it submitted an application for Expansion Power for a \$10.5 million, 2.5 MW expansion which will create 210 jobs, basically within one year, and over \$5 million in additional payroll at its Walmore Road facility in Niagara Falls. This project could qualify for a major portion of the 3,150 kW of available Expansion Power for which 19 additional companies have submitted applications.

Carborundum Abrasive's sister corporation, Carborundum Corporation, became aware of the former's needs when it was acquired by Saint-Gobain in March. It has proposed that it would be willing to permanently transfer up to 1,400 kW of its 4,000 kW Replacement Power allocation for its 1801 Buffalo Avenue, Niagara Falls facility to Carborundum Abrasive to help ensure that facility's proposed expansion at Walmore Road in Niagara Falls. Carborundum Corporation projects that it could make about 550 kW available almost immediately and another 850 kW available by year end. As a result, Carborundum Abrasive's requirements for additional Expansion Power for the project would be reduced to 500 kW. Carborundum Corporation would agree to maintain its existing employment commitment of 125 direct manufacturing jobs at the Buffalo site plus its existing job commitments at its other New York facilities, and Carborundum Abrasive would agree to create and maintain 210 new jobs plus 429 jobs currently existing at its Walmore Road site. Niagara Mohawk has submitted a letter supporting the transfer.

In accordance with Paragraph 21 of Schedule A of the Replacement Power Allocation and Service Agreement among the Authority, Niagara Mohawk Power Corporation and Carborundum Corporation, and pursuant to 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 Replacement Power may be made in this instance without the written approval of the Authority.

DISCUSSION

Carborundum Abrasive approached the Authority over a year ago about its proposed expansion at Walmore Road. There has not been any Authority power available until recently to help that company with its expansion plans. In order to keep the facility abreast of rapidly changing market conditions, the facility has in the meantime undertaken some expansion using Niagara Mohawk power. However, the high cost of Niagara Mohawk power makes further expansion of this site uncompetitive with expansion proposals at two other out-of-state sites which are competing for the expansion project. An allocation of Authority hydropower is critical to further expansion at the facility.

A recommendation regarding the company's request for an additional 500 kW allocation of available Expansion Power will be recommended under a separate item of agenda regarding the allocation of Expansion Power.

RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the Trustees approve the transfer of 1,400 kW of Replacement Power from Saint-Gobain SA's Carborundum Corporation's 1801 Buffalo Avenue, Niagara Falls facility to Carborundum Abrasives' facility at Walmore Road, Niagara Falls.

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

***Vice Chairman Frey stated that the proposed transfer of replacement power will appropriately further the maintaining and creation of jobs as well as business expansion in the area.***

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

**RESOLVED, That the transfer of 1,400 kW of Replacement Power from Saint-Gobain SA's Carborundum Corporation at 1801 Buffalo Avenue, Niagara Falls facility to its Carborundum Abrasive facility at Walmore Road, Niagara Falls be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further**

**RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above transfers.**

**4. Allocation of 3,150 kW of Expansion Power**

The President submitted the following report:

SUMMARY

The Trustees are requested to approve allocations of available Expansion Power, totaling 3,150 kW, to seven industrial companies.

BACKGROUND

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

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

DISCUSSION

In accordance with the terms of the Power Authority Act, the Authority placed advertisements in three northwestern newspapers seeking industrial customers who would expand and meet the criteria to receive an Expansion Power allocation. Sixty inquiries were received. Of these, 20 companies subsequently filed applications.

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

Staff recommends that the available Expansion Power be allocated among seven companies set forth in Exhibit '4-A'. Also attached is a summary (Exhibit '4-B') of each of the applicants' proposals. These projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment. They are projected to result in the creation of substantial number of jobs.

There are 13 companies (Exhibit '4-C') for which staff is not recommending allocations: two companies withdrew their application, and the remaining 11 companies were either not competitive or denied for other reasons, as indicated in the summary table in Exhibit '4-A'.

RECOMMENDATION

The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of 3,150 kW Expansion Power to: Ashton - Potter, Ltd.; Carborundum Abrasives Co.; Cooper Turbocompressor, Inc.; GM - Powertrain Group; Hydro-Air Components, Inc.; Moog Controls, Inc.; and Russer Foods.

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

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*In response to questions from Trustee Waldbauer, Mr. Yates explained that staff had met with all of the companies whose applications are not being recommended for allocations. In response to questions from Vice Chairman Frey, Mr. Yates explained that companies which had embarked upon business expansion projects irrespective of receiving an allocation of Expansion Power are deemed ineligible for such an allocation since the purpose of the low-cost power is to stimulate expansion which would not otherwise take place. In response to further questions from Trustee Waldbauer, Mr. Yates explained that Authority staff periodically monitors the progress of expansion work undertaken by the recipients and that such work is usually completed within three years of the allocation.*

*Trustee Ciminelli stated for the record with regard to the proposed allocations of available Expansion Power to Russer Foods and GM-Powertrain Group, he has business dealings with such companies. The following resolution was adopted by a vote of four in favor with Trustee Ciminelli abstaining:*

**RESOLVED, That the allocation of 1,550 kW of Expansion Power to: Russer Foods and GM-Powertrain Group; and be it further**

**RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations.**

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

**RESOLVED, That the allocation of 1,600 kW of Expansion Power to: Ashton - Potter, Ltd.; Carborundum Abrasives Co.; Cooper Turbocompressor, Inc.; GM - Powertrain Group; Hydro-Air Components, Inc.; Moog Controls, Inc.; and Russer Foods, be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further**

**RESOLVED, That the Director - Business Marketing and Economic Development or his designee be, and hereby is, authorized to execute any and all documents necessary or desirable to effectuate the above allocations.**

**SUMMARY OF APPLICATIONS FOR  
AVAILABLE EXPANSION POWER**

Recommended Companies

Ashton - Potter (USA) Ltd - Williamsville

Business: Printer of postage stamps for the US Postal Service. Also prints the following products: food stamp coupons, stock & bond certificates, travelers checks, social security cards, passports, visas, certificates of origin, vital statistics & lottery tickets.

Proposal: Plans to purchase and install \$3 million of additional equipment to supplement the company's capacity and to allow it to expand its products and markets.

Job Commitment: 20 new jobs to existing 133

Recommendation: 250 kW allocation of Expansion Power

Carborundum Abrasives Company - Niagara Falls

Business: Manufacturing operation which converts coated abrasive products into sheets and discs. Also has expanded production of ceramic aluminum oxide.

Proposal: Plans two programs, A & B. Program A will be a \$7 million relocation of the conversion operations. Program B is a \$3.5 million ceramic grain expansion.

Job Commitment: 210 new jobs to existing 429 (1996= 190 and 1997= 20).

Recommendation: 500 kW allocation of Expansion Power. This is based on the premise that 1400 kW will be transferred from the Buffalo Ave. facility.

Cooper Turbocompressor Inc. - Buffalo

Business: Dedicated entirely to the engineering and construction of centrifugal compressors for air and process applications.

Proposal: CONFIDENTIAL. The customer has requested that the details of its project (s) be held confidential at this time.

Job Commitment: CONFIDENTIAL. The customer has requested that the details of its project (s) be held confidential at this time.

Recommendation: 250 kW allocation of Expansion Power.

General Motors Powertrain Group - Tonawanda

Business: Currently produces four types of engines: 2.2L L-4 Gen.III, 3.1L V6 Gen.III, 4.3L V6 & Mark V-V8.

Proposal: CONFIDENTIAL. The customer has requested that the details of its project (s) be held confidential at this time.

Job Commitment: CONFIDENTIAL. The customer has requested that the details of its project (s) be held confidential at this time.

Recommendation: 800 kW allocation of Expansion Power.

Hydro - Air Components, Inc. - Hamburg

Business: Manufacturer of hydronic (residential) heating products. There are two main product lines, Rittling and Panel Radiator. Rittling consists of finned-tube and enclosures; Panel Radiator is a complete line of wall heaters.

Proposal: Plans a move to lease a 50,000 sq.ft. building which will cost \$170,000/yr; 5 yr. lease with option to purchase. Cost to move is \$150,000. Also will purchase \$620,000 of new equipment.

Job Commitment: 19 new jobs to existing 36.

Recommendation: 250 kW allocation of Expansion Power.

Moog Control, Inc. - Orchard Park

Business: Develop, manufacture and market servovalves. Also a manufacturer of energy absorption and vibration equipment.

Proposal: Plans to purchase 10 acres of land and building with infrastructure at a cost of over \$8.1 million and to purchase and install equipment at a cost of \$1.3 million.

Job Commitment: 67 new jobs to existing 240.

Recommendation: 350 kW allocation of Expansion Power.

Russer Foods (Zemco Industries, Inc.) - Buffalo

Business: A manufacturer of processed meats for the delicatessen. Russler sells to 9 of the top supermarket chains in the USA.

Proposal: Plans to spend \$5 million for a building expansion of 50,000 sq.ft. Also plans to purchase and install new refrigeration and processing equipment at a cost of \$9.4 million.

Job Commitment: 75 new jobs to existing 200.

Recommendation: 750 kW allocation of Expansion Power.



**SUMMARY OF APPLICATIONS FOR  
AVAILABLE EXPANSION POWER**

No Allocation Recommended

Cascades Niagara Falls, Inc. - Niagara Falls

Business: A recycled paper manufacturer which produces corrugating medium.

Proposal: Plans to spend \$6 million for new equipment.

Job Commitment: 7 new jobs to existing 140.

Recommendation: No allocation is recommended.

Electro Abrasives Corp. - Buffalo

Business: A processing plant for silicone and boride carbide.

Proposal: Plans to build a \$200,000 metal clad unit attached to the existing structure with \$248,000 of installation costs.

Job Commitment: 6 new jobs to existing 21.

Recommendation: No allocation is recommended as the proposal provides relatively small overall economic benefits to New York State relative to the amount of power requested.

EMED Co., Inc. - Williamsville

Application withdrawn by customer.

Exolon - ESK Co. - Tonawanda

Business: Artificial abrasives - silicone carbide and aluminum oxide processing, testing and packaging.

Proposal: The company submitted the application specifically for job retention and revitalization.

Job Commitment: None.

Recommendation: No allocation is recommended as the proposal does not meet the purpose intended.

International Filler Corp. - Tonawanda

Business: A manufacturer of synthetic and cellulose fibers.

Proposal: The company submitted the application specifically for revitalization.

Job Commitment: None.

Recommendation: No allocation is recommended as the proposal does not meet the purpose intended.

I Squared R Element Co., Inc. - Akron

Business: A manufacturer of silicone carbide heating elements for use in thermal process industries.

Proposal: Plans a \$300,000 building enlargement and \$438,350 for equipment.

Job Commitment: 21 new jobs to existing 62.

Recommendation: No allocation is recommended as the original request was for 1000 kW. A smaller allocation would not be sufficient to the operation.

Kaufman's Bakery, Inc. - Buffalo

Business: A family owned baking operation.

Proposal: The company submitted the application specifically for Job retention.

Job Commitment: None.

Recommendation: No allocation is recommended as the proposal does not meet the purpose intended.



Life Technologies, Inc. - Grand Island

Business: Develops, manufactures and supplies more than 200 products used in life sciences research and also commercially manufactures generically engineered products.

Proposal: Plans to spend \$3.5 million for construction of new R & D building and \$260,000 for equipment relocation and installation.

Job Commitment: 4 new jobs to existing 344.

Recommendation: No allocation is recommended as the proposal provides relatively small overall economic benefits to New York State relative to the amount of power requested.

Metaullics Systems Co., L.P. - Sanborn

Business: Two products are produced at the Sanborn plant. The largest is specialty graphite and a newer product is filter media for filtering molten aluminum.

Proposal: Confidential (at customer's request)

Job Commitment: 19 new jobs to existing 42.

Recommendation: No allocation is recommended as the proposal provides relatively small overall economic benefits to New York State relative to the amount of power requested. Also, the company must first negotiate with Niagara Mohawk for a transfer of 1 MW of power. Metaullics must also acquire the property and sub-station and be released from its present lease.

Milward Alloys, Inc. - Lockport

Business: A manufacturer of master alloys of aluminum and copper products.

Proposal: Plans to relocate and construct a new building at a cost of \$7 million and to install new and existing equipment at a cost of \$6.5 million.

Job Commitment: 28 new jobs to existing 57.

Recommendation: No allocation is recommended as the company has undertaken the construction previous to the submittal of the application. Expansion Power is to encourage and assist new and proposed expansions.

Northeast Diversification, Inc. - Lancaster

Application was withdrawn by customer.

SGL Carbon Corporation - Niagara Falls

Application was withdrawn by customer.

TAM Ceramics, Inc. - Niagara Falls

Business: Develops and manufactures specialized products used in high tech industries throughout the world. Also is a supplier of ceramic dielectric powders used by capacitor makers and is a supplier of zircon, zirconia and rutile-based ceramic powders.

Proposal: Plans to spend \$1 million in construction of a new building and \$2.5 million in expansion equipment.

Job Commitment: 10 new jobs to existing 325.

Recommendation: No allocation is recommended as the proposal provides relatively small overall economic benefits to New York State relative to the amount of power requested.



5. **Long-Term Incremental Power Supply Arrangements with Full-Requirements Municipal and Rural Electric Cooperative Systems**

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize the Senior Vice President - Marketing and Economic Development to negotiate and execute long-term arrangements for incremental power service with any or all of the Full Requirements Municipal systems. The 42 Full Requirements Municipal Systems (the 'Munis') are shown on attached Exhibit '5-A'.

At their meeting of September 27, 1995, the Trustees authorized long-term Incremental Power Supply agreements with the four New York Rural Electric Cooperative Systems (the 'Coops'). The Coops may opt for a long-term agreement similar to the Munis.

BACKGROUND

The Authority presently serves 42 Munis as full requirements systems. Full requirements systems purchase all their power needs, Niagara hydroelectricity and Incremental (consisting of a meld of FitzPatrick nuclear and Blenheim-Gilboa Pumped Storage capacity) from the Authority. These customers have the right to transfer to partial requirements status, purchasing only Authority hydropower, by providing the Authority three years' notice. By mid-1995, 37 of the Munis provided the required three years' notice to transfer to partial requirements status.

In 1995, annual revenues from the Munis were approximately \$47.3 million, of which \$27.0 million was for hydro power purchases, \$8.8 million was for incremental power purchases and \$11.5 million was for power transmission.

DISCUSSION

Extension of the Authority's current incremental power sales arrangements with the Munis is consistent with the Authority's goals of ensuring sales and revenue stability, and retaining customers in a highly competitive market. The Munis have issued a Request for Proposal ('RFP') and received several responses in addition to the Authority offer. A longer term arrangement for incremental power would meet the Munis' concern for a secure and affordable power supply. The Authority staff has held discussions with a number of Munis seeking to arrive at an arrangement under which these systems would remain the Authority's Full Requirements customers.

Such arrangements would likely be structured in a manner similar to the recent agreements signed with the Rural Cooperative System and Southeast New York ('SENY') customers. The arrangements could include a term of at least ten years and a stabilized base price that would be adjusted after a certain period.

RECOMMENDATION

The Manager - Municipal and Cooperative Marketing recommends that the Trustees authorize the Senior Vice President - Marketing and Economic Development to negotiate and execute incremental power supply arrangements with the 42 Full Requirements Municipal systems and the four New York Rural Electric Cooperative systems.

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

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***In response to questions from Vice Chairman Frey, Ms. Morman confirmed that the staff would be authorized to negotiate directly with the customers concerning long-term arrangements for incremental power service.***

***Trustee Miller noted that certain media reports have presented a distorted picture of the Authority's recent dealings with its municipal customers which fail to reflect the open dialogue sought by the Chairman.***

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

**RESOLVED, That the Senior Vice President - Marketing and Economic Development be, and hereby is, authorized to negotiate and execute long term incremental power supply arrangements with any or all of the Full Requirements Municipal and Rural Electric Cooperative Systems as set forth in the foregoing report of the President; and be it further**

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

**LIST OF EXISTING FULL-REQUIREMENTS MUNIS**

Akron  
Andover  
Angelica  
Arcade  
Bath  
Boonville  
Brocton  
Castile  
Churchville  
Endicott  
Fairport  
Frankfort  
Greene  
Green Island  
Greenport  
Groton  
Hamilton  
Holley  
Ilion  
Lake Placid  
Little Valley  
Marathon  
Mayville  
Mohawk  
Penn Yan  
Philadelphia  
Plattsburgh  
Richmondville  
Rouses Point  
Salamanca  
Sherburne  
Sherrill  
Silver Springs  
Skaneateles  
Solvay  
Spencerport  
Springville  
Theresa  
Tupper Lake  
Watkins Glen  
Wellsville  
Westfield

**6. Authorization to Increase Energy Efficiency Program Funding**

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize increased funding for energy efficiency programs including (1) \$20 million for the SENY High Efficiency Lighting Program ('HELP'), for a total authorized funding level of \$130 million; and (2) \$14 million for Long Island HELP, for a total authorized funding level of \$54 million. The total increase in energy efficiency program funding requested is \$34 million.

BACKGROUND

At their meeting of December 21, 1989, the Trustees approved a major new Demand Side Management ('DSM') Program for Authority public customers located in Southeast New York. The centerpiece of this effort is SENY HELP, which is a turn-key approach to identify, procure, and implement energy efficiency improvements for the Authority's SENY public customers. Initial program funding was modified by the Trustees subsequently on two separate occasions, so that current authorized funding is \$110 million.

About 270 projects have been identified under SENY HELP, representing a total installed cost of approximately \$147 million and annual customer savings of \$28 million. Thus far, 160 projects have been completed at a total installed cost of \$67 million.<sup>1</sup> Since the inception of SENY HELP, the Authority has offered an incentive to participating customers, which has averaged about 50% of total installed cost. Any incentives are recovered in the electric rates applicable to all SENY public customers. The participating customer is responsible for directly repaying the remaining cost to the Authority, either in lump-sum upon project completion or over an agreed upon repayment period, if Authority project financing is requested by the customer.

At their meeting of September 26, 1995, the Trustees authorized the extension from seven to ten years' maximum repayment terms for Authority-provided financing, conditioned upon the elimination of incentive payments for energy efficiency projects for which customer commitments have not been executed prior to July 1, 1996.

Long Island HELP is identical in scope and service format to SENY HELP, except that it is applicable to public school districts located on Long Island that are electric customers of the Long Island Lighting Company ('LILCO'). The Authority offers no direct incentives to participating customers, but has applied on their behalf for any rebates offered by LILCO and for building aid available through the State Education Department.

As with SENY HELP, the customer has the option of repaying the Authority in lump-sum upon project completion, or can access Authority-provided financing subject to maximum repayment terms of ten years.

Long Island HELP was initially authorized by the Trustees in February, 1992. Current

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<sup>1</sup> Total actual spending through April 30, 1996 is about \$89 million for SENY HELP.

authorized funding is \$40 million. About 115 projects have been identified under Long Island HELP, representing a total installed cost of approximately \$54 million. Thus far, 72 projects have been completed at a total installed cost of

\$22 million.<sup>2</sup>

In the fall of 1995, the President concluded a comprehensive review of all of the Authority's outstanding energy efficiency programs. As a result of that review, not-to-exceed program caps were imposed for all programs, based on the funds necessary to complete projects identified under each program offering as of that time.

The caps applicable to energy efficiency programs provided to participants who are not Authority electric customers are intended to be permanent, unless and until they become Authority customers. Hence the cap imposed for Long Island HELP was \$54 million.

On the other hand, caps imposed for programs affecting the SENY public customers were to be temporary, pending the review of such programs in the context of energy efficiency services offered as inducements in return for executing the ten-year Long Term Energy Partnership Agreements ('LTEPA').

The LTEPA that have been executed either specifically require the Authority to complete projects already identified under SENY HELP, prior to the execution date of the individual LTEPA, or in the case of the City of New York (the 'City'), to complete projects previously authorized by the City for SENY HELP prior to the execution of its LTEPA.

#### DISCUSSION

The SENY public customers and the Long Island public school districts have been extremely responsive to the Authority's program offerings since their implementation in 1989 and 1992. Consequently, current authorized funding will not be adequate to complete the projects identified to date.

The Marketing and Energy Efficiency staffs have now completed a joint review of all projects identified for SENY HELP. Based on that review, \$20 million in additional funding is requested to complete projects which began prior to the LTEPA taking effect for SENY customers, or in the case of the City, to satisfy its prior funding authorization. This would increase total authorized funding to \$130 million.

Staff is completing a review of the Authority's obligation under the LTEPA. This review is being done in consultation with our SENY customers. The Trustees will be asked to approve initial funding for these projects at a later board meeting.

For Long Island HELP, \$14 million in additional funding is requested to allow the completion of projects that have progressed over the past several years. This would increase total authorized funding to the \$54 million cap and will permit completion of all projects on Long Island for the Long Island HELP effort.

#### FISCAL INFORMATION

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<sup>2</sup> Total actual spending to date, including Authority overheads, is \$33 million for Long Island HELP.

A total increase in energy efficiency program spending of \$34 million is requested to cover the needs of the SENY and Long Island HELP efforts. Energy Efficiency Program expenditures are currently funded

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primarily from the Energy Conservation Effectuation and Construction Fund, using the Tax Exempt Commercial Paper Program. All costs, including Authority overheads and the cost of advancing funds, will be recovered within a repayment period not to exceed ten years. Collection experience to date has been excellent.

RECOMMENDATION

The Senior Vice President - Energy Efficiency and Technology and the Senior Vice President - Marketing and Economic Development recommend that the authorized funding level for: (i) SENY HELP be increased by \$20 million for a total authorized program funding level of \$130 million; and (ii) Long Island HELP be increased by \$14 million for a total authorized program funding level of \$54 million.

The General Counsel, the Senior Vice President - Business Services, and I concur in the recommendation.

***In response to questions from Trustee Miller, Mr. Pellegrino explained that the requested funding would permit the completion and subsequent close-out of all DSM projects which are currently under contract for non-customer entities. Mr. Pellegrino further clarified that DSM initiatives involving Authority customers would be submitted separately for the Trustees' consideration and approval. President Schoenberger added that the instant resolution would close out Statewide, SENY and Long Island "HELP" programs for recipients who do not or cannot become Authority customers. In response to further questions from Trustee Miller concerning Expansion Power recipients, Mr. Pellegrino explained that the Authority requires allottees to conduct energy audits, but does not provide energy efficiency programs as such.***

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

**RESOLVED, That the authorized funding level for SENY HELP be increased by \$20 million for a total authorized funding level of \$130 million; and be it further**

**RESOLVED, That the authorized funding level for Long Island HELP be increased by \$14 million for a total authorized funding level of \$54 million.**

<u>Energy Conservation Effectuation and Construction Fund</u>		<u>Expenditure Authorization</u>
SENY HELP		
Previously Authorized	(12/21/89)	\$ 41.5 million
	(12/15/92)	40.5 million
	(09/26/95)	28.0 million
Current Authorization Request		<u>20.0 million</u>
<b>TOTAL AMOUNT AUTHORIZED</b>		<b><u>\$130.0 million</u></b>

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**Long Island HELP**

<b>Previously Authorized</b>	<b>(02/27/92)</b>	<b>\$ 35.0 million</b>
	<b>(04/26/94)</b>	<b>5.0 million</b>
<b>Current Authorization Request</b>		<b><u>14.0 million</u></b>
<b>TOTAL AMOUNT AUTHORIZED</b>		<b><u>\$ 54.0 million</u></b>

7. **Fuel Hedging Authorization**

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize (1) the execution of a master agreement in the form of the attached agreement set forth in Exhibit '7-A' hereto for the hedging of fossil fuel purchases and the execution of similar master agreements with qualified entities for the purpose of hedging, and (2) entering into specific hedging transactions under such master agreements as may be determined advisable by a competitive selection process.

BACKGROUND

The Authority's current expenditure authorization procedures, while covering fuel purchases and sales, do not explicitly include fuel hedging within their scope. Therefore, the staff is requesting authorization from the Trustees to enter into various hedging contracts up to the expenditure levels indicated on the attached Exhibit '7-C'.

DISCUSSION

In order to operate effectively in a competitive environment, the Authority needs the tools to hedge fuel purchases in what can be a very volatile market. Tools available for hedging the cost of oil and natural gas include puts (floors), calls (ceilings), futures, swaps and swap options contracts. A definition of each is contained in the attached Exhibit '7-B'. The use of these hedging tools, which is common practice within energy service companies, would allow the Authority to lock in today's prices for the next 12 to 18 months or longer, effectively reducing fuel price volatility. All such contracts would be covered by a master agreement setting forth the general terms and conditions of each contract to be entered into under the master agreement. It is the staff's intention to enter into master agreements with several qualified financial entities. Individual contracts would be secured through competitive bidding and would be limited as to amounts, duration and authorization levels by the Trustees, as set forth in Exhibit '7-C'. In utilizing hedging instruments, it is the Authority's goal to be as competitive as possible while maintaining a predictable revenue stream using the same risk management tools available to other energy providers.

One example of how hedging would be used by the staff to reduce the Authority's fuel price risk involves the use of put options in the shoulder months, spring and fall, to limit the Authority's exposure in relation to the price paid by LILCO for natural gas used at the Flynn plant. Historically, this price, which is based upon a market index, has been significantly lower than the floor price paid by the Authority under the Enron contract for natural gas purchased for the Flynn plant. The purchase by the Authority of a put option would serve to cap this difference, thus acting as an insurance policy against any unanticipated drops in the market price of gas and consequent reduction in revenues.

In no event will the Authority's exposure under any of these agreements be greater than the authorization amounts set forth in Exhibit '7-C'.

All such contracts will be reported to the Trustees bi-annually. The related approval levels for fuel hedges shown on Exhibit '7-C' are based on the expenditures to be made for the hedge per year per facility.

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FISCAL INFORMATION

Expenditures under these contracts will be made from the Operating Fund.

RECOMMENDATION

The Senior Vice President - Power Generation recommends that the Trustees approve entering into a master agreement in the form set forth in Exhibit '7-A' hereto and comparable agreements for the purpose of hedging fuel purchases, and approve specific hedging transactions under such master agreements, as described above.

The General Counsel, the Senior Vice President - Business Services, and I concur in the recommendation.

*In response to questions from Trustee Waldbauer, Mr. Hiney explained that the proposed authorization would endow staff with greater flexibility to manage the fluctuating price risks inherent in large-scale fossil fuel purchasing and could serve to further improve the fiscal performance of the Flynn Plant. In response to further questions from Trustee Waldbauer, Mr. Hiney stressed that although fuel hedging is not a magic bullet guaranteed to produce savings, the down side is limited in that if a fuel option is purchased but not exercised by staff due to a change in market conditions, such an option ultimately expires and the only expenditure will have been the cost of the option itself.*

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

**RESOLVED, That the Chairman, the President, and the Senior Vice President - Power Generation be, and each of them hereby is, authorized to enter into a master agreement in the form attached hereto as Exhibit 7-A , with such insertions, deletions, and modifications as he may deem necessary or advisable, which are hereby approved, and to enter into comparable master agreements having such terms and conditions as he may deem necessary or advisable, which are hereby approved, with such entities as he may select as advisable so as to effectuate the purposes expressed in the attached President's memorandum, which selections are hereby approved, provided that the Authority's liability under such agreements shall not exceed the limitations set forth in Exhibit '7-C' hereto; and be it further**

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**RESOLVED, That the Chairman, the President, and the Senior Vice President - Power Generation, or the designee of the Senior Vice President - Power Generation are, and each of them hereby is, authorized to execute such supplements to the master agreements referenced above as the Chairman, the President, and the Senior Vice President - Power Generation may deem necessary or desirable to effectuate fuel hedging, including, among other things, option contracts (including puts and calls), futures contracts, swap contracts, and swap option contracts; and that the Chairman, the President, and the Senior Vice President - Power Generation, or the designee of the Senior Vice President - Power Generation, are, and each of them hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, confirmations, orders, applications, agreements, certificates, supplements, and further assurances or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effect the intent of the foregoing resolution or to comply with the requirements of the master agreements referenced above, provided that the Authority's liability resulting from the foregoing shall not exceed the limitations set forth in Exhibit 7-C hereto.**

**DEFINITIONS**

1. FUTURES: Similar to a forward contract, a futures contract is an agreement to buy or sell a commodity for a certain price at a designated time in the future.
2. CALL OPTION: The right but not the obligation to buy at a specified (strike) price. Also referred to as caps or ceilings.
3. PUT OPTION: The right but not the obligation to sell at a specified (strike) price. Also referred to as floors.
4. SWAP: An agreement whereby a floating price is exchanged for a fixed price over a specified period.
5. SWAP OPTION: Option to purchase or sell a swap at some future date.

DELEGATION OF AUTHORITY TO APPROVE AND EXECUTE

HEDGING CONTRACTS

TITLE

APPROVAL AND EXECUTION LEVEL

HEDGES

Trustees	Over \$3,000,000/ facility/ year
Chairman or President	Up to \$3,000,000/ facility/ year
Senior Vice President - Power Generation or his designee	Up to \$1,500,000/ facility/ year

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Hedges will be reported to the Trustees every six months.

**8. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - 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 '8-A' for the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are listed in the discussion below.

**BACKGROUND**

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

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

**DISCUSSION**

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

The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from an estimated \$6,000 to \$5,000,000.

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

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 Headquarters and the Non-nuclear Facilities:**

The contract with **ABB Power T&D Company Inc. (PO # TBA)**, commenced on June 18, 1996, with the President's authorization to commence services, subject to subsequent ratification and approval by the

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Trustees. The purpose of this contract is to remanufacture five Westinghouse 800 SFA63 circuit breakers located at the Massena Substation of the Authority's St. Lawrence Project. This work is required due to excessive SF6 gas leakage from these gas-filled breakers. A representative of ABB, the current supplier of Westinghouse breakers, has confirmed the Authority's findings that gas leaks are occurring at the gasketed porcelain-to-flange connections and recommended remanufacturing the breakers, at a cost of \$138,000 each, to repair the five breakers. This is significantly less than the cost of replacing all five breakers with newer oil-filled models. Since the repair of the breakers must be staggered to limit outage impact, the intended term of the contract is two years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$690,000, which is expected to be expended for the term of the contract.

The three contracts with **Buck Consultants, William M. Mercer, Inc., and The Bredeson Group (Q-02-1654; PO #'s TBA)** will become effective on July 1, 1996, subject to the Trustees' approval. The purpose of these contracts is to provide employee benefits consulting services for the Authority. Authority staff have already assumed additional responsibility for these programs by becoming more involved in the conceptual design, promotion, surveys and other functions in support of these programs. The main reason for contracting for such services is that they are primarily actuarial in nature and it would not be cost-effective to bring such expertise in-house.

Seven bids were received in response to the Authority's Request for Proposals ('RFP') and notice in the Contract Reporter (in addition to eight non-responding vendors). The Authority's RFPs was divided into five sections/scopes of work and bidders were invited to respond to any or all areas, since each consulting firm has different strengths and areas of expertise. The Authority's intent was to identify the lowest-priced qualified bidder in each area; by allocating funding in this manner, the Authority would ensure the best quality of service for the most cost-effective use of available resources. Six of the seven responding bidders proved to be qualified and demonstrated the ability to meet the requirements in the Authority's Schedule of Services. An extensive evaluation indicated that three contracts should be awarded for the following scopes of work: 1) Buck Consultants, the low qualified bidder in the areas of Compliance and Discrimination Testing; Premium Equivalence Calculations; and Flexible Benefits Design and Administration; 2) William M. Mercer, Inc., the low evaluated bidder in the area of HMO Quality Assessment; only three of the bidders have a database that includes financial, administrative, and quality information on a majority of the current HMO's offered by the Authority and this firm appears to best meet the Authority's needs in a cost-effective manner; and, 3) The Bredeson Group, the low bidder in the area of Other Projects, such as an analysis of medical claims for the various groups in the Authority (i.e., Salaried, IBEW, Teamsters, and UWUA) with recommendations for implementing cost containment measures.

The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total combined amount of \$450,000, which is expected to be expended for the term of the contracts.

The contract with **Medicus, P.C. (PO # TBA)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide the services of a Consulting Medical Director, medical record retention and record miniaturization (microfilming) for all Authority sites. In addition, the contract will provide Medical Review Officer services for Headquarters, as well as the Blenheim-Gilboa, Clark Energy Center, Flynn, Niagara, Poletti, and St. Lawrence/FDR Power Projects. The contract will also provide for a medical examination program

for Headquarters employees.

Five proposals were received in response to the Authority's RFPs and notice in the Contract Reporter (in addition to nine non-responding vendors). The three highest bidders posted substantially higher quotes for the services requested and were not considered further. The low bidder, primarily an insurance company, fell short

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in a number of areas; most noteworthy was the fact that its coverage area does not include all locations where Authority facilities are situated; in addition, the vendor has a very limited full-time staff dedicated to workplace health, relying on local physician members as service providers; and staff was not confident that consistent, qualified around-the-clock medical consultation would be available to address medical issues in a timely manner. Medicus, the second low bidder, is clearly qualified to perform all requisite services and has consistently demonstrated their ability to provide quality service to the Authority for the past six years. It is therefore recommended that this contract be awarded to Medicus, P.C., the low evaluated qualified bidder. Medicus has a qualified physician on staff who is board certified in occupational medicine and certified as a Medical Review Officer to perform the Consulting Medical Director services, has the personnel and facilities to handle and store the centralized medical records, and has a subcontracted record miniaturization service in place. Physical examinations can also be conducted for employees of the New York and White Plains offices, as needed. Headquarters project engineers, for example, are sometimes given temporary field assignments requiring the use of a respirator, when exposure to asbestos or other hazardous materials or environmental conditions is possible. Respirator wearers require annual respirator clearance examinations to comply with Federal and State requirements.

The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount of \$255,000 for the term of the contract. It should be noted that rates will remain firm for the term of the contract.

The contract with **NPS Energy Services Inc. (PO # TBA)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide general maintenance support services for the Richard M. Flynn and Charles Poletti Power Projects, on an 'as required' basis. These labor support services shall be provided during periods of routine maintenance, scheduled outages, emergency shutdowns, or technical inspections, as directed by Authority management at the two facilities.

NPS was the sole responding bidder of 13 bids solicited, including notice in the Contract Reporter. Many potential bidders indicated that they were not interested in pursuing the maintenance contract since the Poletti plant may be placed on intermittent reserve shutdown in the near future. NPS has performed satisfactorily during the current maintenance contract. The contractor's proposed mark-up for the new contract is actually 1.3 percent less than the current one; this reflects a reduction in such areas as Workmen's Compensation, due to more experience in the labor force.

The intended term of this contract is three years, with an option to extend for one additional year, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount of \$5,000,000, which is expected to be expended for the term of the contract. This is based on previous outage experience. (It should be noted that 1999 is an outage year per the current schedule. The provider will be involved in high-pressure turbine and generator inspection, as well as plant repairs and boiler inspection.)

**Headquarters Contract in Support of Both Nuclear Plants:**

The contract with **EXCEL Services Corp. (PO # TBA)** will commence on June 26, 1996, subject to the Trustees' approval. The purpose of this contract is to provide support in the development, licensing and implementation of Improved Technical Specifications for the Indian Point 3 and James A. FitzPatrick Nuclear Power Plants. The Nuclear Regulatory Commission ('NRC') considers the revision of nuclear plant Technical Specifications ('Tech Specs') to be paramount to safe plant operations. These programs are currently among the most active initiatives being undertaken by the industry.

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In conjunction with the Technical Specification Improvement Program ('TSIP'), the Boiling Water Reactor and Westinghouse Owners Groups submitted the generic Improved Technical Specifications ('ITS') to the NRC. Following review of this generic submittal and the Industry Lead Plant submittals, the NRC has been accepting for review plant-specific ITS submittals. The objectives of the ITS are to improve safety of commercial nuclear reactors, provide clearer understanding of the safety significance of Tech Specs requirements and ease administrative burdens imposed by the Tech Specs. Operational safety is improved by reducing the size and complexity of the Tech Specs, making them 'user-friendly', making specific technical improvements to the Tech Specs, and by reducing the number of operational transients imposed by the Tech Specs. The conversion requires a comprehensive process using the ITS standard as modified during the NRC review and conformance with the results of NRC/Owners' Groups Technical Specification Committee negotiations, incorporating plant specific information, providing the Significant Hazards Considerations justifications for the changes, the technical justifications for the changes, programmatic controls for items relocated from the current Tech Specs, performing on- and off-site internal reviews, and the preparation and submittal of a formal license amendment. The overall benefits are expected to be technical and economic, culminating in an overall result of safe and more effective operation of the plants. It is the general belief that the ITS represents a significant improvement over the current Tech Specs for both Authority plants.

Eight proposals were received in response to the Authority's RFPs and notice in the Contract Reporter (in addition to twelve non-responding vendors). A detailed analysis of the proposals (including scope, deliverables, and experience), as well as meetings with the 'short-list' finalists, resulted in the recommendation to award to EXCEL Services Corporation, the low evaluated most technically qualified bidder. EXCEL's involvement in the developmental phase of the ITS, its continued work with their ongoing development as technical consultants, and interface with the NRC will be invaluable to the Authority in the process of drafting a license amendment to convert the current Tech Specs to the ITS. EXCEL's experience in performing such conversions is unequalled; the firm has completed conversions for seventeen BWR/PWR plants and is in the process of converting 20 more. The experience that EXCEL has accumulated in converting plants to the ITS has enabled it to develop a unique working relationship with the NRC. EXCEL has gained the respect of the NRC staff for technical expertise, credibility, and excellence, while developing license amendment submittals for many plants. EXCEL's participation in the IP3 and JAF conversion projects will serve to facilitate the NRC's review and approval of the license amendment in a manner that no other consultant can equal. Furthermore, EXCEL brings to the Authority the experience of issue negotiation and closure on numerous dockets, gained from previous conversions. No other firm has comparable experience in this area of ITS conversion. In addition, coordination of the Authority's submittal with other utilities will serve to benefit the Authority, by minimizing charges for review of the Authority's license amendments and, more importantly, by offering opportunities to approach the NRC staff on several dockets simultaneously for significant enhancements to the ITS, improving the likelihood of NRC approval.

In addition, it is preferable to have the same consulting firm perform both ITS conversions

(i.e., at both plants). The reasons supporting this position include: 1) there are issues that will require research and resolution only once that will apply to both plants; this should result in cost savings to both plants of approximately \$50,000 total; 2) the submittals should be in the same format, detail and technical content, resulting in a more timely and efficient NRC review and approval with minimum questions; 3) the Tech Specs for those issues which are similar or the same will be the same for both plants, eliminating unnecessary inconsistencies.

The intended term of this contract is approximately two and one-half years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount of \$1,200,000, which is expected to be expended for the term of the contract.

**IP3 AWARDS:**

The contract with **Atlantic Westchester (C96-I6791)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide full service (including labor, preventive and corrective service, maintenance, and parts) for all site HVAC air conditioning systems and units at IP3. This ranges from several 70 to 160 ton chillers, rooftop cooling towers, and central units to simple wall/window units, as well as supporting air compressors and handlers, exhaust fans, and many other components. It covers the Administration Building, Control Building, Training Building, Outage Support Building, and Turbine Building. The contract provides monthly, semi-annual, annual maintenance, and emergency service, as well as parts. Atlantic was the low bidder of six bids received (in addition to two non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total estimated amount of \$700,000, which is expected to be expended for the term of the contract. This amount is consistent with historical usage data and expenditures under the previous contract.

The contract with **Bilotta Construction Corp. (C96-I6797)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide miscellaneous on-site asphalt paving and excavating services at IP3, on an 'as required' basis. Bilotta was the low bidder of four bids received (in addition to five non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total estimated amount of \$250,000, which is expected to be expended for the term of the contract.

The contract with **Dean's Transport of Orange County (C96-I6798)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide on-site and occasional off-site shuttle bus service to the local train station for employees at IP3. Dean's Transport was the low bidder of five bids received (in addition to four non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total estimated amount of \$435,000, which is expected to be expended for the term of the contract. This amount is consistent with historical usage data and expenditures under the previous contract.

The contract with **The Foxboro Company (C96-I6786)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide for on-site preventive maintenance on Foxboro nuclear safety-related equipment, required for safe plant operation and shutdown, at IP3. Since Foxboro was the original equipment manufacturer, this contract is awarded on a sole source basis. It should be noted that a notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; no responses were received to the notice. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$43,925, which is expected to be expended for the term of the contract.

The contract with **General Electric Nuclear Energy (C96-I6787)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide on-site service and technical support for the Load Commutated Inverters ('L.C.I.' drivers), on an 'as required' basis, at IP3. The L.C.I. drive system controls the motor drive speed of the circulating water system pumps and is critical to the start-up and operation of the plant. Since General Electric was the original equipment manufacturer, this contract is awarded on a sole source basis. It should also be noted that a notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; no responses were received to the notice. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also

requested for a total amount of \$24,000, which is expected to be expended for the term of the contract.

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The contract with **Johnson Controls Inc. (C96-I6792)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide service and technical support (software maintenance) for microprocessors for the ventilation screenwell (intake) structures at IP3, on an 'as required' basis. These structures control the plant cooling system. Since Johnson Controls is the original equipment manufacturer, this contract is awarded on a sole source basis. It should be noted that a notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; no responses were received to the notice. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$15,000, which is expected to be expended for the term of the contract.

The contract with **NAB Construction (C96-I6794)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to perform preventive maintenance and repair services (including labor, parts, tools, materials, and equipment) for the House Service Boiler at IP3. This boiler provides auxiliary steam and heat for the plant. NAB was the low bidder of two bids received (in addition to ten non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$75,000, which is expected to be expended for the term of the contract.

The contract with **PDMA Corp. (C96-I6782)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide analysis of various plant lubrication oils at IP3. These include lubrication oils, transformer oils, coolant, and fuel and reactor coolant pump motor oil. PDMA was the low bidder of five bids received (in addition to three non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$44,000, which is expected to be expended for the term of the contract.

The contract with **Productivity Machine Tool Co. (C96-I6796)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide maintenance and repair services of machines in the Maintenance machine shop and the Radiological Machine Shop building at IP3. Productivity Machine Tool Co. was the sole responding bidder of five bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total estimated amount of \$125,000, which is expected to be expended for the term of the contract.

The contract with **Sorrento Electronics (C96-I6789)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide on-site maintenance for Sorrento nuclear safety-related equipment at IP3. Since Sorrento is the original equipment manufacturer, this contract was awarded on a sole source basis. It should be noted that a notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; no responses were received to the notice. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for a total amount of \$6,000, which is expected to be expended for the term of the contract.

The contract with **Valco Energy Systems (C96-I6783)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide on-site service and parts for the Cleaver Brooks H.P. boiler and water heater at the IP3 Training Center. Valco was the low bidder of three bids received (in addition to eight non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees'

approval, which is hereby requested. Approval is also requested for the total amount of \$31,500, which is expected to be expended for the term of the contract.

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The contract with **Whittaker Electronic Systems (C96-I6788)** will commence on July 1, 1996, subject to the Trustees' approval. The purpose of this contract is to provide on-site service and maintenance of the containment atmosphere monitoring system at IP3, on an 'as required' basis. Since Whittaker is the original equipment manufacturer of this nuclear safety-related equipment, this contract is awarded on a sole source basis. It should be noted that a notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; no responses were received to the notice. 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 of \$24,000, which is expected to be expended for the term of the contract.

#### FISCAL INFORMATION

Funds required to support contract services for various headquarters Business Units and the non-nuclear facilities have been included in the 1996 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

Funding for subsequent years for both JAF and IP3 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

#### RECOMMENDATION

The Plant Manager - James A. FitzPatrick Nuclear Power Plant, the Plant Manager - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Regional Manager - Northern New York, the Regional Manager - Southeast New York, the Vice President - Appraisal and Compliance Services, the Vice President - Human Resources, 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 '8-A' and as discussed above.

The General Counsel, the Senior Vice President - Business Services, the Senior Vice President - Power Generation, the Chief Nuclear Officer, and I concur in the recommendation.

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit 8-A are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.**

**9. Procurement (Services) Contracts - James A. FitzPatrick, Indian Point 3 Nuclear Power Plants; Headquarters; and Non-Nuclear Power Projects - Extensions and Approval of Additional Funding**

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The President submitted the following report:

SUMMARY

The Trustees are requested to approve the continuation of and additional funding for the procurement contracts listed in Exhibit '9-A' for the Indian Point 3 ('IP3') and James A. FitzPatrick ('JAF') Nuclear Power Plants, as well as for Headquarters and in support of the non-nuclear facilities. 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 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 '9-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

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

Extension of each of the contracts identified in Exhibit '9-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.

**Headquarters Contract(s) in Support of the Nuclear Plants:**

The contracts with **Coastal Environmental Services, Inc. and Dr. Ray Hilborn (CZ-9117 and S93-42590)** provided consulting services to prepare Hudson River fish stock population assessments. These assessments were used to evaluate the impact on fish mortality due to the operation of power plants on the Hudson River and were included in a Draft Environmental Impact Statement ('DEIS') prepared jointly by the Authority, Con Edison, Orange and Rockland, and Central Hudson utilities. The contracts commenced on September 2, 1987 and September 10, 1993, respectively. The DEIS is required for renewal of the State Pollutant Discharge Elimination System ('SPDES') permits covering Indian Point, Bowline, and Roseton power plants. The New York State Department of Environmental Conservation ('DEC') reviewed the DEIS and determined that the utilities must revise it. An extension is therefore required since the DEC anticipates that the revision process will continue through 1997 and considers these consultants to be an important part in the DEIS revision and review process.

While the Authority is the lead organization in this effort, all expenditures for this work are shared by the utilities according to the cost-sharing formula established by the Hudson River Cooling Tower Settlement Agreement. The Authority's share of the total is 22.89%. It should be noted that this program is part of a multi-party environmental arrangement which enabled the utilities operating power plants along the Hudson River to avoid building costly cooling towers. Time extensions and increases in the compensation ceiling of the contract with Coastal were previously approved by the Trustees at their meetings of November 22, 1988, September 24, 1991, July 28, 1992, September 28, 1993, and December 15, 1994. The contract with Dr. Ray Hilborn was approved for extension and additional funding at the December 15, 1994 Trustees' meeting. Both contracts were approved with the understanding that they would need to be extended until the DEIS was fully accepted by the DEC. A one and one-half year extension is requested to continue the above-described services of both consultants. The current contract amount is \$2,411,783 for Coastal and \$210,000 for Dr. Hilborn. It is anticipated that an additional \$200,000 and \$50,000 may be required for the extended term for the services provided by Coastal and Dr. Hilborn, respectively. These amounts represent the total expenditures by all utilities combined; the Authority's share of increased cost for the proposed extension will be approximately \$45,780 for Coastal and \$11,445 for Dr. Hilborn. Trustees' approval is requested to extend these contracts through December 31, 1997 and to approve the additional funding.

The contract with **Freeze Seal Incorporated (C94-I6333)** provides for patented pipefreezing services to support on-line pipe maintenance and modifications, including valve repair or replacement at IP3. This contract, which was competitively bid and awarded to the low bidder, commenced on July 1, 1994. The Trustees approved a three-year contract at their meeting of October 25, 1994. Since these services are highly specialized with limited sources of competition, staff elected to renegotiate the existing contract at IP3 and expand coverage to include JAF as well as potential future use at the Poletti and Flynn projects. As a result of staff negotiations, the labor rates in the existing IP3 contract were successfully reduced by 15 percent. Based on the negotiated lower unit labor rates, which will remain firm for up to five years, it is recommended that these services be extended for a period of three years, with an option to extend for up to two additional years with the approval of the President. For administrative purposes, a new contract number will be assigned as a 'system' contract, standardizing the terms and conditions and rates for all plants.

This 'system', or common goods/services, approach was established to consolidate the Authority's common goods/services for multiple plants/projects, to reduce unit and annual costs through bulk purchasing, standardizing the terms and conditions, and streamlining the procurement process by reducing or eliminating the need for multiple site contracts. Trustees' approval is requested to extend these services through June 30, 1999 (with an option to extend for up to an additional two years with the approval of the President, in

accordance with the Authority's Expenditure Authorization Procedures). The current contract amount is \$232,500. Approval is also requested for an additional amount of \$435,000, which is expected to be expended over the next three years. It should be noted that the Authority will pay for services at unit rates established in the contract only for those manhours actually expended.

The four contracts with **Energy Services Group (S95-72955), Entor Corp. (S95-72949), G.D. Barri & Associates (a certified Women-owned Business Enterprise; S95-72956), and Sun Technical Servcies (S95-72954)**, which were competitively bid, provide for temporary personnel to support operations at IP3, on an 'as required' basis. These positions include, but are not limited to: procedure writers, operations specialists, and operations engineers. The contracts became effective on June 16, 1995 in the total combined amount of \$300,000. In January of this year, the President approved an additional \$440,000 needed to continue the services of four operations procedure writers required to maintain approximately 500 procedures. The maintenance of procedures includes biennial reviews, incorporation of Term Procedure Changes, and emergent issues. Since this area is greatly understaffed (two permanent Authority employees vs. an assessed need for a total of six), a one-year extension is requested to support this function until more positions for permanent Authority staff in this area are approved and filled. Currently there are three contractor personnel working full-time (with overtime, as necessary), with an anticipated need for a fourth contractor. The average man-year cost per contract employee is \$138,200.00 (including per diem, overtime, fringe benefits, and mark-up for overhead and profit). The current contract amount for G.D. Barri is \$740,000. It is estimated that an additional \$600,000 will be required for the services of the procedure writers during the extended term. The Trustees' approval is requested to extend this contract for one year and to approve the additional funding.

#### **Contracts in Support of Headquarters and the Non-Nuclear Facilities:**

The three contracts with **Acres International (S92-23872), David Andres (S94-59834), and Dr. Robert Ettema (CZ-9556)**, provide for the professional services of three members of a Board of Consultants to investigate the impacts of ice in the upper Niagara River on the operation of the Niagara Power Project. The Board was established pursuant to a Federal Energy Regulatory Commission ('FERC') amendment to the Niagara Power Project license. They became effective on January 1, 1992, April 1, 1994, and November 26, 1989, respectively.

In a July 21, 1989 amendment to the Niagara Power Project license, FERC directed the Authority to undertake studies aimed at determining the relationship between project operation and ice flow in the upper Niagara River. The requirements for implementing the studies were set forth in new license Articles 305, 306, and 307. In November 1990, the Authority submitted to FERC a plan describing the studies to be undertaken on the basis of the Board's recommendations. The final report on the results of the studies is to be submitted to the FERC by December 31, 1996. The Authority needs to retain the services of the Board members beyond December 1996 to accommodate follow-up deliberations by the Board that may result from the FERC's review of the studies. It is therefore necessary to extend the subject contracts through December 31, 1997.

The selected experts have provided the Authority with valuable advice during the conduct of the studies for FERC. The studies for which the Board of Consultants provided advice and direction gave rise to a set of recommendations that are expected to produce substantial benefits from currently experienced reductions in power generation caused by ice. The recommendations, some of which the Authority has begun to implement, include an improvement in the design of the Lake Erie - Niagara River ice boom, improvements in ice monitoring and forecasting systems, and modifications in operating procedures. The ice boom design improvement, which will be implemented over a four-year period, has been conservatively estimated to have a net present value of 4.5 million dollars, a benefit-cost ratio of 6.5, and a payback period of about three years. The recommended improvements in the ice monitoring and forecasting systems (please see Canpolar, Inc. item below) and modifications in operating

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procedures will also generate substantial benefits. The payback period for the costs of the ice monitoring improvements is estimated to be about three years.

The Trustees first approved the award of contracts to Board member Dr. Ettema at their November 18, 1989 meeting, to board member David Andres at their April 24, 1990 meeting, and to Acres International, for the services of Richard Carson, at their December 19, 1991 meeting. A one and one-half year extension is requested in order to continue the above-described services in support of this ongoing effort. The current contract amounts are \$135,000, \$104,500, and \$185,000, respectively. Trustees' approval is therefore requested to extend these three contracts through December 31, 1997 at no anticipated additional cost.

The contract with **Axiom Technology Corp. (S95-71893)**, which was competitively bid, provides for specialized design services for the redesign of the Control Room at the Blenheim-Gilboa Project to facilitate acceptance and operation of the new Supervisory Control and Data Acquisition ('SCADA') system. This includes: a human factors engineering review; review of current B-G Control Room operations and hardware; Control Room conceptual and detailed architectural design; and SCADA screen design and displays. This agreement became effective on May 22, 1995 for an initial term of one year.

On February 27, 1996 the Authority's Trustees approved the procurement of a new SCADA system for B-G and the supporting CEAR, which included funding for changes to the scope of work in the Axiom contract. These changes were made necessary to bridge from the initial data collection and conceptual design to the actual detailed design and implementation. A two and one-half year extension is now requested in order to complete the modified and expanded work plan, which allows for the delivery of the new SCADA system by another firm, and implementation of Control Room changes, including construction support services, currently expected to be completed in 1998. The current contract amount is \$112,272. It is anticipated that an additional \$94,728 (approved by the Trustees in February 1996 as part of the aforementioned CEAR) will be required to cover the cost of this additional work during the extended term. Trustees' approval is requested to extend the subject contract through September 30, 1998 and to approve the additional funding.

The contract with **Canpolar, Inc. (S93-50607)**, which was competitively bid, provided for a study entitled 'Assessment of Instrumentation Systems for Application to Flow and Ice Monitoring and Forecasting on the Upper Niagara River'. The objective was to review and evaluate monitoring equipment and instrumentation, not currently in use by the Authority or Ontario Hydro ('OH'), to obtain ice-related data for input to models and decision-making tools for winter operating procedures. The contract was awarded on October 1, 1993 for a one-year term. At their meeting of November 29, 1994, the Authority's Trustees approved an extension through June 30, 1996 and additional funding. The studies led to a recommendation to purchase, install, and operate new systems for monitoring ice conditions on the upper Niagara River. This recommendation has been implemented as a Niagara Joint Works project, in which OH has agreed to equally share the costs of the equipment purchases and the operation and maintenance of the systems. Canpolar was responsible for the system design and development of the data acquisition and processing software for the systems. A one and one-half year extension is requested in order to provide for continued technical support for the new ice monitoring systems to implement enhancements required by the Authority and OH staffs. Continued access to this support will require an extension through December 31, 1997, at which time it is anticipated that the responsibility for the operation and maintenance of the systems will be fully transferred to the Niagara Works Project staff. The current contract amount is \$132,417; it is estimated that an additional \$30,000 will be required for the extended term. It should be noted that the actual additional cost to the Authority will be only \$15,000 per the aforementioned agreement. Trustees' approval is requested to extend this contract through December 31, 1997 and to approve the additional funding.

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The contract with **Corporate Aviators (a certified Women-owned Business Enterprise; S95-73769)**, which was competitively bid, provides for co-pilot services to assist in the operation of the Authority's corporate plane, on an 'as required' basis; the estimated need for such services is sixty days per year. This contract commenced on August 1, 1995 for a one year term with the option to extend for an additional year, subject to the Trustees' approval. A one-year extension is requested in order to exercise this option. The current contract amount is \$20,000; it is estimated that an additional \$20,000 will be required for the extended term. Rates will remain firm through the second year of the contract. The Trustees' approval is requested to extend this contract through July 31, 1997 and to approve the additional funding.

The contract with **Crane Technical Training & Inspection, Inc. (S95-73946)**, which was competitively bid, provides for crane inspection and certification services for equipment at the Authority's non-nuclear facilities (B-G, CEC, Flynn, NIA, POL, STL), to verify compliance with the applicable OSHA requirements and ANSI standards. This includes overhead and gantry cranes, and crawler, locomotive and truck cranes. This contract became effective on July 31, 1995 for a one year term with the option to extend for an additional year, subject to the Trustees' approval. An extension of up to one year is requested in order to exercise this option. The current contract amount is \$14,450; it is estimated that an additional \$14,450 will be required for the extended term. Rates will remain firm through the second year of the contract. The Trustees' approval is requested to extend this contract through December 31, 1996 and to approve the additional funding.

The contract with **Enisol, Inc. (C95-M2010)** provides for the installation of hardware and software at the Niagara River Control Centre ('NRCC') and Lewiston Pump Generating Plant ('LPGP') of the Niagara Power Project, in conjunction with the upgrade of the Energy Management System ('EMS') at the Authority's Energy Control Center ('ECC'). These computer consulting services will facilitate the implementation of an operations data link between the ECC, NRCC, and LPGP. The transfer of real-time data and operating plans is necessary for the optimal management of the Niagara River. The link will enhance this exchange of data. The original award was effective on May 5, 1995 for a term of up to one year. It should be noted that although this contract was awarded on a sole source basis, a Request for Proposals was sent out to invited bidders and a notice was published in the Contract Reporter in an attempt to identify other qualified bidders; there were no other responses to either approach. An interim extension was approved by the Senior Vice President - Transmission in order to continue services through June 30, 1996. An extension of up to one year is requested in order to complete the original work scope, which has been delayed due to a need for Authority staff to work on other priority items; the delay is not due to Enisol. The current contract amount is \$24,000. The Trustees' approval is requested to extend this contract through March 31, 1997 at no anticipated additional cost.

The contract with **General Electric Co. (S91-17347)**, which was competitively bid, provides for the design, manufacture, and installation of four sets of motor-generator windings at the Authority's Blenheim-Gilboa Project. At their meeting of September 24, 1991, the Trustees approved the award of a four-year and three month contract to General Electric in the amount of \$9,400,000. The contract became effective on October 7, 1991. An extension is requested in order to complete the original work scope, which was postponed as a result of budgeting issues. The current contract amount is \$9,796,679, authorized in accordance with the Authority's Expenditure Authorization Procedures. The Trustees' approval is requested to extend this contract through February 28, 1997.

The contract with **Quality Systems Inc. (a certified Women-owned Business Enterprise; S94-65581)**, which was competitively bid, provided for the development and presentation of a training course to support the implementation of the Maintenance Management Program (Maintenance Resource Management / 'MRM') for Power Generation staff at headquarters and the non-nuclear facilities. The contract was awarded on October 24, 1994 for a one-year term, in the amount of \$110,000. At their meeting of September 27, 1995, the Trustees approved an

extension through June 30, 1996. During the course of training the supervisors in the requirements of

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the MRM program, it became evident that 'mentoring' of the supervisor and MRM planner would be beneficial to acceptance and implementation of the program; this intensive individualized approach reinforces the roles of planner and supervisor in the new MRM culture and has proven to be very effective at the B-G, Clark, and Niagara Power Projects. In April 1996, the President approved an additional \$40,000 to support this effort. An additional six-month extension is now requested in order to provide up to an additional 100 days of this mentoring process at the Clark, Niagara, and Poletti Projects. The current contract amount is \$150,000; it is estimated that an additional \$75,000 will be required for the extended term. The Trustees' approval is requested to extend this contract through December 31, 1996 and to approve the additional funding.

The MRM program is already yielding financial benefit to the Authority. The planning and scheduling emphasis of the program has reduced the need for routine overtime without increasing the maintenance backlog of the Power Generation facilities. In addition, improved coordination of contract labor with Authority workers has reduced outage time for major maintenance and identified opportunities to reduce the need for contracted labor.

The contract with **Voith Hydro Inc. (S92-31461)**, which was competitively bid, provides for the overhaul and repair of four turbine generators at the Authority's Blenheim-Gilboa Project. At their meeting of April 28, 1992, the Trustees approved the award of a four-year contract to Voith in the estimated amount of \$5,450,000. This contract commenced on June 1, 1992. A one-year extension is requested in order to complete the original work scope, which was postponed as a result of budgeting issues. The current contract amount is \$6,350,691; it is estimated that an additional \$145,000 will be required for the extended term. The Trustees' approval is requested to extend this contract through February 28, 1997 and to approve the additional funding.

The contract with **Wyant Service Corp. (S95-74979)**, which was competitively bid from a pre-approved list, provides for service and maintenance of supplemental air conditioning units at the Authority's New York Office. This contract commenced on August 11, 1995 for a one year term with the option to extend for up to two additional years, subject to the Trustees' approval. A two-year extension is requested in order to exercise this option. The current contract amount is \$26,700; it is estimated that an additional \$40,000 will be required for the extended term. Rates will remain firm through the second year of the contract. The Trustees' approval is requested to extend this contract through August 10, 1998 and to approve the additional funding.

Five multi-year contracts with three Implementation Contractors, previously authorized by the Trustees to perform services under the Authority's High Efficiency Lighting Programs ('HELP'), expire during the second and third quarters of 1996. These include: **Energy Investment, Inc. (a certified Women-owned Business Enterprise; S90-00013)**, **HEC Energy Services (S91-14646 and S94-65143)**, and **Xenergy Inc. (S90-00010 and S91-14648)**, in support of the SENY, Long Island, Statewide, and Public Schools HELP programs. There remain 169 active projects in various stages of completion with these three contractors at a total project cost of \$143.5 million, for which the Authority has ongoing completion commitments. Consideration was given to bringing the active projects in-house, to be completed by the Energy Efficiency Business Unit headquarters and field office staff. Due to the volume of work currently being performed by the field office personnel and the disruption to the ongoing projects, it was determined to be infeasible to complete these projects without the Implementation Contractors. Consideration was also given to re-bidding this work, but this would create serious disruption to the continuity of the program. Also, it would not be practical to have a new Implementation Contractor initiate new HELP work for completion by December 31, 1997, after which all HELP services are expected to be performed in-house by Authority staff. An extension through December 31, 1997 would provide adequate time to complete all of the HELP projects currently in progress. The recommended extensions would also allow the Authority to fulfill its commitments to its customers and other participants. It is anticipated that an additional \$36,500,000 (combined total for three of these five contracts) will be

required to cover the cost of completing the projects during the extended term; approval of this amount was requested in a previous Energy Efficiency Business Unit item at this

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Trustees' meeting to increase funding for HELP programs.. This is allocated as follows: an additional \$6,000,000 to Energy Investment S90-00013, an additional \$30,000,000 to HEC S91-14647, and an additional \$500,000 to Xenergy S91-14648, in support of SENY and Long Island HELP programs. It should be noted that these amounts are in addition to funding previously approved by the Trustees for Public Schools HELP and Statewide HELP, but not yet committed to specific contracts to date. Trustees' approval is requested to extend the subject contracts through December 31, 1997 and to approve the additional funding.

FISCAL INFORMATION

Funds required to support contract services for various non-nuclear Headquarters departments/Business Units have been included in the 1996 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

Funding for subsequent years for both JAF and IP3 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

The Director - Corporate Support Services, the Director - Environmental Programs, the Plant Manager - Indian Point 3 Nuclear Power Plant, the Plant Manager - James A. FitzPatrick Nuclear Power Plant, the Vice President - Nuclear Operations, and the Vice President - Nuclear Engineering recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '9-A', as set forth above.

The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Energy Efficiency, the Senior Vice President - Power Generation, the Senior Vice President - Business Services, the Chief Nuclear Officer, and I concur in the recommendation.

***In response to questions from Trustees Miller and Waldbauer regarding the additional funding for the HELP contracts, Messrs. Hoff and Pellegrino clarified that \$34,000,000 is new funding requested in a previous Energy Efficiency Business Unit item at this Trustees' meeting to increase funding for HELP programs; the remaining \$2,500,000 will be allocated from various HELP funding, which had received prior Trustees' approval, but had not yet been committed to specific contracts.***

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

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit 9-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.**

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**10. Next Meeting**

The Regular meeting of the Trustees will be held on **Tuesday, July 30, 1996, at the Blenheim-Gilboa Pumped Storage Power Project at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

**11. Motion to Conduct Executive Session**

Mr. Chairman, I move that the Authority conduct an executive session in connection with a matter leading to its employment of services of persons and corporations. On motion made and seconded, an executive session was held.

**(After Executive Session)**

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

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Closing

Upon motion made and seconded, the meeting was closed at 12.05 p.m.

Anne Wagner-Findeisen  
Corporate Secretary

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