

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

June 30, 1998

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
Minutes of the Regular Meeting held on May 27, 1998		
2. Financial Reports for the Five Months Ended May 31, 1998	3	'2-A'
3. Report from the President and Chief Operating Officer	4	
4. Village of Penn Yan – Revision in Retail Rates – Notice of Adoption Resolution	6	'4-A' '4-B'
5. Contract Extensions for the Sale of Economic Development Power to Keymark Corporation and Oswego Wire, Inc. Resolution	8	
6. Linked Deposit Program Resolution	10	
7. Amendment of Section III of the Code of Conduct Resolution	13	
8. Procurement (Services) Contracts – James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; and Headquarters – Awards Resolution	15	'8-A'
9. Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities – Extensions, Approval of Additional Funding, and Increase in Compensation Ceiling Resolution	19	'9-A'
10. Resolution Honoring Thomas R. Frey	28	
11. Next Meeting	29	
Closing	30	

June 30, 1998

Minutes of the regular meeting of the Power Authority of the State of New York held at the Blenheim-Gilboa Pumped Storage Project at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Hyman M. Miller, Trustee
Louis P. Ciminelli, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
John F. English	Senior Vice President – Corporate Planning
James Knubel	Senior Vice President – Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Russell Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy and Governmental Affairs
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Michael Petralia	Vice President – Public Affairs
Stephen P. Shoenholz	Deputy Vice President – Public Affairs
Kenneth G. Vaughn	Vice President – Ethic and Regulatory Compliance
Vincent Vesce	Vice President - Human Resources
Carmine J. Clemente	Deputy General Counsel
Gary Paslow	Executive Director – Policy Development
Ronald W. Ciamaga	Regional Manager – Northern New York
James J. McCarthy	Regional Manager – Central New York
Joseph J. Brennan	Director – Internal Audit
John L. Murphy	Director - Public Information
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
George W. Collins	Treasurer
Craig Banner	Manager – Municipal and Cooperative Markets
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Assistant Secretary
Barbara Vahue	Assistant Secretary

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

June 30, 1998

1. Approval of the Minutes

The minutes of the Regular Meeting held on May 27, 1998 were approved.

June 30, 1998

2. Financial Report for the Five Months Ended May 31, 1998

Comments of Chairman and Chief Executive Officer

Chairman Rappleyea expressed the Trustees' appreciation of the excellent work performed by Regional Manager Central New York, Jim McCarthy, and his staff in renovating the project Visitor's Center and in arranging the excellent 25th Anniversary festivities.

3. Report from the President and Chief Operating Officer

President Zeltmann briefed the Trustees regarding U.S. Senator Robert Bennett's visit to IP3 as part of his nationwide inquiry into Y2K readiness on the part of U.S. industry. An ABC-TV News video was shown to the Trustees which included a brief depiction of the Senator's visit to IP3. President Zeltmann, who met with the Senator, underscored that the extensive work carried out by NYPA to date on the Y2K issue had been readily apparent to the visitors, and was solidly grounded in the already-existing charts, graphs and data prepared by NYPA staff. President Zeltmann lauded Messrs. Petralia, Barrett, Krauss and their respective staff members on the extraordinary effort and teamwork which had resulted in the effective conduct of the meeting. Chairman Rappleyea reiterated the President's commendation.

At the President's request, Mr. Krauss reported on the overall status and developments in the ongoing Year 2000 Program Management effort. Trustee Ciminelli inquired about the extent to which the utilities nationwide are, in fact, acting interdependently. Mr. Krauss responded that staff had researched the various regional power pools and that it appears that many utilities appear to be just beginning to address the 'big picture' and the necessity of collaborating with each other in this endeavor. Mr. Krauss added that within the New York Power Pool, increasingly fruitful results are being obtained. In response to further questions from Trustee Ciminelli, Mr. Pellegrino stated that NYPA staff is requesting vendors of embedded systems and software to certify their products' compliance with Y2K requirements. President Zeltmann added that as part of the presentation which had been made to the Senator, John English had explained NYPP members'

agreement to ensure that all of their older facilities, which are less likely to contain non-compliant embedded systems, be “spinning” on January 1, 2000 so as to provide

June 30, 1998

reliability coverage for any problems resulting from newer generating equipment. The President underscored that although this initiative will be costly, it is something which needs to be done.

In response to questions from Trustee Miller concerning any anticipated action by the PSC concerning Y2K issues, President Zeltmann explained that it is not currently clear whether the PSC will choose active involvement, or will rely on the industry members to effectuate appropriate measures.

With regard to the ongoing celebration of the 25th anniversary of the Blenheim-Gilboa Project, President Zeltmann also commended Jim McCarthy, Barbara DiCocco and other staff members whose dedicated efforts had resulted in a spectacular and widely-attended event (approximately 15,000 persons).

The President then briefed the Trustees on the recently-enacted Power for Jobs program legislation which resulted in additional power to be made available, in particular the ‘front-loading’ of another 133 MW of the power allocable to Year 1 of the three-year program. The President and Mr. Blabey reported on the extensive work effort that has been carried out by the Marketing Department and Secretary’s Office in processing PFJ applications to date.

**4. Village of Penn Yan -
Revision in Retail Rates - Notice of Adoption**

The President submitted the following report:

SUMMARY

“The Board of the Village of Penn Yan, New York has requested the Trustees to approve revisions in the Village’s base retail rates of each customer service classification. These revisions will result in additional total annual revenues of about \$130,000 or 6.0%. The Authority’s energy and power rates are not changing.

BACKGROUND

“The Village Board has requested the proposed rate increase to provide revenues to meet Penn Yan’s Municipal Lighting Department’s additional debt service obligations, increase its emergency cash reserve and allow sufficient working funds to meet forecasted increases in operation and maintenance expenses. Current rates have been in effect since 1996 when, with the approval of the Trustees, the Village instituted a 13.3% rate increase.

“At that time, the Village was experiencing a cash flow shortfall. It was anticipated that this shortfall would be eliminated by a combination of the 1996 rate increase and borrowing of \$350,000 for a period of five years. However, shortly after the borrowing took place, Penn Yan was required by the State Comptroller’s Office to immediately repay the then-remaining balance of about \$280,000. The Penn Yan electric system had no alternative but to comply by borrowing on an emergency short-term basis from Village Water and Sewer funds. This short-term borrowing resulted in an increase in the electric system’s monthly debt service obligation and the need for additional rate relief.

“Further, the management of the Village of Penn Yan has planned additions to plant-in-service amounting to \$1,700,000. The capital program consists of a major upgrade of its distribution substation equipment, line transformers and poles, towers and fixtures. The Village plans to debt finance its capital program by issuing a \$1,025,000 bond.

“Based on the cost of providing electric service, an average residential and small commercial customer who currently pay about 3.5 cents per kWh and 4.5 cents per kWh, respectively, will not experience a rate increase. Large commercial customers are presently paying 2.3 cents per kWh and will pay 3.0 cents per kWh after the increase. In comparison, residential, small and large commercial customers served by NYSEG pay about 14, 12 and 10 cents per kWh, respectively.

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

DISCUSSION

“Pursuant to the approved procedures, the Senior Vice President - Marketing and Economic Development requested the Executive Vice President, Secretary and General Counsel to file notice for publication in the State Register of the Village’s proposed revisions in retail rates. Such notice was published on March 4, 1998, and no comments concerning the proposed action have been received by the Secretary. A public hearing was held by the Village of Penn Yan on March 11, 1998. There was no opposition to the proposed rates and the Village Board has requested that they be approved.

June 30, 1998

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

RECOMMENDATION

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

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

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

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

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

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

5. Contract Extensions for the Sale of Economic Development to Keymark Corporation and Oswego Wire, Inc.

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve five-year extensions to the allocations of 1,500 kW of Economic Development Power (‘EDP’) to Keymark Corporation (‘Keymark’) and 1,000 kW of EDP to Oswego Wire, Inc

BACKGROUND

“At their meeting of May 25, 1993, the Trustees approved the allocations of 1,500 kW of Fitzpatrick Economic Development Power (‘EDP’) to Keymark and 1,000 kW of EDP to Oswego Wire, Inc. for terms of 5 years ending June 30, 1998. Both contracts were approved for business revitalization purposes based on each company’s demonstration that its facilities were in serious, long-term distress. The Trustees approved the allocations of 1,500 kW to Keymark and 1,000 kW to Oswego Wire, based on a commitment by Keymark to maintain 280 jobs at its facility in Fonda and a commitment by Oswego Wire to maintain 97 jobs at its Oswego facility.

“At its meeting of June 17, 1998, the Economic Development Power Allocation Board (‘EDPAB’) approved amendments to the contracts for EDP granting five year extensions of Keymark’s current allocation of 1,500 kW and Oswego Wire’s current allocation of 1,000 kW based on new demonstrations that both companies met the criteria for revitalization allocations.

DISCUSSION

“Keymark, located in Fonda, Montgomery County, manufactures aluminum extrusions used by the building trades, particularly for windows. Since the company’s inception, Keymark’s financial statements have reflected losses or break-even status, due largely due to its competitors’ cost advantages. In 1993, Keymark’s working capital lender and mortgage holder required Keymark to find new financing. New financing, improvements in the economy, and reduced utility costs from the Authority’s current allocation of EDP, have since allowed the company to survive and become profitable again.

“Keymark is currently adding a 60,000 square foot addition to its Fonda facility to house a fourth press and paint line. However, the planned expansion will also increase the company’s debt service. In order to service its debt, Keymark will need to keep increasing its sales volume and manufacturing productivity while lowering its costs of production in order to maintain a level of profitability which supports its debt and allows for further expansion and job gains.

“The five-year extension of the 1,500 kW allocation would create 40 jobs and retain 386 jobs at a ratio of 284 jobs per megawatt. The company would save an estimated \$330,000 annually over Niagara Mohawk’s standard rates. The proposed five-year allocation of revitalization power is supported by the Montgomery County Economic Development Corporation.

“Oswego Wire, located in Oswego County, manufactures drawn copper wire. To ensure its long term survival, the company has shifted part of its product line to fine gauge wire where it can compete more

effectively. New equipment has been purchased to support the marketing strategy and to replace old equipment. Electricity is more than 9% of Oswego Wire's manufacturing costs. Reduction of power costs has been identified

June 30, 1998

by the company as one of several key problems with maintaining its competitiveness in an industry that is increasingly consolidating. Operation Oswego County supports the proposed allocation of 1.0 MW for business revitalization purposes. The company would commit to retain 102 jobs for the five-year allocation term. The proposed allocation would save approximately \$150,000 annually over Niagara Mohawk's standard rates.

RECOMMENDATION

"The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 1,500 kW of Fitzpatrick Economic Development Power to Keymark Corporation and 1,000 kW to Oswego Wire, Inc. as described herein.

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

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

WHEREAS, the Economic Development Power Allocation Board has recommended allocations of Economic Development Power to Keymark Corporation and Oswego Wire, Inc. in the amounts specified and subject to the terms and conditions described in the foregoing report of the President;

NOW THEREFORE BE IT RESOLVED, that the Authority hereby approves the allocation of 1,500 kw to Keymark Corporation and 1,000 kW to Oswego Wire, Inc.; and be it further

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

6. Linked Deposit Program

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize the Authority’s participation in the State’s Linked Deposit Program (‘LDP’) and to authorize the withdrawal of up to \$5 million from the Operating Fund for the purchase of Certificates of Deposit as part of the LDP.

BACKGROUND

“The economy of New York State, and the nation as a whole, continues to undergo fundamental change, impacting the profitability, competitiveness and survival of all businesses, especially smaller firms. Small businesses, in particular, face interest rate and bank credit obstacles that impede their ability to modernize operations, access new markets, develop new products and improve competitiveness.

“To help businesses meet these challenges, the LDP was created by statute (Article 15 of the State Finance Law) in August 1993, to encourage and assist small businesses in New York State in accessing affordable capital and making investments for projects that will improve their productivity, performance and competitiveness.

“The LDP was designed to provide lower financing costs through deposits by the State, public authorities, and other public entities, at reduced interest rates, which deposits are ‘linked’ to loans granted by commercial banks, savings banks, or savings and loan associations at comparably reduced rates.

“Section 92-v of the State Finance Law authorizes public authorities and public benefit corporations to invest their monies in the LDP. These monies are to be deposited with the Commissioner of Taxation and Finance (the ‘Commissioner’), who will use these monies, along with State monies, to finance the LDP. The LDP contemplates that not more than \$100 million in State monies and not more than \$50 million in monies deposited by public authorities and public benefit corporations are to be used in the LDP. The LDP is currently scheduled to terminate April 1, 2001, with deposits made pursuant to the LDP to be returned no later than April 1, 2003.

DISCUSSION

“On an as-needed basis, LDP monies will be deposited with the banking institution(s) making the loan(s) under the program. The maximum individual loan amount is set at \$1 million. The banking institution(s), in turn, will issue a certificate of deposit linked to the loan(s) being made under the LDP at an interest rate subsidized by the LDP deposit. This subsidy will allow eligible businesses to obtain loans from participating banking institutions for competitive projects at interest rates that are two to three percent lower than the prevailing rate on such loans, thereby making borrowing less expensive.

“In the case of the Authority’s deposits, the certificate of deposit (‘CD’) will be issued in dual ownership to the Commissioner of Taxation and Finance and the Authority. The Commissioner will obtain two copies of the CD; one copy to be retained by the Commissioner and the other by the Authority. Every six months, the principal amount of the CD will be adjusted to reflect principal payments which have been made. A

new CD will be issued showing the new principal balance. The amount of the principal change, together with accrued interest,

June 30, 1998

will be wired by the banking institution to the Commissioner who, in turn, will wire this amount to an account identified by the Authority. The principal repayments will be held by the Authority until such time as a new loan has been made to a qualified business under the LDP. The final maturity date on any CD issued under LDP will be two years from the original issue date and the CD's are expected to pay interest at a 2% - 3% annual rate.

"Neither the Authority nor the State is guaranteeing these LDP loans, and the repayment of the CD's is not dependent upon the repayment of the loans made by the lending institution.

"Staff recommends that the Trustees approve the withdrawal of \$5 million from the Operating Fund to support the LDP which, since its inception in 1994, has approved 418 projects for a total amount in excess of \$163 million. The LDP has created 3,868 new jobs, retained over 10,000 jobs in the State, and has generated over \$340 million of new capital investments by New York businesses.

RECOMMENDATION

"The Treasurer recommends that the Trustees authorize the Authority's participation in the State's LDP and the use of up to \$5 million in monies to be withdrawn from the Operating Fund for the purchase of Certificates of Deposit to effectuate such participation.

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

In response to questions from Trustee Miller, Mr. Collins explained that the program is targeted to promoting loans to small businesses with less than 100 employees, and minority and women/owned businesses in highly distressed areas of the State. Mr. Collins further explained that the Authority does not guarantee any of the loans; rather, by participating in the Deposit Program, entities such as the Authority help lower the cost of borrowing money, enabling eligible companies to obtain below market rate loans from the participating banks. Chairman Rappleyea underscored that the Program has been in operation since 1993 and has evidenced a good track record. Mr. Collins also indicated in response to questions that all risk of loss from loan defaults is on the participating banks.

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

RESOLVED, That the Trustees hereby authorize the Authority's participation in the State's Linked Deposit Program and authorize the use of up to \$5 million of monies to be withdrawn from the Operating Fund for the purchase of Certificates of Deposit in support of the State's Linked Deposit Program, as described in the foregoing report of the President's; and be it further

RESOLVED, That any amounts to be withdrawn from the Operating Fund for the foregoing purpose may be withdrawn only upon the execution by the Treasurer of a certificate certifying that the amounts to be withdrawn are not required for any of the purposes specified in Paragraphs (a)-(c) of Section 503 (1) of the General Resolution Authorizing Revenue Obligations, adopted on February 24, 1998; and be it further

June 30, 1998

RESOLVED, That the Chairman, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer, and the Treasurer are, and each hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, orders, applications, agreements, certificates, supplements, and further assurances or other documents or 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.

7. Amendment of Section III of the Code of Conduct

The President submitted the following report:

SUMMARY

“The Trustees are requested to adopt, as an interim measure, an amendment to Section III of the Authority's Code of Conduct that would prohibit Trustees and exempt employees from trading in or acquiring any securities issued by the Long Island Power Authority ('LIPA'), MarketSpan Corporation ('MarketSpan'), Energy East Corporation ('Energy East'), and Consolidated Edison Company of New York, Inc. ('Consolidated Edison').

BACKGROUND

“The Authority is a public entity committed to the highest standards of integrity in the performance of its activities. In recognition of this responsibility, the Trustees adopted a Conflict of Interest Policy in 1988 that set forth the parameters of ethical conduct for the Authority's Trustees, officers, exempt employees and former exempt employees. The Policy was comprised of six areas: (1) standards of ethical conduct; (2) annual certification of the absence of a conflict of interest; (3) restrictions on post-employment activities; (4) restrictions on trading in the securities of New York electric utilities; (5) remedies for violations of the Policy; and (6) definitions used in the Policy.

“In 1994, the Trustees amended the Conflict of Interest Policy, including adoption of the 'Code of Conduct' as a new title. The Trustees clarified certain aspects of the Code (e.g., when the acquisition of a financial interest by an employee, a spouse, or dependent child is prohibited), and emphasized that conflicts of interest and other improprieties, as well as the appearance of such actions, should be avoided. They also modified the Code in response to the State Ethics Commission's position on various ethical matters.

DISCUSSION

“The proposed amendment of Section III of the Code of Conduct is necessitated by events in the energy industry. On May 29, 1998, LIPA, the successor to Long Island Lighting Company ('LILCO'), became the new electric utility on Long Island. MarketSpan, an additional successor of LILCO, became the new parent of the Brooklyn Union Gas Company, KeySpan Energy Corporation and their former subsidiaries. Energy East is now the holding company for New York State Electric & Gas Corporation. Finally, Consolidated Edison holds the common stock of Consolidated Edison, while the subsidiary retains its preferred stock.

“Section III indicates the Authority competes with members of the New York Power Pool, and states that trading of stocks and bonds issued by the investor-owned electric utilities presents a possible area of conflict of interest for the Authority's Trustees and employees. As a safeguard against potentially unlawful activities, Section III prohibits, with certain exceptions, Trustees and exempt employees from engaging in the aforementioned transactions. The rationale and intent behind the prohibition of Section III make it applicable to any securities issued by LIPA, MarketSpan, Energy East, and Consolidated Edison; accordingly, the first and second paragraphs of Section III should be revised. Proposed additions are presented below in bold and underlined and deletions are shown by strike-outs.

First Paragraph:
Revised Text

Trading of stocks and bonds issued by the [~~seven investor-owned members of the New York Power Pool ('NYPP')~~] **electric utilities and holding companies listed below** presents a possible area of conflict of interest for Authority employees and Trustees. The Authority presently competes in several respects with [~~members of the NYPP~~] **these entities and some of their subsidiaries**. Other forms of competition may emerge in the future. Trading in the securities of [~~NYPP members~~] **these entities** presents potential insider-trading problems (see Corporate Policy No. 3-10, 'Securities Trading and Use of Confidential Information').

Second Paragraph:
Revised Text

To protect against the potential of unlawful activities occurring in transactions of these sorts, it is Authority policy that an employee, an employee's spouse or dependent child may not trade in or, except as permitted below, acquire the securities of the [~~investor-owned members of the NYPP, which are listed below~~] following corporations:

- (1) Niagara Mohawk Power Corporation;
- (2) [~~New York State Electric & Gas Corporation~~] **Energy East Corporation;**
- (3) Central Hudson Gas & Electric Corporation;
- (4) **Consolidated Edison, Inc.;**
- (5) Consolidated Edison Company of New York, Inc.;
- (6) [~~Long Island Lighting Company~~] **Long Island Power Authority;**
- (7) Rochester Gas and Electric Corporation;
- (8) Orange and Rockland Utilities, Inc.; and
- (9) **MarketSpan Corporation.**

"The Trustees are advised, however, that the proposed amendment is an interim measure. The Authority's staff plans to propose further revision of the Code of Conduct as part of a new ethics awareness program. Staff also anticipates the Code will require revision to reflect: (1) the proposed restructuring of the New York wholesale electricity market in which the New York Power Pool would be replaced by the independent system operator, and (2) the implementation of retail competition.

RECOMMENDATION

"The Vice President - Ethics and Regulatory Compliance, recommends that the Trustees adopt the amendment to Section III of the Code of Conduct as set forth above.

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

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

RESOLVED, That the Authority hereby adopts the proposed amendment of Section III of the Code of Conduct as set forth in the foregoing report of the President, effective June 30, 1998.

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

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit ‘8-A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for headquarters. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$170,000 to \$3,085,000. These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures.

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

Contracts in support of the nuclear plants

“The contract with **Raytheon Engineers and Constructors (primary) (Q-02-2085; PO # TBA)**, with a backup contract to **NES, Inc.**, would commence on July 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide certified Non-Destructive Examiners (‘NDE’) to perform In-Service Inspection (‘ISI’) services for JAF. NDE/ISI services involve the visual, penetrant and radiographic testing of nuclear safety systems piping welds and seam joints. The ISI determines where particular irregularities appear, and the

NDE determines its significance. The critical elements necessary for a successful ISI outage are strong project management and highly qualified NDE inspectors. These attributes, coupled with the balance of cost, are the

June 30, 1998

basis for recommendation of contract award. Raytheon was the most technically qualified low bidder of seven bids received (in addition to seven non-responding bidders and notice in the Contract Reporter); NES is recommended as the backup, if required. The intended term of these contracts is 4 years (to cover two refueling outage ('RO') cycles), subject to the Trustees' approval, which is hereby requested. This includes an initial award for a two-year term to support RO13, and an option to extend for two additional years to cover RO14. Approval is also requested for the total combined amount expected to be expended for the term of the contracts, \$1,700,000 (\$800,000 for RO13 and \$900,000 for RO14).

"The contract with **Arkwright Mutual Insurance Company (Q-02-2070; PO # TBA)** would commence on July 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide the services of Authorized Nuclear In-Service Inspector(s) for JAF, in compliance with ASME Code (Section XI, IWA-2000) and ANSI/ASME N-626 series standards. Arkwright was the sole responding bidder of two bids solicited (in addition to one late bid that was disqualified, and notice in the Contract Reporter). The Arkwright bid was reviewed to ensure that the firm had submitted a competitive proposal. In addition, Arkwright has been providing such nuclear inspection services for over 15 years and is currently satisfactorily providing ANII services at JAF. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$225,000.

"The contract with **Duke Engineering and Services (QJ-980015-JM; PO # TBA)** would commence on July 7, 1998, subject to the Trustees' approval. The purpose of this contract is to provide personnel dosimetry services for JAF. Services include routine whole body monitoring, neutron and extremity monitoring, as well as expedited and emergency handling, as may be required. Duke was the low bidder of three bids received (in addition to three non-responding bidders, and notice in the Contract Reporter). Rates will remain firm for the duration of the contract; in addition, Duke has offered a 4% discount for a 3-year contract. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$170,000.

Headquarters-issued multi-plant 'system' contract

"In 1995, several categories of services were selected for pilot 'system' contracts, i.e., consolidation of common goods/services under one contract in support of multiple plants and/or operating projects. This approach was based upon achieving cost savings due to bulk procurement of certain goods or services, as well as streamlining the procurement process by eliminating multiple contracts. Cost evaluations of current individual contracts of each plant/project were compared with a consolidated, multi-year, system contract approach for multiple plants/projects. The following benefits to the Authority were and continue to be realized using this approach: lower unit costs than those currently paid by each plant/project under individual agreements; stabilization and uniformity of unit costs at each plant/project; unit rates remaining firm for the duration of the contract; improved future negotiating position; and an overall reduction of O & M expenditures at plants/projects. The program has been expanded to include additional goods and services, including those listed below:

"The contract with **Ingersoll-Dresser Pump Company (PO # TBA)** would become effective on July 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide shop inspection, maintenance and repair of plant pumps at IP3 (primarily safety related) and JAF (non-safety related). This contract was awarded on a sole source basis, since Ingersoll-Dresser is the original equipment manufacturer ('OEM') of these safety and non-safety related plant pumps and, as such, retains all the required drawings, specifications, and QA qualifications necessary to service and repair both IP3 and JAF pumps. In addition, the firm meets all NRC and

Authority QA requirements. Negotiations resulted in a multi-year system blanket purchase order that identifies critical pumps at each plant, establishes firm lump sum volume price discounts, normal lead times, terms and conditions, and extended three-year warranties to accommodate routine and/or emergency pump repairs. Negotiated pricing represents a 15% discount on all future pump inspections, shop labor, and spare part

June 30, 1998

replacement costs. All prices will remain firm for three years, and include transportation and risk of loss to and from both plants. The intended term of this contract is three years, with an option to extend for two additional years, subject to the Trustees' approval, which is hereby requested. This includes an initial award through December 31, 2000 and an option to extend for two additional years. Approval is also requested for the total amount expected to be expended for the term of the contract (including the 2 option years), \$3,085,000. The estimated breakdown by plant is as follows: \$2,585,000 for IP3 and \$500,000 for JAF.

Headquarters-issued contracts in support of WPO and all facilities

"The contract with **Corporate Aviators (Q-02-2145, PO # TBA)** would commence on August 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide for supplemental co-pilot services to assist in the operation of the Authority's corporate plane (B-200 King Air), on an 'as required' basis. The estimated need for such services is approximately 150 days per year. Such supplemental personnel must have all requisite licenses, certificates, and ratings, and may not be substituted without the Authority's prior approval. Corporate Aviators was the low bidder of two bids received (in addition to one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, **\$45,000**.

"Pursuant to the Power Authority Act as well as internal procedures adopted by the Trustees, the Authority is required to publish notice of public hearings on proposed contracts for the sale of power, public forums, certain prospective allocations of power, allocations of economic development power recommended by the Economic Development Power Allocation Board, and various events which affect communities, such as siren tests at IP3. The unique and specialized services which advertising firms provide ensure timely, cost-effective compliance with statutory mandates and internal procedures. The two contracts with **Fanness Group and Creative Media Agency (Q-02-2120; PO #'s TBA)** would commence on July 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide media advertising services, consisting of the placement of legal advertisements for the Authority in newspapers and periodicals throughout New York State. Services may include: advertising design, mechanical preparation, copywriting, typesetting, proofs, and color separation. Staff recommend a split award to Fanness and Creative Media, which would afford the Authority good upstate and downstate coverage. These two agencies were the two lowest bidders of four bids received (in addition to three non-responding bidders and notice in the Contract Reporter), based on the percentage of the agency's industry discount passed along to the Authority. The intended term of the contracts is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total combined amount expected to be expended for both contracts, \$475,000; payment would be made only for services rendered.

"The three contracts with **Whalen's Moving & Storage Co., Inc., Liedkie Metro Movers, Inc. and Viking Moving & Storage Corp. (Q-02-2135; PO #'s TBA)** would commence on July 1, 1998, subject to the Trustees' approval. The purpose of these contracts is to provide corporate relocation moving services, on an 'as required' basis, for the Authority's new hires and relocated permanent employees assigned to new work locations throughout the state. Services include a corporate relocation specialist to handle various exempt/executive level intra- and inter-state moves, including coordinating and managing household goods to be moved, and assisting employees who have been transferred to a new work assignment on a non-temporary basis or new employees who must relocate to a new job location. Based on initial estimates submitted by departments, the bid package and evaluation were based on the assumption that a maximum of 60 moves may be

anticipated for 1999, with an estimated two-thirds within the state and one-third from outside New York State. Whalen's, Liedkie, and Viking were the three low bidders of 15 bids received (in addition to 29 non-responding bidders and notice in the Contract Reporter). Each firm is affiliated with a national van line: Whalen's with Allied Van Lines, Liedkie with Paul Arpin Van Lines, and Viking with Atlas Van Lines. The intended term of these contracts is three years, subject to the Trustees' approval, which is hereby requested (with an option to extend for up to two

June 30, 1998

additional years, in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total combined amount expected to be expended for the three-year term of the contracts, \$480,000. This is based upon an estimated 60 moves, with an average cost of \$8,000 per move. This estimate takes into account the fact that some moves for new hires from longer distances across the country will be significantly more costly than for transferring employees from one facility to another within New York State. Actual expenditures will be based upon the number of personnel relocated over the term of these contracts.

FISCAL INFORMATION

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

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

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering, the Vice President - Nuclear Operations, 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 Chief Nuclear Officer, the Executive Vice President, Secretary and General Counsel, the Executive Vice President - Project Operations, the Executive Vice President and Chief Financial Officer, and I concur in the recommendation."

In response to questions from Trustee Miller concerning the proposed award to Arkwright Mutual Insurance Company for providing nuclear in-service inspection services for JAF, Mr. Hoff explained that such services are required by NYPA in addition to standard nuclear insurance. In particular, Arkwright certifies the plant's compliance with a number of federal regulatory requirements.

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts set forth in Exhibit '9-A' are

hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the foregoing report of the President.

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

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘9-A’ for the Indian Point 3 (‘IP3’) and James A. FitzPatrick (‘JAF’) Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling to \$4,650,000 from the originally authorized amount of \$1,250,000 for JAF, of the consolidated procurement contract with Chem Nuclear Systems, Inc., for the processing, transportation and disposal services for low level radioactive waste at both JAF and IP3, as well as an increase in the compensation ceiling to \$3,924,630 from the previously authorized amount of \$1,924,630, of the procurement contract with Consolidated Edison Company of New York, Inc. (‘Con Edison’), for local transportation and balancing services of natural gas for the Charles Poletti Power Plant (‘Poletti’). A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

“The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services or equipment purchase contract exceeds a cumulative change order limit of \$3,000,000.

DISCUSSION

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

“Although the firms identified in Exhibit ‘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

June 30, 1998

to perform services and/or continue its presence, and rebidding would not be practical; 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; or 5) issues are related to relicensing efforts in support of the St. Lawrence - F.D.R. Project.

Contracts in support of the nuclear plants – Increase in Compensation Ceiling

“**Chem Nuclear Systems, Inc.** currently provides for the processing, transportation, and disposal services of low level radioactive waste under one contract for **JAF (S97-05929)** and under multiple separate contracts for **IP3 (C96-I6746 for processing; C95-I6628 for disposal services; and formerly C94-I6328 for transportation services)**. Complete services include specialized processing and volume reduction services, equipment, materials, and labor required to receive and process the following low level radioactive waste on the plant sites: spent radioactive bead and powdered resins, evaporator concentrates, filter sludges, oily wastes and other radioactive wastes, from both Authority nuclear plants. Also included are procedures for and supervision of such receipt, stabilization of wastes in accordance with Nuclear Regulatory Commission (‘NRC’) requirements, transportation of such wastes in NRC-certified containers in accordance with all applicable limits and regulations, and disposal services at their licensed Barnwell, S. Carolina disposal facility under approved procedures and in accordance with pertinent regulations.

“The aforementioned contract for JAF (**S97-05929**) is the most recently negotiated, comprehensive scope contract, which consolidates all three services for JAF under one agreement. The original award, which was competitively bid, became effective on August 1, 1997, for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The approved contract amount is \$1,250,000, of which \$910,00 has been committed. It is currently anticipated that an additional \$2,200,000 will be required for JAF for the extended term.

“As mentioned above, three separate contracts for the aforementioned component services had previously been awarded to **Chem Nuclear** for IP3. At their meeting of March 26, 1996, the Trustees approved the award of a processing contract, in the total amount of \$1,100,000, through December 31, 1999; at their meeting of November 26, 1996, the Trustees approved the award of a disposal contract, in the total amount of \$900,000, through December 31, 1998; and at their meeting of October 25, 1994, the Trustees approved the award of a transportation contract, in the total amount of \$150,000, which has already expired. To date, \$594,000 has been expended for processing and \$518,000 for disposal services under the existing IP3 contracts. It is estimated that a combined \$730,000 of the remaining funds that had previously been approved by the Trustees will be available to carryover to the proposed consolidated contract.

“For administrative purposes, each site has maintained separate contracts in the past. Staff now recommends consolidating all such processing, transportation, and disposal contracts for both plants into the aforementioned existing JAF contract. This proposed consolidation would: implement one updated set of negotiated terms and conditions; facilitate uniform pricing and cost-effective services at both Authority nuclear sites; and improve the Authority’s administrative efficiency by eliminating overlapping individual contracts covering similar services with the same vendor. An extension of the proposed consolidated contract through July 31, 2000 is now requested. It is anticipated that \$3,400,000 will be required for the extended term; this is comprised of: \$2,670,000 in new additional funding (the aforementioned \$2,200,000 for JAF and \$470,000 for IP3) and an estimated carryover of \$730,000 from the two existing processing and disposal contracts for IP3 that were previously approved by the Trustees. Existing rates will be held firm for processing and transportation services. The Trustees’ approval is requested to extend this proposed consolidated contract through July 31, 2000 and to approve the additional funding, thus increasing the compensation limit to \$4,650,000.

Headquarters-issued contracts in support of the nuclear plants

“The four contracts with **Energy Services Group (S97-05573), Entor Corp. (S97-05548), G.D. Barri & Associates, Inc., a New York State certified Women’s Business Enterprise (S97-05572), and Sun Technical Services (S97-05538)** provide for temporary operations personnel to supplement the permanent Operations Department staff to perform necessary services or respond to emergent items for IP3. Services may include those of procedure writers, operations specialists and operations engineers to: write/revise operating procedures, surveillance tests or refueling procedures; review modifications; review set point change documents; and perform other related operations support activities. The original awards of these four contracts, which were competitively bid, became effective on July 1, 1997 for an initial term of one year, with an option to extend services for up to two additional years. While every effort is being made to reduce the number of contract personnel in the Operations Department, and seven open/approved positions are in the process of being filled, an ongoing staffing evaluation indicates that supplemental personnel are needed to support operations activities and emergent items. A one-year extension is now requested in order to provide such support based on a minimum of five unfilled positions. The current contract amounts total \$1,079,308 (\$200,000 for Entor; \$829,308 for G.D. Barri; and \$50,000 for Sun Technical, respectively; no funding has been committed to Energy Services Group to date). It is estimated that an additional \$1,000,000 (combined total expenditures for all four contracts) will be required for the extended term. The Trustees’ approval is requested to extend the subject contracts through June 30, 1999 and to approve the additional funding.

“The contract with **Erin Engineering and Research, Inc. (S97-04821)** provides for the development and implementation of enhancements to ORAM-SENTINEL (‘O-S’) software for JAF and IP3. The O-S software is used to assess the safety levels of plant configuration (both on-line and during shutdown) prior to performing maintenance and testing activities, to meet the requirements of the Code of Federal Regulations 10 CFR 50.65 (‘The Maintenance Rule’). This computerized product will replace the labor-intensive manual process currently in place. The basic plant specific O-S model was initially developed by ERIN for both JAF and IP3 as part of a Tailored Collaboration (‘T/C’) agreement with the Electric Power Research Institute (‘EPRI’) and did not include provisions for Authority enhancements, integration with existing Authority software, program validation, implementation, or training. In order to enhance and fully implement the O-S software at both sites, a sole source award was made to ERIN Engineering, the sole EPRI contractor used to develop the O-S computer codes. The original award became effective on June 20, 1997, for an initial term of less than one year. A six-month extension is now requested in order to complete outstanding tasks required to fully implement the O-S program. The current contract amount is \$95,000; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through December 31, 1998 with no additional funding requested.

“The contract with **MacTech, Inc. (C97-I6035) and the unawarded contingency backup with Tri-Tool (PO # TBA, if required)** provide for field machining services, on an ‘as required’ basis, for IP3. The contractor provides a field service representative (labor) and equipment to perform such services, which include field cutting and end preparation on pipes. The original award, which was competitively bid, became effective on September 22, 1997, for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option. The current contract amount is \$60,000; it is currently anticipated that an additional \$200,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract with MacTech (and the unawarded contingency backup with Tri-Tool) through September 21, 2000 and to approve the additional funding.

Contracts in support of St. Lawrence Project Relicensing

“In May, 1997, three contracts were awarded to experienced environmental consulting firms as a result of competitive bidding. Their purpose was to conduct field sampling and literature-based assessments to study issues related to St. Lawrence Project relicensing.

June 30, 1998

“The contract with **Acres International Corp. (C97-Z0045)** provides for studies of the beneficial and adverse effects of potential flow in the South Channel of the St. Lawrence River (adjacent to the St. Lawrence Project) on fisheries habitat, fish community, and terrestrial habitats. The studies include identification of the size of the sturgeon spawning habitat, conducting limited and full-scale water temperature and dissolved oxygen monitoring, and assessment of the benefits and detriments of providing flow. The original award, which was competitively bid, became effective on May 14, 1997 for an initial term of one year, with a contract option to extend for up to two additional years. An interim extension through June 30, 1998 was authorized by the Executive Vice President, Secretary and General Counsel, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional six-month extension is now requested to complete existing work scope and to finalize the reports, including allowing sufficient time for various committees within the St. Lawrence Cooperative Consultation Process to review and comment on the reports. The current contract amount is \$38,631; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the interim extension and to approve the additional extension of the subject contract through December 31, 1998 with no additional funding requested.

“The contract with **Milieu, Inc. (C97-Z00495)** provides for investigation of the upstream passage of the American eel at the St. Lawrence Project. The purpose of the investigation is to: summarize existing information on upstream migration of American eel in general and specific to the St. Lawrence Project; determine the efficiency of the existing eel ladder on the Ontario-Hydro side of the Moses-Saunders Dam; and determine the relative abundance of eels along the face of the Power Dam. The study includes the evaluation of various tagging techniques, the tagging of eels with ‘PIT’ (Passive Integrated Transponder) tags to determine the efficiency of the existing eel ladder, collection of eels in the vicinity of the tailrace and locks adjacent to the St. Lawrence Project, and interviewing commercial fisherman to gather information on American eel behavior and habitats. The original award, which was competitively bid, became effective on May 27, 1997 for an initial term of one year, with a contract option to extend for up to two additional years. An interim extension through June 30, 1998 was authorized by the Executive Vice President, Secretary and General Counsel, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional six-month extension is now requested to complete existing work scope and to finalize the reports, including allowing sufficient time for various committees within the St. Lawrence Cooperative Consultation Process to review and comment on the reports. The current contract amount is \$245,590; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the interim extension and to approve the additional extension of the subject contract through December 31, 1998 with no additional funding requested.

“The contract with **Riveredge Associates, LLC (C97-Z0044)** provides for studies evaluating the effects of the St. Lawrence Project on common tern and gull populations. The studies include gathering current and historical data on the colony size and dynamics of gulls and common terns. Additionally, project effects, including water level fluctuations will be evaluated for effects on gulls and common terns and their interactions. Finally, potential enhancement measures will be evaluated. The original award, which was competitively bid, became effective on May 9, 1997 for an initial term of one year, with a contract option to extend for up to two additional years. An interim extension through June 30, 1998 was authorized by the Executive Vice President, Secretary and General Counsel, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional six-month extension is now requested to complete existing work scope and to finalize the reports, including allowing sufficient time for various committees within the St. Lawrence Cooperative Consultation Process to review and comment on the reports. The current contract amount is \$38,631; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the

interim extension and to approve the additional extension of the subject contract through December 31, 1998 with no additional funding requested.

Contracts in support of the Real Estate Division to support all plant/facility Regions:

“The five contracts with **Dana L. Drake, LS, PLLC (C95-Z0036); Rowe, Woodin & Parsons (C95-Z0037 and C95-Z0041); TVGA Engineering, Surveying, P.C. (C95-Z0042); and Welsh Engineering and Land Surveying, P.C. (C95-Z0043)** provide for surveying and mapping services for all Authority projects statewide. In addition to real property surveys, these services are required to support engineering, construction, licensing, transmission, environmental, and occasionally, legal and marketing initiatives. These contracts are geographically based, with a separate regional surveying and mapping firm covering each of five regions of the state (St. Lawrence, Blenheim-Gilboa, Clark, Niagara, and Headquarters/Poletti). At their meeting of June 27, 1995, the Trustees approved the five regional two-year awards, in the total amount of \$575,000. The contracts, which were competitively bid, were awarded to the low bidder in each case; they became effective on July 3, 1995. A contract option to extend services for one additional year was subsequently exercised, in accordance with the Authority’s Guidelines for Procurement Contracts. A one-year extension is now requested in order to continue such services, as it would not be prudent to rebid at this time (e.g., changing contractors would complicate ongoing projects in the B-G and St. Lawrence regions). Projected work includes support for: B-G slide area remediation, St. Lawrence and Niagara relicensing, as well as conveyances and aggressive erosion remediation resulting from St. Lawrence relicensing negotiations. The current combined contract amounts total: \$878,084 (\$71,170 for Dana L. Drake; \$651,012 for Rowe, Woodin & Parsons (B-G region); \$35,803 for Rowe, Woodin & Parsons (Clark region); and \$120,099 for TVGA; no funding has been committed to the Welsh contract, since no services have been required for the headquarters/Poletti region to date). It is anticipated that the following additional funding may be required for the extended term: \$65,000 for Dana L. Drake; \$50,000 for Rowe, Woodin & Parsons (B-G region); \$30,000 for Rowe (Clark region); \$90,000 for TVGA; and \$20,000 for Welsh. The Trustees’ approval is requested to extend these five contracts through June 30, 1999 and to approve the additional funding.

“The contract with **Earthdata International of Maryland, P.C. (formerly Photo Science, Inc.; C95-Z0044)** provides for statewide photogrammetric services (aerial photography and mapping support) to support statewide real estate, environmental, operations and relicensing activities. At their meeting of June 27, 1995, the Trustees approved a two-year award, in the total amount of \$275,000. The original award, which was competitively bid, became effective on July 3, 1995. A contract option to extend for one additional year was subsequently exercised, in accordance with the Authority’s Guidelines for Procurement Contracts. A one-year extension is now requested in order to continue services for an additional year, as it would not be prudent to rebid at this time. The current contract amount is \$365,467; it is anticipated that an additional \$320,000 will be required for the extended term (this includes an estimated \$200,000 for the first year of a phased Geographic Information System transmission line right-of-way mapping program). The Trustees’ approval is requested to extend the subject contract through June 30, 1999 and to approve the additional funding.

Contracts in support of Headquarters, HELP program and the non-nuclear facilities

“The contract with **Agam Constructors, Inc., a New York State certified Minority Business Enterprise, (S97-07893)** provides for the labor to upgrade the lighting system at Westchester County Medical Center, as part of the Authority’s High Efficiency Lighting Program (‘HELP’). The original award, which was competitively bid, became effective on April 15, 1997 for a term of up to one year. Due to the redesign of previously approved fixtures, as well as additional work scope requested by the facility, the work has extended beyond the original term and completion of the project has been delayed. The President authorized an interim extension through June 30, 1998, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional three-month extension is now requested in order to complete the project; all lighting should be installed by the end of September, 1998. The current contract amount is \$515,736; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the

interim extension and to approve the additional extension through September 30, 1998, with no additional funding requested.

June 30, 1998

“The contract with **Aurora Electric Inc., a New York State certified Women’s Business Enterprise (S96-82124)** provides for the installation of sample (prototype) lighting at various facilities throughout the SENY territory, as part of the Authority’s HELP program. The original award, which was competitively bid, became effective on July 29, 1996 for an initial term of one year. Due to an unanticipated slowdown in the rate of sample lighting installation, the work has extended beyond the original term and completion of the project has been delayed. The President authorized an interim extension through June 30, 1998, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional four-month extension is now requested in order to complete the project; all lighting should be installed by the end of October 1998. The current contract amount is \$100,013; it is anticipated that no additional funding will be required for the extended term. The Trustees approval is requested to ratify the interim extension and to approve the additional extension through October 31, 1998, with no additional funding requested.

“The contract with **Consolidated Edison Company of New York, Inc., (‘Con Ed’)** (unnumbered agreement), provides for local transportation and balancing services for Authority-owned natural gas from the New York City Gate to the Poletti Plant burner tip. The award was made on a sole source basis, since Con Ed owns and operates the local pipeline and, therefore, is the only firm capable of providing the requisite services. The agreement became effective on June 1, 1997 for a one-year term. The Senior Vice President - Transmission authorized an interim extension through June 30, 1998, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional one-year extension is now requested in order to continue the subject services to enable the Authority to continue burning natural gas at the Poletti plant, was necessary. The current contract amount is \$1,924,630; it is estimated that an additional \$2,000,000 will be required for the extended term. Both the fixed transportation and balancing charges, as well as the variable charges based on actual gas usage and/or ‘imbalance’ penalties will remain firm for the duration of the agreement. The Trustees’ approval is requested to ratify the interim extension, to approve the additional extension through June 30, 1999, and to approve the additional funding, thus increasing the compensation limit to \$3,924,630.

“The contract with **Executive Education Network (‘EXEN’)(S96-82448)** originally provided for the installation of satellite and other receiving equipment to support a Distance Learning Center and the establishment of a pilot Executive Development Program at the Authority’s White Plains Office and JAF. The program is supported by computer-based business and management courses available to upper management in ‘electronic classrooms’ at these two locations. The original award, which was competitively bid, became effective on August 1, 1996 for an initial one-year term. At their meeting of September 30, 1997, the Trustees approved a one-year extension to complete the original scope of work. Based on staff evaluation of the pilot program as well as positive participant feedback, a three-year extension is now requested to provide access to more continuing education programs via satellite broadcast and increased participation by Authority staff. The current contract amount is \$21,000. It is estimated that an additional \$351,000 will be required for the extended term (\$216,000 for WPO and \$135,000 for JAF). The Trustees’ approval is requested to extend the subject contract through July 31, 2001 and to approve the additional funding.

“The contract with **Global Financial Press (S97-05433)** provides for typesetting and printing services, on an ‘as required’ basis, for the Authority’s official financial statements and associated documents to be prepared in connection with and issue of its securities. The original award, which was competitively bid, became effective on July 1, 1997 for an initial one-year term, with an option to extend services for one additional year. A one-year extension is now requested in order to exercise this option and continue to provide such services, as may be required. The current contract amount is \$198,475; it is estimated that an additional \$100,000 may be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees’ approval is requested to extend the subject contract through June 30, 1999 and to approve the additional funding.

“The contract with **Hitachi America Ltd. (S92-35924)** originally provided for field service engineers and home office consulting services to support 20th year mechanical and electrical equipment overhauls at the Authority’s Blenheim-Gilboa Pumped Storage Project (‘B-G’). The original award, which was competitively bid,

June 30, 1998

was awarded to the original equipment manufacturer; it was issued on August 25, 1992 for an initial term of up to one year. At their meeting of August 31, 1993, the Trustees approved a four-year extension through August 25, 1997 and the total estimated contract amount of \$1,718,152. Subsequent cost savings have reduced the total committed amount to \$1,035,240. Since site personnel have needed Hitachi’s home office support from time to time, a subsequent one-year extension was authorized by Authority management, in accordance with the Authority’s Guidelines for Procurement Contracts. An additional three-year extension is now requested in order to provide on-site field engineering, technical assistance, and home office consulting services (including engineering, research, drawing updates, etc.) for preventive, corrective and emergency requirements, on an as-needed basis, for B-G. The current contract amount is \$1,035,240; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through August 24, 2001 with no additional funding requested.

“The contract with **Mastech Systems Corp. (S97-06412)** provides for temporary programming personnel consisting of two systems analysts/programmers to support and maintain the existing Leeds & Northrup (‘L&N’) Energy Management System (‘EMS’) and two-three such contractors to assist in the implementation of the new Siemens EMS for the Energy Control Center (‘ECC’). The original award, which was competitively bid, became effective on August 18, 1997 for an initial term of one year, with an option to extend for up to two additional years. A ten-month extension is requested in order to provide ongoing support and maintenance for the L&N EMS, including trouble-shooting and enhancing the existing application programs, as well as to assist in the implementation of the new Siemens EMS, until the new system is on-line and proven to be fully operational. The current contract amount is \$530,000; it is anticipated that an additional \$900,000 will be required for the extended term. The Trustees’ approval is requested to extend the subject contract through June 30, 1999 and to approve the additional funding.

“The contract with **O’Dea & Associates (C97-Z0017)** provides for engineering services, on an ‘as required’ basis, to support ongoing operations at the Authority’s Centroplex Building (White Plains Office). The scope of work may include, but is not limited to: development of drawings to support renovation work and/or operating system modifications and upgrades; coordination with third party architectural firms for review of proposed modifications to existing office space; and support for projects in progress by attending meetings, etc. The original award, which became effective on January 1, 1997 for an initial term of less than one year, was made on a sole source basis, in order to continue work that had commenced under the direction of Leggat McCall Properties Management (which managed the building in 1996). Since O’Dea was actively involved in several build-out efforts, as well as the cooling tower replacement and the variable speed drive overhaul project, interim approval was obtained to extend services through June 30, 1998, in accordance with the Authority’s Guidelines for Procurement Contracts. In order to allow sufficient time for rebidding for new tasks and to complete work in progress, an additional three-month extension through September 30, 1998 is now requested. The current contract amount is \$150,000; it is anticipated that no additional funding will be required for the extended term. The Trustees’ approval is requested to ratify the interim extension and to approve the additional extension through September 30, 1998, with no additional funding requested.

“The contract with **SICA Electrical & Maintenance Corp. (S96-83454)** provides for the labor to upgrade the lighting system at Bronx Community College, as part of the Authority’s HELP program. The original award, which was competitively bid, became effective on September 23, 1996 for a term of less than one year. Due to unanticipated delays caused by: manufacturer’s delays in the delivery of reflector kits, facility scheduling constraints, the facility’s request to increase the work scope, and an additional 10% quantity increase

attributable to the inaccessibility of areas during the original facility survey, the completion of the project has been delayed. The President authorized an interim extension through June 30, 1998, in accordance with the Authority's Guidelines for Procurement Contracts, to accommodate out-of -scope changes requested by the facility and for necessary design changes in order to complete the project. The current contract amount is \$531,863. The Trustees' approval is requested to ratify the interim extension through June 30, 1998, with no additional time or funding requested.

FISCAL INFORMATION

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

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

RECOMMENDATION

“The Director - Real Estate, the Director - Corporate Support Services, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Regional Manager - Northern NY, the Director - Environmental and Licensing, the Chief Information Officer, the Vice President and Chief Engineer - Power Generation, the Vice President - Procurement and Real Estate, and the Vice President - Human Resources, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '9-A', and of an increase in the compensation ceiling of the contracts with Chem Nuclear Systems, Inc. and Consolidated Edison Company of New York, Inc., as set forth above.

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

In response to questions from Trustee Miller concerning the proposed award to Con Edison for certain local transportation and balancing services for Authority-owned natural gas, Mr. Hiney explained that Con Edison does provide some natural gas to NYPA, but only in very limited quantities.

The attached resolution is recommended for adoption.

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; and be it further

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the consolidated contract with Chem Nuclear Systems, Inc., as well as of the contract with Consolidated Edison Company of New York, Inc., be, and hereby is, approved as recommended in the foregoing report of the President, in the amount and for the purposes listed below:

June 30, 1998

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide local transportation and balancing services for natural gas from NYC Gate to Poletti burner tip		
Consolidated Edison Company of New York, Inc. (unnumbered agreement)	est. \$2,000,000 (additional funding requested)	06/30/99
Originally Authorized Contract Amount	<u>\$1,924,630</u>	
TOTAL REVISED COMPENSATION CEILING	est. <u>\$3,924,630</u>	

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Consolidated contract to provide processing, transportation and disposal services for low level radioactive waste at JAF and IP3		
Chem Nuclear Systems, Inc. S97-05929		
Additional funding Requested	\$2,200,000 - JAF <u>+ \$ 470,000 - IP3</u> \$2,670,000	07/31/00
Originally Authorized Contract Amount	\$1,250,000 - JAF	
Estimated Carryover from previously Trustee-approved Compensation Ceilings of 2 rolled-in IP3 contracts	<u>\$ 730,000 - IP3</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$4,650,000</u>	

10. Resolution Honoring Thomas R. Frey

Chairman Rappleyea reported on the Senate's confirmation of Mr. Gerard DiMarco of Rochester as a Trustee of the Authority, and expressed the Trustees' appreciation and thanks to former Vice Chairman Frey for his many years of dedicated service to the Authority in a variety of capacities. Trustee Miller expressed concurrence, noting that it had been a privilege to serve on the board alongside Mr. Frey. Trustee Miller added that Mr. Frey has been a credit to the Authority and to his own community for a long time. Trustee Ciminelli also commended Mr. Frey for his years of service to the Authority and the Chairman added that Mr. Frey will be missed by his former fellow board members and staff.

WHEREAS, Thomas R. Frey has served the people of the State of New York with dedication and distinction as a Trustee of the New York Power Authority since July 1993; and

WHEREAS, he has served as Vice Chairman of the Trustees since January 1994; a term that has twice included the full responsibilities of Acting Chairman of the Power Authority; and

WHEREAS, he took on the additional responsibilities as a member and chairman of the New York State Economic Development Power Allocation Board, serving from May 1994 until December 1995; and

WHEREAS, Mr. Frey has also served the Power Authority with distinction as General Counsel and Senior Vice President from 1979 through 1982; and

WHEREAS, he has compiled a lengthy and distinguished record in public life as a member of the State Assembly and Monroe County Executive as well as compiling a long list of professional, civic, educational and religious accomplishments; and

WHEREAS, Mr. Frey has ably completed his time of service as a Power Authority Trustee; now therefore

BE IT RESOLVED, That the Trustees of the New York Power Authority express their sincere and deep appreciation and gratitude to Thomas R. Frey for his long and meritorious service to the Power Authority as well as to the people of the State of New York and the Rochester area and wish him and his wife, Jacqueline, continued good fortune and prosperity in all their future endeavors.

June 30, 1998

11. Next Meeting

Chairman Rappleyea announced a special meeting of the Trustees to be held at the Signature Terminal, Albany County Airport on Tuesday, July 7 at 10:30 a.m.

The Regular meeting of the Trustees will be held on **Tuesday, July 28, 1998, at the St. Lawrence/FDR Power Project, Robert Moses Power Dam, Massena, NY at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

June 30, 1998

Closing

'Upon motion made and seconded, the meeting was closed at 12:00 noon.'

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