

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

June 27, 2000

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1. Minutes of the Regular Meeting held on April 18, 2000	3	
2. Financial Report for Five Months Ended May 31, 2000	4	
3. Report from the President and Chief Operating Officer	5	
4. Allocation of 9,550 kW of Replacement Power Resolution	6	"4-A"
5. 1999 Annual Report of Procurement Contracts and Annual Review of Open Procurement Contracts Resolution	8	"5-A-1"; "5-A-2"; "5-A-3"; "5-A-4"
6. Procurement (Services) Contracts – Indian Point No. 3 Nuclear Power Plant and the Non-Nuclear Facilities – Awards Resolution	10	"6-A"
7. Procurement (Services) Contracts – James A. FitzPatrick and Indian Point No. 3 Nuclear Power Plants; the Non-Nuclear Facilities; and Headquarters Offices – Extensions and Approval of Additional Funding Resolution	13	"7-A"
8. Surrender of a Portion of NYPA's New York City Office Lease and Lease and Sublease of Space at 440 Hamilton Avenue in White Plains Resolution	18	"8-A"; "8-B"
9. Report on Risk Management	22	
10. Motion to Conduct Executive Session	23	
11. Motion to Resume in Open Session	24	
12. Next Meeting	25	
Closing	26	

Minutes of the regular meeting of the Power Authority of the State of New York held at the Albany Office at 11:00 a.m.

Present: Clarence D. Rappleyea, Chairman
Louis P. Ciminelli, Trustee
Gerard D. DiMarco
Frank S. McCullough, Jr., Trustee
Trustee Hyman M. Miller was excused from attendance.

Eugene W. Zeltmann	President and Chief Operating Officer
David E. Blabey	Executive Vice President, Secretary and General Counsel
Robert A. Hiney	Executive Vice President - Project Operations
Vincent C. Vesce	Executive Vice President – Corporate Services and Human Resources
John F. English	Senior Vice President – Corporate Planning
Kenneth H. Haase	Senior Vice President, Transmission
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President – Marketing and Economic Development
Robert L. Tscherne	Senior Vice President – Energy Services and Technology
Michael H. Urbach	Senior Vice President and Chief Financial Officer
Arnold M. Bellis	Vice President – Controller
Daniel Berical	Vice President – Policy & Governmental Affairs
Robert J. Deasy	Vice President – Appraisal & Compliance, Regulatory Affairs
John Hoff	Vice President Procurement & Real Estate
Russell Krauss	Vice President and Chief Information Officer
Michael Petralia	Vice President – Public Affairs
Carmine J. Clemente	Deputy General Counsel
Joseph Carline	Assistant General Counsel
Allison Shea	Senior Attorney
Gary Paslow	Executive Deputy Policy Development
Arthur M. Brennan	Director – Internal Audit
James H. Yates	Director – Business Marketing & Economic Development
John B. Hamor	Director International Government Relations
Douglas M. Kerr	Director Marketing Planning
Angelo S. Esposito	Director Energy Services Division
William V. Slade	Director – Environmental Programs
Phil Astuto	Senior Business Planner
Diane Gil	Procurement Program Specialist
David Godfrey	Consultant, Pepco
Bonnie Fahey	Executive Administrative Assistant
Barbara Vahue	Assistant Secretary & Secretary to the Executive Committee
Anne Wagner-Findeisen	Deputy Secretary
Vernadine Quan-Soon	Assistant Secretary, Corporate Affairs

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

1. Approval of the Minutes

The minutes of the Regular Meeting held on April 18, 2000 were approved.

2. Financial Report for the Five Months Ended May 31, 2000

3. Report from the President and Chief Operating Officer

At President Zeltmann's request, Mr. Krauss briefed the Trustees on the work of the "transition team" which is handling issues relating to the sale of the Authority's nuclear facilities to Entergy. Mr. Krauss stated that integration of Authority payroll and related software systems is currently ongoing in order to effectuate a smooth transition of employee benefits. Mr. Krauss further reported that, as would be more fully elucidated by Messrs. Vesce and Hoff later in the meeting, the originally-discussed plans to sublet NYPA space to Entergy have been evolving in the direction of providing Entergy with office space in the vicinity of 123 Main Street in White Plains.

Trustee McCullough inquired whether the transition is on schedule. Mr. Krauss responded in the affirmative, adding however, that there are still unknown variables in the process, including the amount of time for NRC action on the license transfer application, which is beyond the control of either Entergy or NYPA. In response to questions from Trustee Ciminelli concerning the staff members who will interface with the NRC, Mr. Krauss stated that the legal team comprises both NYPA and Entergy in-house and outside counsel. Trustee Ciminelli asked whether the NYPA/Entergy transaction is on the NRC's "front burner." Mr. Krauss explained that we had conveyed our sense of urgency to NRC staff, but that the latter have historically taken six months to complete license transfers.

4. Allocation of 9,550 kW of Replacement Power

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve allocations of available Replacement Power, totaling 9,550 kW, to seven industrial companies: Carborundum Corporation, Boron Nitride; Ceres Corporation; General Motors Powertrain; Goodyear Dunlop Tires North America, Ltd.; Praxair, Inc.; Precision Electro Minerals Co.; and Republic Technologies International.”

BACKGROUND

“Replacement Power is the 445,000 kW of firm hydropower generated by the Authority at its Niagara Power Project, which has been made available to Niagara Mohawk, pursuant to the Niagara Redevelopment Act. Under the Replacement Power Settlement Agreement, Niagara Mohawk, with the approval of the Authority, identified and selected certain qualifications for industrial companies which would be eligible to receive delivery of Replacement Power. Qualified companies are current or future industrial customers of Niagara Mohawk who have or propose to have manufacturing facilities for the receipt of Replacement Power within thirty miles of the Authority’s Niagara Switchyard. The Settlement requires that new allocations result in the creation of at least ten new jobs per MW.”

DISCUSSION

“In accordance with the Power Authority Act, the Authority placed advertisements in three northwestern New York newspapers seeking industrial manufacturing customers who would expand and meet the criteria for receiving a Replacement Power allocation. Twenty-six inquiries were received; of these, ten companies subsequently filed applications.”

“The Authority and Niagara Mohawk staff jointly reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process.”

“Staff recommends that the available Replacement Power be allocated among seven companies, as set forth in Exhibit ‘4-A’. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation, and additional employment and capital investment information. 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 174 jobs.”

“There are three companies for which staff is not recommending allocations; these companies had already started or completed construction of facilities or are not labor related. They are also described in Exhibit ‘4-A’.”

RECOMMENDATION

“The Manager – Business Power Allocations and Compliance and the Vice President Major Account Marketing and Economic Development recommend that the Trustees approve the allocation of 9,550 kW Replacement Power to: Carborundum Corporation Boron Nitride; Ceres Corporation; General Motors Powertrain; Goodyear Dunlop Tires North America, Ltd.; Praxair, Inc.; Precision Electro Minerals Co.; and Republic Technologies International, in accordance with Exhibit ‘4-A’, attached hereto.”

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

In response to questions from Trustee Ciminelli, Mr. Yates explained that if for any reason GM does not take this power, the power would go back into the pool and be reallocated in accordance with the requirements of the Niagara Redevelopment Act, the Power Authority Act and the terms of the Settlement Agreement.

“The attached resolution, as recommended by the President, was adopted by a vote of 3 in favor, with Trustee Ciminelli abstaining.”

RESOLVED, That the allocations totaling 9,550 kW of Replacement Power to Carborundum Corporation, Boron Nitride; Ceres Corporation; General Motors Powertrain; Goodyear Dunlop Tires North America, Ltd.; Praxair, Inc.; Precision Electro Minerals Co.; and Republic Technologies International be, and hereby are, approved on the terms set forth in the foregoing report of the President; and be it further

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

**SUMMARY OF APPLICATIONS FOR
AVAILABLE REPLACEMENT POWER**

Recommended Companies

Carborundum Corporation, Boron Nitride - Amherst

Business: Manufacturer of boron nitride powders and solids used in a multitude of varied applications such as cosmetics, semiconductors, lubricants, plastics and refractories.
Proposal: Plans to purchase and install \$7.8 million of additional equipment. Also planning to build a new facility adjacent to the existing plant at a cost of \$3 million.
Job Commitment: 42 new jobs to existing base of 55.
Recommendation: 3,000 kW allocation of Replacement Power.

Ceres Corporation - Niagara Falls

Business: Manufacturer of cubic zirconia crystal exported for jewelry applications.
Proposal: Plans to spend \$1.6 million on the purchase and installation of new machinery and equipment. Also, Ceres plans to make changes to its infrastructure which would increase the plant's capacity to produce both white and color cubic zirconia crystal.
Job Commitment: 21 new jobs to existing base of 83.
Recommendation: 1,700 kW allocation of Replacement Power.

General Motors Powertrain - Tonawanda

Business: The GM Powertrain Tonawanda Engine Plant currently produces five types of engines.
Proposal: Plans to purchase and install new machinery and equipment costing \$347.1 million and to purchase and build on land adjacent to the GM Powertrain site at a cost of \$99.5 million. These costs are associated with the new production of the L6 3.1 engine which may be manufactured at this facility.
Job Commitment: 44 new jobs to existing commitment of 4,277.
Recommendation: 2,000 kW allocation of Replacement Power.

Goodyear Dunlop Tires North America, Ltd. - Tonawanda

Business: Manufacturer of passenger, motorcycle, medium truck, light truck and All-Terrain Vehicle ('ATV') tires.
Proposal: Plans for building rearrangement and infrastructure at an estimated cost of \$600,000 and machinery and equipment installation costs of \$14.1 million.
Job Commitment: 21 new jobs to existing commitment of 1,454
Recommendation: 850 kW allocation of Replacement Power.

Praxair, Inc. - Tonawanda

Business: A company which produces industrial gases, including oxygen, nitrogen, argon, hydrogen, helium and carbon dioxide.
Proposal: Plans for building renovation and construction at an estimated cost of \$1.3 million and machinery and equipment installation costs of \$1.1 million.
Job Commitment: 13 new jobs to existing base of 1,405.
Recommendation: 250 kW allocation of Replacement Power.

Precision Electro Minerals Co. (PEMCO) Inc. – Niagara Falls

Business: Makes and sells fused silica.
Proposal: Plans for building extension and new building at an estimated cost of \$850,000 and machinery and equipment installation costs of \$292,280.
Job Commitment: 12 new jobs to existing commitment of 22.
Recommendation: 750 kW allocation of Replacement Power.

Republic Technologies International - Buffalo

Business: A provider of cold finished steel bars to customers in the automotive industry and to the cold finishing plants in the USA and Canada.
Proposal: Plans for building renovation of infrastructure at an estimated cost of \$137,560 and machinery and equipment installation costs of \$2.4 million.
Job Commitment: 21 new jobs to existing base of 374.
Recommendation: 1,000 kW allocation of Replacement Power.

Applicant	REQUESTED								RECOMMENDED			
	Alloc Request (kW)	Proposed		Annual Add'l Payroll W/Benefits (\$)	Projected Investment			Capital Invest per MW as Request Alloc (\$)	Recom Alloc (kW)	New Jobs (#)	Jobs per MW	Capital Invest per MW as Recom Alloc (\$)
		Per MW	New Job Commit (#)		Building (\$)	Equipment (\$)	Total (\$)					
Carborundum Corp.	3,000	14	42	1,945,044	3,000,000	7,800,000	10,800,000	3,600,000	3,000	42	14	3,600,000
Ceres Corp.	1,700	12	21	398,900	0	1,629,000	1,629,000	958,235	1,700	21	12	958,235
GM Powertrain	23,200	2	44	4,371,200	99,500,000	347,100,000	446,600,000	19,250,000	2,000	44	22	223,300,000
Goodyear Dunlop	1,700	12	21	1,278,000	600,000	14,080,000	14,680,000	8,635,294	850	21	25	17,270,588
Praxair	750	17	13	1,082,050	1,300,000	1,100,000	2,400,000	3,200,000	250	13	52	9,600,000
PEMCO	800	15	12	255,160	850,000	292,280	1,142,280	1,427,850	750	12	16	1,523,040
Republic Technologies	2,000	11	21	802,500	137,560	2,400,000	2,537,560	1,268,780	1000	21	21	2,537,560
Total	33,150	5	174	10,132,854			479,788,840	14,451,472	9,550	174	18	49,978,004

June 27, 2000

Exhibit 4-A
Page 3 of 3

5. 1999 Annual Report of Procurement Contracts and Annual Review of Open Procurement Contracts

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the Authority’s 1999 Annual Report of Procurement Contracts (Exhibit ‘5-A-4’) and to review existing contracts involving services to be rendered over a period in excess of one year. An Executive Summary is set forth in Exhibit ‘5-A-1’.”

BACKGROUND

“Section 2879 of the Public Authorities Law (‘PAL’) governs the administration and award of procurement contracts equal to or greater than \$5,000. Section 2879 of the PAL requires public authorities to adopt comprehensive guidelines detailing their operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts. The Authority’s current Guidelines were previously approved by the Trustees at their meeting of April 18, 2000 and are attached as Exhibit ‘5-A-2’.”

“Section 2879 of the PAL further requires authorities to review and approve such Guidelines annually and to file a report regarding procurement contracts with the Division of the Budget; the Department of Audit and Control; the Department of Economic Development; the Senate Finance Committee; and the Assembly Ways and Means Committee. The annual report must include a copy of the Authority’s current Guidelines, details concerning any changes to the Guidelines during the year, and set forth the following information:”

[A] listing of all procurement contracts entered into, all contracts entered into with New York State business enterprises and the subject matter and value thereof, all contracts entered into with foreign business enterprises, and the subject matter and value thereof, the selection process used to select such contractors, all procurement contracts which were exempt from the publication requirements of article four-C of the economic development law, the basis for any such exemption and the status of existing procurement contracts.

“Lastly, Section 2879 of the PAL requires an annual review by the Trustees of existing procurement contracts ‘involving services to be rendered over a period in excess of one year.’ Those long term contracts exceeding a year and awarded after January 1, 1990, are also included in the Annual Report. Open service contracts awarded prior to January 1, 1990, are listed in Exhibit ‘5-A-3’.”

DISCUSSION

“The 1999 Annual Report of Procurement Contracts is attached for review and approval by the Trustees (Exhibit ‘5-A-4’). This report covers activity for all procurement contracts equal to or greater than \$5,000, as identified by the Authority’s SAP computer system, that were open, closed, or awarded in 1999 and provides the information required by the Public Authorities Law. The Trustees are requested to approve the attached Annual Report pursuant to Section 2879 of the PAL prior to submittal thereof to the Division of the Budget; the Department of Audit and Control; the Department of Economic Development; the Senate Finance Committee; and the Assembly Ways and Means Committee.”

RECOMMENDATION

“The Vice President - Procurement and Real Estate recommends that the Trustees approve the 1999 Annual Report of Procurement Contracts and review existing contracts as attached hereto in Exhibit ‘5-A-4’, as well as approve the Guidelines for filing as set forth above.”

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

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

RESOLVED, That pursuant to Section 2879 of the Public Authorities Law and the Authority's Procurement Guidelines, the 1999 Annual Report of Procurement Contracts, as listed in Exhibit “5-A-4”, be, and hereby are, approved; and be it further

RESOLVED, That existing procurement contracts involving services to be rendered over a period in excess of one year are acknowledged to have been reviewed.

**Under Separate Cover
(Available From the Secretary's Office.)**

**6. Procurement (Services) Contracts – Indian Point 3
Nuclear Power Plant and the 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 ‘6-A’ in support of the Indian Point 3 (‘IP3’) Nuclear Power Plant, as well as for 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 set forth in the discussion below.”

BACKGROUND

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

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

DISCUSSION

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

“The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. In addition, an assignment provision will be included in the new contract to be issued in support of IP3. This will provide the Authority the ability to assign such contracts to any new owner or operator of the nuclear plant. Approval is also requested for funding all contracts, ranging in estimated value from \$51,000 to \$800,000. 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 non-nuclear facilities:

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

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

“Following development of the Niagara and St. Lawrence/FDR Power Projects, the Authority has been utilizing consulting engineering services, under various agreements, to provide engineering, licensing, and construction support services in connection with various existing and proposed Authority projects. It should be noted that such supplemental services are used only when engineering requirements are beyond the resources of existing Authority manpower, or during emergencies, when Authority staff is not immediately available. The Federal Energy Regulatory Commission (‘FERC’) requires that Licensees maintain the resources necessary to respond to unusual or changed conditions which may affect public safety.”

“The three contracts with **Acres International Corp., Commonwealth Associates, Inc. and Proto-Power Corp. (Q-02-2571, PO #s TBA)** would commence on July 1, 2000, subject to the Trustees’ approval. The purpose of these contracts is to provide for professional design engineering and consulting services in support of the operation and maintenance of the Authority’s hydroelectric, pumped storage and fossil fuel generation projects, transmission and other support facilities. Services include, but are not limited to: preparation of engineering and design, studies, estimating, scheduling, safety assessments, testing activities, equipment specifications, permits, licenses, and procedure preparation.”

“Eighteen proposals were received for the subject services (in addition to fourteen (14) declining/non-responding bidders, including notice in the Contract Reporter). A technical evaluation of the proposals was performed on the following primary criteria: professional qualifications and experience of key personnel and backup staff, size and depth of organization and resources, proximity of resources to Authority projects, ability to respond to requests for services, and experience in specific technical areas of interest to the Authority. Based on a review of resumes of principal personnel, experience level of each consultant, anticipated level of effort proposed by each consultant, quality of proposal, and inquiries within the Authority relative to past services, as well as a cost evaluation of each bidder to determine the lowest cost provider, it was determined that no one firm had all the technical experience, qualifications, and resources that may be required to support the Authority’s needs during the next three years. The results of this evaluation indicated that selection of three firms would be the most effective way of providing the Authority with the ability to seek the lowest cost provider who is most appropriate for each specific assignment. Engineering staff therefore recommend awards to Acres International Corp., Commonwealth Associates, Inc., and Proto-Power Corp., the lowest evaluated most technically acceptable bidders. Acres has the professional qualifications and depth to support hydroelectric and pumped storage facilities and general building support. Proto-Power specializes in power plant systems, which include fossil fuel plants, open and combined cycle combustion turbines, and small reciprocating engine facilities. Commonwealth’s strong background and expertise in transmission line engineering will complement the other two and provide a significant advantage to the Authority’s Engineering Division. The intended term of these contracts is three years, subject to the Trustees’ approval, which is hereby requested (with an option to extend for one additional year in accordance with the Authority’s Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the three-year term of the contract, \$800,000.”

“The contract with **American Federal Crane Certification Bureau (Q-02-2601; PO # TBA)** would become effective on July 1, 2000, subject to the Trustees’ approval. The purpose of this contract is to provide for annual crane inspection and certification services at all non-nuclear operating projects, to verify compliance with the applicable Occupational Safety and Health Act (‘OSHA’) requirements and American National Standards Institute (‘ANSI’) standards. Types of cranes include, but are not limited to: overhead, gantry, crawler, locomotive, truck, bridge, aerial lift, mobile, digger derrick, trolley and monorail. Services include all materials and equipment to perform visual inspection, functional and operational testing on the aforementioned cranes. American Federal Crane was the low bidder of three bids received (including 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, \$51,000.”

“Interim approval to award a contract to **Quality Bus Lines, Inc. (4500023801)** was obtained from the Chief Nuclear Officer, subject to subsequent Trustees’ approval, in accordance with the Authority’s Guidelines for Procurement Contracts. This was necessary in order to allow sufficient time for the contractor to order a 21-24 seat bus prior to the start of the contract; actual services would commence on July 1, 2000, subject to the Trustees’ ratification and approval. The purpose of this contract is to provide for shuttle bus service consisting of approximately a one-mile loop on site property at IP3. Services include a bus with drivers that would operate in accordance with an approved operating schedule of ten hours per normal workday (plus designated lunch and break times). Additional services to accommodate an increase in staffing during scheduled and unscheduled outages will also be provided; this would include a second bus and driver for approximately 14 weeks and extended workday, as well as weekend, hours. Services to support other additional site functions will also be provided, as may be required. Quality Bus Lines was the low bidder of four bids received, in addition to 12 declining/non-responding bidders including notice in the Contract Reporter. The intended term of this contract is three years, subject to the Trustees’ approval, which is hereby requested, with an option to extend for one additional year in accordance with the Authority’s Guidelines for Procurement Contracts and the Expenditure Authorization Procedures. Approval is also requested for the total amount expected to be expended for the term of the contract, \$370,000.”

FISCAL INFORMATION

“Funds required to support contract services for the Indian Point 3 Nuclear Power Plant and the non-nuclear facilities have been included in the 2000 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund. Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects.”

RECOMMENDATION

“The Regional Manager – Western New York, the Regional Manager – Northern New York, the Regional Manager – Central New York, the Regional Manager – Southeast New York, the Site Executive Officer – Indian Point 3 Nuclear Power Plant, the Vice President – Nuclear Engineering, the Vice President – Nuclear Operations, the Vice President and Chief Engineer, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit ‘6-A’ and as discussed above.”

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

In response to questions from Trustee McCullough, Mr. Hoff confirmed that under the terms of the various assignment clauses, Entergy would have the same ability to terminate the contracts as the Authority would have.

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 "6-A", attached hereto, are hereby approved for the period of time indicated, in the amounts and for the purposes listed therein, as recommended in the attached memorandum of the President.

7. Procurement (Services) Contracts – James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; the Non-Nuclear Facilities; and Headquarters Offices – Extensions and Approval of Additional Funding

The President submitted the following report:

SUMMARY

“The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit ‘A’ for the James A. FitzPatrick (‘JAF’) and Indian Point 3 (‘IP3’) Nuclear Power Plants, as well as for the non-nuclear facilities and Headquarters Offices. 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 ‘7-A’ have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services for the Authority's convenience, without liability other than paying for acceptable services rendered to the effective date of termination. These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures. In addition, an assignment provision will be included in each change order issued for contract extensions in support of the Authority's nuclear plants. This will provide the Authority the ability to assign such contracts to any new owner or operator of the nuclear plants.”

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

Contracts in support of the nuclear plants:

“The contract with **Buckman Laboratories Inc. (4500009288)** provides for laboratory services to support microbiological testing and analysis for both IP3 and JAF. Such technical services consist of providing equipment, materials, and labor to culture, test and analyze microbiological, corrosion product and water

samples provided by the Authority, as well as submittal of a findings report detailing the results of the tests and analyses performed on the samples. The original award, which was competitively bid, became effective on August 2, 1999 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise the option and continue services, as required. The current contract amount is \$39,500; it is anticipated that an additional \$7,500 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through August 1, 2002 and to approve the additional funding."

"The contract with **PDMA Corp. (4500007854)** provides for the analysis of lubrication oil, transformer oil, coolant, fuel and reactor coolant pump motor oil, on an 'as required' basis, for IP3. Services also include providing turbine hydraulic test packages and performing computer download oil sample analysis services. The original award became effective July 1, 1999 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to exercise this option to continue services, as may be required. The current contract amount is \$31,000; it is anticipated that an additional \$35,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 2002 and to approve the additional funding."

"The contract with **Studsvik Processing Facility, LLC (4500007289)** provides for offsite volume reduction and permanent licensed disposal services for radioactive waste resins produced by the operation of IP3 and JAF. The Studsvik facility, located in Erwin, TN, utilizes a patented process that can significantly reduce the volume and mass of plant low-level radwaste ion exchange resins prior to final disposal at the Barnwell, South Carolina facility (operated by Chem-Nuclear). The Studsvik contract provides plant managers with an option for a cost-effective alternative to direct disposal for resins that meet Studsvik's radiation dose rate and characterization requirements. Radwaste volume is tracked by the Institute of Nuclear Power Operations ('INPO'); since radwaste volume reduction is a plant environmental goal for the Authority, the use of the Studsvik facility can contribute to our plants' performance in this respect. The original contract, which was awarded as the result of a competitive search, became effective on July 16, 1999 for a term of one year with an option to extend for up to two additional years. An eight and one-half month extension is now requested in order to make this contract co-terminus with other radwaste processing and volume reduction and disposal service contracts, for which extended terms have been previously authorized by the Trustees through March 31, 2001. The current contract amount is \$182,000; it is anticipated that an additional \$618,000 will be required for the extended term. The Trustees' approval is requested to extend the subject contract through March 31, 2001 and to approve the additional funding requested."

"Contracts in support of the Non-nuclear facilities and Headquarters Business Units:"

"The contract with **Global Financial Press (S97-05433/4500024762)** provides for typesetting and printing services 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 for one additional year. At their meeting of June 30, 1998, the Trustees approved a one-year extension to exercise this option and continue to provide such services, as required. The subject contract was intended to cover the printing of two - three debt issues in the first half of 1999. Due to several delays in bond issues, an additional one-year extension was subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. For administrative purposes, a new purchase order number was assigned for internal use only, since the original contract was inadvertently not converted from the PARIS to SAP financial tracking system. Since the Authority is now planning to issue bonds starting in mid-year, and since Global had already performed some preliminary work on the first of these issues, an additional six-month extension is now requested in order to be able to provide the requisite services when the debt issues have been finalized. The current contract amount is \$298,475; it is anticipated that an additional \$150,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to extend the subject contract through December 31, 2000 and to approve the additional funding requested."

"The contract with **Kelly Services Inc. (4500009037)** provides for temporary clerical services in

support of the Convertible Static Compensator ('CSC') Project field office at the Frederick R. Clark Energy Center. Such external resources are needed, since existing Clark resources are insufficient to support this project. The original award, which references the rates, terms and conditions of a State Office of General Services contract, became effective on July 5, 1999 for a term of up to one year. A two-year extension is now requested in order to continue services for the duration of the CSC Project, currently scheduled to be completed by July 2002. The current contract amount is \$25,000; it is anticipated that an additional \$70,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through July 4, 2002 and to approve the additional funding requested."

"The contract with **KEMA Consulting (S98-02887)** provides for project management and implementation services to assist with the Authority's transition to the Independent System Operator ('ISO'), including interfacing with the new Energy Management System ('EMS') at the Authority's Energy Control Center ('ECC'). The original award, which was competitively bid, became effective on May 1, 1998; it authorized Phase I work only, in the initial amount of \$300,000. Phase I was to assist the Authority in the transition from New York Power Pool ('NYPP') operation to New York Independent System Operator ('NYISO') operations and to provide a plan to allow the Authority to transition to ISO operation. This plan also included recommendations for software and hardware solutions and was completed in July 1998. The original contract included a provision for an optional second phase, for implementation of the plan. In November 1998, authorization was received to begin the optional Phase II, which included continued project management services and assistance with implementation. Subsequent change orders, authorized in accordance with the Authority's Expenditure Authorization Procedures, increased the total contract amount to \$675,000. At their meeting of December 15, 1998, the Trustees approved extension of the subject contract through June 30, 1999 as well as a revised compensation ceiling of \$1,100,000. A one-year extension through June 30, 2000, as well as an additional \$275,000, were subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditures Authorization Procedures, in order to continue services for ongoing projects. These included: troubleshooting data from NYISO's Billing and Settlement system, which calculates the NYISO's credits and payments to the Market Participants for energy transactions and ancillary services; monitoring technical bulletins and other ISO information regarding ISO software, which can affect the Authority's balance of payments with the ISO; and mentoring and technical seminars to transfer KEMA's technical knowledge to the Authority's ECC staff. An additional one-year extension is now requested in order to allow KEMA to continue to provide: technical guidance in the review of ISO Billing and Settlement data, assistance with software changes necessitated by technical updates issued by the ISO, and assistance with training Authority personnel in ISO-related issues. Since the NYISO is now operational, each of these areas can significantly impact the Authority's revenue and expenses, as well as the ability to serve our customers. In addition to supplementing Authority resources, KEMA provides valuable expertise as they have participated from the early stages of the ISO transition project. The current contract amount is \$1,375,000; it is anticipated that an additional \$50,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and expenditure approvals and to extend the subject contract through June 30, 2001, and to approve the additional funding requested. (It should be noted that funding associated with this contract was previously included in an item on the EMS at the ECC and was approved by the Trustees at their meeting of September 28, 1998; approval was then obtained in a separate item to release and allocate the previously approved funding to this contract.)"

"The contract with **Mackenzie Smith Lewis Michell & Hughes, LLP (4500009653)** provides for legal services in connection with a trespass matter in the Village of Waddington, St. Lawrence County, New York and other potential matters relating to the Authority's rights within the St. Lawrence Project boundaries, as may be required. Although the Authority is hopeful a settlement will be reached, extensive negotiations and/or litigation utilizing outside counsel will be required. Due to limited Authority resources, it was necessary to retain local counsel in Syracuse for the purpose of pursuing such negotiations and litigation. The original contract, which was awarded as the result of a competitive search, became effective on July 1, 1999 for an initial term of one year, with an option to extend for one additional year. A one-year extension is now requested in order to exercise the option to continue services, due to the commencement of the lawsuit in relation to the Tiernan matter. The current contract amount is \$25,000; it is anticipated that an additional \$25,000 may be required for the extended term. It should be noted that rates for services provided by this firm have been reduced by

approximately fifteen percent from their standard rates. The Trustees' approval is requested to extend the subject contract through June 30, 2001 and to approve the additional funding."

"The contract with **Mastech Systems Corp. (S97-06412)** provides for temporary programming personnel and services to assist Energy Control Center ('ECC') staff in their efforts to implement the new Siemens Energy Management System ('EMS'), to maintain the former Leeds & Northrup EMS until the new Siemens EMS became fully operational, and to help prepare both systems for the transition to a New York Independent System Operator ('ISO') and Location Based Marginal Pricing ('LBMP') of both generation and transmission. 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 up to two additional years. At their meeting of June 30, 1998, the Trustees approved an extension through June 30, 1999 and a revised total contract amount of \$900,000. A one-year extension and additional funding were subsequently authorized in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures due to the delay in the ISO startup. These temporary programmers, whose numbers have been reduced to two, have been essential to enable the Authority to be ready for the ISO startup. They have been utilized to assist the ECC staff in software development to complete interfaces to the ISO, to react to changing requirements, to monitor Billing and Settlement data, and to incorporate data related to the ISO into existing reports and procedures. An additional one-year extension is now requested to allow the programmers to assist ECC staff in completing software required for continued participation in the ISO. New requirements and necessary enhancements continue to be identified. The successful implementation of tools to enable Authority staff to submit accurate transaction data to the ISO and to analyze Billing and Settlement data from the ISO is essential to serving the Authority's customers, as well as to protecting our interests. The continued availability of such programmers is necessary to allow the Authority to quickly and accurately update ISO software interfaces and to accommodate other changes, as required. The current contract amount is \$1,300,000; it is currently anticipated that an additional \$275,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim extension and additional funding approved in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures, to approve the additional extension of the subject contract through June 30, 2001, and to approve the release and allocation of previously approved funding to this contract. (It should be noted that funding associated with this contract will come from unspent funds included in the EMS Capital Expenditure Authorization Request, 'CEAR', that was approved by the Trustees at their meeting of September 28, 1998; approval is now sought to release and allocate such previously approved funding to this contract.)"

"The contract with **Stafford, Trombley, Owens & Curtin, P.C. (4500014795)** provides for legal services in connection with trespass matters in Franklin County, New York. The Stafford firm was originally retained to represent the Authority in the Jock matter, which involved protecting the Authority's rights to free access to a substation serving the Moses-Willis-Plattsburgh transmission line. In view of the remoteness of the location and the predominance of local real property issues in the case, the retainer of local counsel in support of the Authority action was necessary. The original contract, which was awarded as the result of a competitive search, became effective on August 13, 1999 for an initial term of one year, with an option to extend for one additional year. The Jock case has been concluded, but the Clements case is in its early stages. Although the Authority is hopeful a settlement will be reached, it is anticipated that extensive negotiations and/or litigation utilizing outside counsel will be required. A one-year extension is therefore requested in order to exercise the option to continue services, due to the commencement of the Clements matter. The current contract amount is \$20,000; it is anticipated that an additional \$10,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through August 12, 2001 and to approve the additional funding."

RECOMMENDATION

"The Director – Power System Operations, the Regional Manager – Central New York, the Site Executive Officer – James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Treasurer, the Vice President – Nuclear Operations, the Vice President - Nuclear Engineering, the Vice President - Procurement and Real Estate, and the Deputy Secretary and General Counsel,

recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '7-A'."

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "7-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended by the President, was unanimously adopted.

8. Surrender of a Portion of NYPA's New York City Office Lease and Lease and Sublease of Space at 440 Hamilton Avenue in White Plains

The President submitted the following report:

SUMMARY

“The Trustees are requested to authorize (1) the surrender to the Landlord of the remaining 62,762 square feet of office space, consisting of the entire 19th floor and a part of the 20th floor, used by the Power Authority at the Paramount Building in New York City (hereinafter, ‘Paramount Building’); (2) a lease of five years and eight months by the Authority from AT&T Corp. of approximately 64,808 square feet at 440 Hamilton Avenue, White Plains, New York; and (3) a sublease of approximately 64,808 square feet at 440 Hamilton Avenue, White Plains, New York by the Authority, as sublessor, to Entergy Nuclear Indian Point 3 LLC, and Entergy Nuclear FitzPatrick LLC (hereinafter, ‘Entergy’) of Jackson, Mississippi, all as more specifically described in Exhibits ‘8-A’ and ‘8-B’, attached hereto.”

BACKGROUND

“At their meeting of September 29, 1987, the Trustees approved the execution of a lease of 169,234 square feet of office space at 1633 Broadway, New York City consisting of the entire 19th, 20th, 21st and 22nd floors of the Paramount Building. The term of this lease is 20 years and 4 months commencing on September 1, 1988 and terminating on December 31, 2008. At present, the Authority occupies approximately 62,762 square feet of this space, with the remaining 106,534 square feet sublet to three subtenants; i.e., on the 21st and 22nd floors, the law firm of Kasowitz, Benson, Torres & Friedman, LLP and on the 20th floor, Mendelsohn, Kary, Bell & Natoli, P.C. and First Fortis Life Insurance Co., Inc.”

DISCUSSION

1633 Broadway, New York, New York

“Recently, the Paramount Group (hereinafter, ‘Landlord’) at 1633 Broadway, requested the Authority to surrender to it the remaining Authority-occupied space of approximately 62,762 square feet of the 19th and part of the 20th floors. Landlord has advised that they will lease this space, as a part of a larger block of space, to another existing tenant in the building, Morgan Stanley & Co., Inc. (hereinafter, ‘Morgan Stanley’). Negotiations with Landlord resulted in the following terms for such a surrender:”

- “1. The Landlord will accept the surrender of the Authority-occupied space (19th and part of the 20th floors), which the Authority currently rents for \$42.00 per square foot through December 31, 2003, escalating to \$46.00 per square foot through lease termination on December 31, 2008.”
- “2. Morgan Stanley will enter into an agreement with the Authority to induce the Authority to surrender the premises to Landlord. The agreement will provide that Morgan Stanley will pay the Authority \$8.50 per square foot for the 62,762 square feet (approximately \$533,500 per year) over the remaining lease term of eight years, two months, assuming a move-out date of October 31, 2000.”
- “3. The Landlord will take an active role in managing the day-to-day requests of the Authority’s subtenants occupying part of the 20th floor and the entire 21st and 22nd floors, although the Authority will have ultimate responsibility for the underlying subleases and for payment of rent to the Landlord.”

“As a result of the relinquishment of this space, some 150 employees would be moved from the New York City office to the White Plains office.”

White Plains

“As part of the March 28, 2000 agreement to sell to Entergy LLC, the Indian Point 3 and James A. FitzPatrick Nuclear Plants, the Authority was to lease to Entergy approximately 60,000 square feet in the Authority’s Centroplex Building in White Plains. Subsequently, Entergy has agreed to relocate their proposed Northeast Regional Office to 440 Hamilton Avenue in White Plains, owned by AT&T, from the Authority’s Centroplex building. A similar amount of space will be required at this new location. Since the Authority and Entergy agreed to a rent of \$20 per square foot for the first two years of such a transaction, the Authority would be responsible for the additional rental cost of \$2.25 per square foot (\$135,000/yr.) for the first two years at the new location and potentially all of the rent for the third year if Entergy chooses to move out to another location. This is because the Authority has negotiated a five year and eight month lease with AT&T with the ability to cancel the lease after three years of rental payments, subject to cancellation costs for the unamortized portion of the work letter provided by AT& T and brokerage commissions (estimated cancellation costs are \$600,000). In the event that Entergy does not exercise the option to renew beyond the first two (2) years of the sublease and based upon the assumption that Entergy vacates the premises by October 1, 2002, the Authority would be responsible for paying the remaining seventeen (17) months of rent (at an approximate net cost of \$1,350,000) before the Authority would be able to exercise the cancellation option at an additional estimated cost of \$600,000.”

501 Seventh Avenue, New York, New York

“As part of the New York office move, the Authority would also construct executive swing office space in the unused space it currently rents for the Office of Alcohol & Substance Abuse Services (‘OASAS’) located on the 9th floor at 501 Seventh Avenue in the City. This represents approximately 4300 usable, or 5500 rentable, square feet. Since this space is already leased by the Authority, the space planning, engineering and construction should be accomplished in a relatively short period. The Authority is also in the process of resolving technical issues raised by the 501 Seventh Avenue building management for the construction of a new electrical riser to serve the leased space on the 8th and 9th floors (the majority of which is subleased to the People of the State of New York for use by OASAS). This riser would allow the Authority to establish a SENY customer account in its own name for the premises, which service is more economical than for a Con Edison customer. In addition, the new riser will provide the additional capacity required for air conditioning of the remaining space on the 9th floor.”

“The savings from the surrender of the remaining space occupied by the Authority in the Paramount Building are estimated to be in the range of \$23-25 million total over the next eight years and reflect the costs associated with the relocation of the Authority’s New York office staff to White Plains and Entergy’s staff to 440 Hamilton Avenue and the construction of the executive office at 501 Seventh Avenue. This estimate does not include productivity savings expected to be realized from combining the present two headquarters offices at one location in White Plains, which are substantial. When these savings are added to the expected savings of over \$17 million from the recent subleasing of the 21st and 22nd floors of the Paramount Building to the law firm of Kasowitz, Benson, Torres & Friedman, LLP, the overall savings from these transactions are expected to be \$40 million or greater. This represents a significant savings in the Authority’s headquarters budget in future years, which is critical to allowing the Authority to provide power at the lowest possible cost to our customers and for economic development throughout New York State, and to respond successfully to the new era of deregulation and competitive pressures in the utility business.”

FISCAL INFORMATION

“The Authority currently pays its lease obligations from the Operating Fund. The surrender to Landlord, the lease with AT&T Corp. and the sublease to Entergy is estimated to reduce the Authority’s cost by \$23-25 million through the year 2008.”

RECOMMENDATION

“The Director - Corporate Support Services, the Director - Real Estate, and the Vice President – Procurement and Real Estate recommend that the Trustees approve: The surrender of approximately 62,762 square feet of space on the 19th and 20th floors of the Paramount Building; a five (5) year, eight (8) month lease

(with the ability to cancel after three (3) years of rental payments) with AT&T at 440 Hamilton Avenue, White Plains, New York for approximately 64,808 square feet; and a sublease with Entergy for the 64,808 square feet at 440 Hamilton Avenue, on terms substantially in accordance with the foregoing and Exhibits '8-A' and '8-B', attached hereto.”

“The Senior Vice President and Chief Financial Officer, the Executive Vice President – Corporate Services and Human Resources, the Executive Vice President – Project Operations, and I concur in the recommendation. The Executive Vice President, Secretary and General Counsel has no legal objection to the proposed transaction.”

Mr. Hoff provided a detailed presentation of the proposed transactions, noting that the physical moves would take place commencing in late August. He added that Entergy has committed to two years of occupancy at the AT&T building, but would then have the option to renew for a term of either one year or five years. Mr. Hoff further explained that executive swing office space would be provided at the OASAS location for NYPA staff in New York City. Mr. Vesce underscored that the originally anticipated savings of nearly \$17 million from the first, partial relocation of New York office staff, will be no less than \$17.4 million, and that an additional estimated savings of some \$ 23 million will be realized if further consolidation is effectuated. Mr. Vesce added that several alternative floor plans for the executive swing space at OASAS, including a conference room, are currently being prepared for submittal to senior management for their approval. Mr. Vesce further explained that Trustee meetings in New York City could be held at several potential locations, including the OASAS boardroom, to which the Authority has access.

Trustee McCullough asked whether, in the event the sale to Entergy does not close for any reason, the Authority would be liable on the lease at the AT&T building. Mr. Vesce responded in the affirmative, noting that in such an event, the Authority’s nuclear generation staff would work out of that location as a separate function. Trustee McCullough inquired why Entergy itself is not signing onto the AT&T lease. Mr. Hoff responded that the Authority is more of a known quantity in the downtown White Plains real estate market. Mr. Vesce further noted his personal sense that Entergy would want to remain in this area over the long term. Trustee McCullough stated that he would like to see the Authority out of the AT&T lease, with Entergy taking the lease over in its own name.

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

RESOLVED, That the Executive Vice President – Corporate Services and Human Resources or the Vice President – Procurement and Real Estate be, and hereby is, authorized to enter into the following agreements: (a) an agreement with the Landlord to surrender approximately 62,762 square feet on the 19th and 20th floors of the Paramount Building at 1633 Broadway, New York, New York; (b) an inducement agreement with Morgan Stanley; (c) a lease of five years and eight months with AT&T Corp. for

approximately 64,808 square feet at 440 Hamilton Avenue, White Plains, New York; (d) a sublease with Entergy for approximately 64,808 square feet at 440 Hamilton Avenue, White Plains, New York, subject to approval of the foregoing agreements by the Executive Vice President, Secretary and General Counsel or his designee; and be it further

RESOLVED, That the Executive Vice President – Corporate Services and Human Resources, the Vice President – Procurement and Real Estate, or the Director – Real Estate be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers, or instruments which may be deemed necessary or desirable to carry out the foregoing in a manner consistent with the provisions of the President’s memorandum to the Trustees and Exhibits “8-A” and “8-B”, subject to approval by the Executive Vice President, Secretary and General Counsel, or his designee.

BASIC LEASE TERMS

AT&T to New York Power Authority

Premises: Approximately 64,808 square feet on the 7th, 11th and 12th floors of the AT&T Building at 440 Hamilton Avenue, White Plains, New York.

Free Rent: No rent is required to be paid during the period from 7/01/00 through 2/28/01, which includes completion of renovations.

Fixed Rent: \$22.25 per square foot from 3/01/01 through 3/01/06.

Escalation: 3% per year in lieu of increases in operating expenses and increases in real estate taxes, commencing 7/01/01.

Tenant Improvement Allowance: AT&T will provide the Authority with a tenant-improvement allowance of \$15.00 per square foot or \$900,000

Brokerage Commission: AT&T will be responsible for brokerage commissions associated with this transaction.

Security: No security is required by AT&T.

BASIC LEASE TERMS

Authority to Entergy Nuclear Indian Point 3 LLC and Entergy Nuclear FitzPatrick LLC

- Premises:** Approximately 64,808 square feet on the 7th, 11th and 12th floors of the AT&T Building at 440 Hamilton Avenue, White Plains, New York.
- Free Rent:** None. Sublease will commence after completion of renovations and closing of sale of IP3 and JAF.
- Fixed Rent:** \$20 per square foot from sublease commencement (approximately 9/15/00), following completion of renovations, until two (2) years thereafter; rent escalates to \$22.25 per square foot thereafter, subject to escalation.
- Escalation:** 3% per year in lieu of increases in operating expenses and increases in real estate taxes, commencing 7/01/01.
- Tenant Improvement Allowance:** NYPA will pass through to Entergy the AT&T tenant improvement allowance of \$15.00 per square foot or approximately \$900,000. Any costs beyond this amount are for Entergy's account.
- Brokerage Commission:** There is no brokerage commissions associated with this sublease transaction.
- Security:** No security from Entergy is required.

9. Report on Risk Management

In response to questions from Trustee Ciminelli concerning the feasibility of establishing a standard deviation model for a market risk profile, Ms. Morman explained that the Authority would need to expand its own internal resources in order to effectively perform the necessary mathematical modeling and to develop the necessary analytical framework. Currently, Authority staff often has to rely on data from other entities. Ms. Morman added that Messrs. Hiney and Haase's staffs have been monitoring the electricity market intensively, with a view toward establishing a possible baseline. Mr. Hiney added that electricity is so unique a commodity that scarcity of supply has a drastic upward effect on pricing; further, under deregulation, various new financial hedging mechanisms, aimed at reducing risk, continue to emerge.

In response to questions from Trustee DiMarco, Mr. Hiney explained that generating companies assume additional risk of their plants not generating, because energy sales are considered firm for the following day. An unscheduled plant outage during a high demand period exposes the owner to very high spot market prices to replace the lost energy. Mr. Hiney added that the ISO had recently agreed to adopt a temporary energy price cap approach and to seek FERC approval for it.

10. Motion to Conduct Executive Session

“Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions concerning the financial history of particular corporations and potential litigation in connection with market decisions affecting the Authority.”

Upon motion duly made and seconded, an executive session was held.

11. Motion to Resume Meeting in Open Session

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

Upon motion made and seconded, the meeting resumed in open session.

12. Next Meeting

The regular meeting of the Trustees will be held on **Tuesday, July 25, 2000, at the Clark Energy Center, Marcy, NY at 11:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was closed at 1:15 p.m.

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

Jul00mins