

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

May 23, 1995

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Minutes of the Regular Meeting of the Power Authority of the State of New York held at the New York Office at 10:00 a.m.

Present: Thomas R. Frey, Vice Chairman
Hyman M. Miller, Trustee
Robert T. Waldbauer, Trustee

S. David Freeman	President & CEO
Robert G. Schoenberger	Chief Operating Officer
William J. Cahill	Chief Nuclear Officer
Charles M. Pratt	General Counsel
John F. English	Senior Vice President - Transmission
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Alvin I. Becker	Vice President and Chief Accounting Officer
Arnold M. Bellis	Vice President and Controller
John M. Hoff	Vice President - Procurement and Real Estate
Sally L. Irving	Vice President - Corporate Finance
Charles I. Lipsky	Vice President and Chief Engineer - System Operations
Philip J. Pellegrino	Vice President - Power Sales and Rates
Stephen P. Shoenholz	Vice President - Public Affairs
Ronald W. Ciamaga	Regional Manager - Northern New York
James Ford	Regional Manager - Western New York
Richard E. Kuntz	Regional Manager - Southeast New York
James J. McCarthy	Regional Manager - Central New York
John W. Blake	Director - Environmental Programs
John R. Bopp	Director - Employee and Labor Relations
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Director - Internal Audit
Frederick E. Chase	Director - Community Relations
Jack Murphy	Director - Public Relations
Mark D. O'Connor	Director - Real Estate
John Suloway	Director - Environmental and Licensing
James H. Yates	Director - Business Marketing and Economic Development
Gerald V. Loughran	Principal Attorney
Anne Wagner-Findeisen	Corporate Secretary
Vernadine E. Quan-Soon	Assistant Secretary - Corporate Affairs
Alice T. O'Rourke	Executive Assistant

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

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1. Approval of the Minutes

The minutes of the Regular Meeting of April 25, 1995 were approved as amended.

2. Report from the President and Chief Executive Officer

President Freeman reported that the board of the New York City Housing Authority had approved the terms of the proposed contract with the Authority.

President Freeman further reported that, at his directive, staff is examining the issue of whether recent developments and the increased competition in the electric industry warrant the discontinuation of the Authority's regulatory functions over its municipal and cooperative customers. The President added that he will soon submit a report to the Trustees recommending that legislative approval be sought for a restructuring of the Authority's role vis a vis such customers. Acting Chairman Frey expressed the Trustees' keen interest in this matter.

At the President's request, Ms. Morman, the Senior Vice President - Marketing and Economic Development, reported on key initiatives being undertaken under her leadership of that Business Unit. Acting Chairman Frey concurred with the need for a strategy for aggressively promoting economic development by the Authority in terms of attracting appropriate businesses as Authority customers. President Freeman indicated he will pursue with the head of the Department of Economic Development the concept of joint and cooperative efforts between the Authority and the DED geared at attracting industries to the State. President Freeman further suggested that a redeployment of the Authority's hydropower, which is currently sold to IOUs, could be instrumental in this regard. Trustee Waldbauer expressed support for exploring options with the DED. Acting Chairman Frey expressed support for a more "proactive" use of hydropower. Trustee Miller commended Ms. Morman on the progress of the Authority's dealings with the municipal customers.

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3. **Financial Reports for the Four Months Ended April 30, 1995**

4. Allocations of FitzPatrick Economic Development and Industrial Power

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 800 kW of FitzPatrick Economic Development Power ('EDP') to the Diemolding Corporation ('Diemolding') and 1000 kW of Fitzpatrick industrial power to the Suffolk County Electrical Agency ('Suffolk County') for resale to Ellanef Manufacturing Corporation ('Ellanef') as listed in Exhibit '4-A'.

BACKGROUND

"At its meeting of April 11, 1995, the Economic Development Power Allocation Board ('EDPAB') approved an application for EDP submitted on behalf of Diemolding and recommended this allocation to the Authority with certain terms and conditions. In addition to the quantity of EDP, number of jobs to be committed, and term of contract, EDPAB recommends that the Authority's EDP service agreements with each company include provisions regarding affirmative action, reductions of power (if jobs or power usage are below committed levels), and energy efficiency. The company is in the service area of the Niagara Mohawk Power Corporation ('Niagara Mohawk'). Under an existing contract between the Authority and this utility corporation, EDP is sold to the relevant utility for resale to the designated industrial customer at a special tariff rate.

"In addition, the Authority has reserved approximately 5000 kW of Fitzpatrick industrial power for sale to Suffolk County, which resells this power to industrial consumers designated by Suffolk County and approved by the Authority. Grumman Corporation's ('Grumman') Great River facility currently receives 1,600 kW, 600 kW of which is withdrawable by Suffolk County for reallocation to other companies. Newsday, Inc. ('Newsday'), located in Melville, also receives 2,000 kW, one-half of which is withdrawable by Suffolk County for reallocation to other companies. The proposed allocation of 1000 kW requested for Ellanef would be withdrawn from Grumman and Newsday, 600 kW and 400 kW, respectively.

DISCUSSION

"Diemolding Corporation, located in Canastota, has been a leading manufacturer of automotive thermoset brake pistons, controlling 90% of the market in the United States. Diemolding's ability to retain this high market share and remain profitable depends on containing its costs of operation. Diemolding has a significant opportunity to supply brake pistons for General Motors ('GM') trucks, a contract which could double the company's piston business for the 1998 model year. Competition for this new contract work will come from companies outside New York and overseas. Operating costs will be a critical element in Diemolding's ability to compete for the GM's contract. Diemolding has invested \$2.5 million toward improving its manufacturing capabilities and capacity providing the additional capacity needed to meet the GM business opportunity. Diemolding has installed energy efficient lighting and motors to reduce power costs. The allocation of 800 kW would retain 186 jobs and produce a ratio of 233 jobs per megawatt. The company would save an estimated \$188,000 annually over Niagara Mohawk's standard rates. The proposed five-year allocation of revitalization power is supported by the Madison County Industrial Development Agency.

"Ellanef is a privately held firm with facilities in Corona, Queens County and Bohemia, Suffolk County. The firm manufactures aerospace machined parts and assemblies. The company also manufactures main-frame computer

components, hydraulic assemblies, mechanical and electromechanical assemblies, gear boxes and landing gear

components. Almost 10% of Ellanef's manufacturing overhead is energy related due to the company's high use of machining equipment. At its meeting of December 16, 1993, the Trustees approved an allocation of 1,600 kW of Fitzpatrick Economic Development Power ('EDP') to Ellanef's Corona facility retaining 311 jobs. Ellanef's bids for jobs are won and lost by small profit margins and competitive energy costs will provide the company with the means of bidding on a more competitive basis. The company has considered relocating to a facility in North Carolina which would result in significant savings on energy and labor costs. The company currently employs 210 people at its Bohemia facility. The proposed allocation would produce a ratio of 210 jobs per megawatt. Ellanef's facility has been designed for energy efficiency with high intensity discharge lighting, air curtains, energy efficient motors, and an energy management system. The proposed five-year allocation would save an estimated \$250,000 annually over Long Island Lighting Company's standard rates.

"The proposed allocations have been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The Authority's standard EDP allocation agreements with each of the companies provide for reductions in an allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority as provided by Section 460.4 of the Authority's Rules and Regulations. Additionally, each contract will include specific energy audit and implementation requirements.

RECOMMENDATION

"The Senior Vice President - Marketing and Economic Development recommends that the Trustees approve the allocation of 800 kW FitzPatrick Economic Development Power to Diemolding Corporation and 1,000 kW of Fitzpatrick Power to Suffolk County for resale to Ellanef Manufacturing Corporation in the amounts listed in Exhibit '4-A' and as described herein.

"The General Counsel, the Chief Operating Officer, and I concur in the recommendation."

In response to questions from Acting Chairman Frey, Mr. O'Brien explained that Grumman's facility at Great River is both a manufacturing and development site, and that there is no firm timetable for its closure.

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

WHEREAS, the Economic Development Power Allocation Board has recommended an allocation of Economic Development Power to Diemolding Corporation as listed in Exhibit '4-A' of the foregoing report of the President in the quantity listed in such exhibit,

NOW THEREFORE BE IT RESOLVED, That the contract for resale of Fitzpatrick Industrial Power between Suffolk County and Ellanef Manufacturing Corporation is subject to approval by the Director - Business Marketing and Economic Development; and be it further

RESOLVED, That the Authority hereby approves the allocation of 1,800 kW of FitzPatrick Power to the companies listed in Exhibit '4-A' of the foregoing report of the President, substantially in accordance with the terms described in such memorandum; and be it further

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

Allocation of Fitzpatrick Power

<u>Company</u>	<u>County</u>	<u>Utility</u>	<u>(kW)</u>	<u>Jobs Commit.</u>	<u>Job/ MW</u>	<u>Term</u>
<u>EDP Power</u>						
Diemolding Corp.	Madison	NMPC	800	186	233	5 Yrs.
<u>MDA Power</u>						
Ellanef Manufacturing Corp.	Queens	LILCO	<u>1,000</u>	<u>210</u>	210	5 Yrs.
TOTALS:			<u>1,800</u>	<u>396</u>		

**5. County of Westchester Public Utility Service Agency -
Allocation of FitzPatrick Power to Ciba-Geigy Corporation**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the allocation of 4,000 kW of FitzPatrick power to the County of Westchester Public Utility Service Agency ('COWPUSA') for resale to Ciba-Geigy Corporation ('Ciba').

BACKGROUND

"At their meeting of July 26, 1994, the Trustees approved the allocation of 4,000 kW of FitzPatrick Economic Development Power ('EDP') to Ciba for job retention purposes, as recommended by the Economic Development Power Allocation Board ('EDPAB'). At that time, it was anticipated that the EDP would be delivered to Ciba by Consolidated Edison Company of New York ('Con Edison') under an existing EDP delivery service agreement between Con Edison and the Authority. However, Con Edison has stated that it is not obligated to deliver EDP to customers located in Westchester County who have received an allocation of EDP under job retention provisions. In the 1987 legislation that established EDPAB and the EDP block of power, job retention criteria applied only to applicants located in New York City. Although the law was amended in 1990 to extend the job retention provisions to Westchester County and six other counties in the New York metropolitan area, Con Edison maintains that the EDP delivery service agreement is limited to the original 1987 legislation.

"The Authority has reserved a total of 73,160 kW of FitzPatrick industrial power for sale to downstate municipal distribution agencies ('MDA's'), including COWPUSA, under Service Tariff 35. Of this amount 10,000 kW is reserved for COWPUSA. This power is resold to industrial consumers designated by the MDA's and approved by the Authority. COWPUSA has an agreement with Con Edison for the delivery of up to 10,000 kW of FitzPatrick power without restriction regarding job retention. COWPUSA proposes to allocate and deliver 4,000 kW of MDA power to Ciba. COWPUSA currently delivers 800 kW of EDP on behalf of the Authority to Montefiore Medical Center's Data Operation ('Montefiore'). To make sufficient capacity under COWPUSA's agreement with Con Edison, the Montefiore allocation will be converted to a direct sale contract between the Authority and Montefiore. The EDP originally allocated to Ciba will become available for reallocation by EDPAB. Approximately 10 MW of EDP is currently available. COWPUSA has about 400 kW of power remaining in its block of MDA power.

DISCUSSION

"Ciba is a pharmaceutical and chemical company that is relocating its United States headquarters and research laboratory, which are now located in Ardsley. New York State and Westchester County officials worked closely with Ciba and offered various assistance to retain the company at a site in Tarrytown. Ciba will reconstruct two office buildings and construct a new 150,000 square foot research laboratory. At least 800 jobs will be retained and more than \$55 million invested in new facilities. The proposed 15-year allocation would save approximately \$400,000 in the first year over Con Edison's standard rates.

"Transfer of the Ciba allocation from a direct EDP sale by the Authority to a sale through COWPUSA will accomplish the objective of the allocation while avoiding the delivery issue raised by Con Edison. Con Edison has

agreed to the transfer of both the Ciba and Montefiore allocations.

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"The proposed allocation to COWPUSA has been reviewed in accordance with Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts (21 NYCRR 460 (1988)). The standard contract between Ciba and COWPUSA provides for reductions in the allocation in the event that employment or power usage levels are not maintained at specified levels. Reports regarding employment and affirmative action commitments will be submitted to the Authority by New York City Public Utility Service as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contract between the Authority and COWPUSA.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve the allocation of FitzPatrick power to County of Westchester Public Utility Service Agency for resale to Ciba-Geigy Corporation as described herein.

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

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

RESOLVED, That the Authority hereby approves the allocation of 4,000 kW of FitzPatrick power to the County of Westchester Public Utility Service for resale to Ciba-Geigy Corporation as described in the foregoing report of the President and substantially in accordance with the terms described in such memorandum; and be it further

RESOLVED, That the contract for the resale of FitzPatrick industrial power between the County of Westchester Public Utility Service and Ciba-Geigy Corporation is subject to approval by the Director - Business Marketing and Economic Development; and be it further

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

**6. Southeast New York ("SENY") Public Customer Delivery Service
Time-of-Day Electrotechnologies Billing Option - Emergency Adoption**

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve proposed modifications to specific delivery service appendices applicable to sales to the SENY public customers by adopting the Electrotechnologies Billing Option. Emergency adoption under the Authority's Administrative Procedures is necessary so that by June 1, 1995, the start of the upcoming summer cooling season, these SENY public customers may realize immediate benefits by being able to participate in the Electrotechnologies Program ('EP') approved by the Trustees at their meeting of March 29, 1994.

BACKGROUND

"EP enhances the Authority's commitment to cost effective demand-side management programs by expanding its sponsorship of energy efficient electric technologies that promote economic efficiency for the SENY public customers and at the same time benefit the environment. The cost of the EP is in large part repaid from the energy savings realized by the participating customers. The program also seeks to improve the competitive position of those technologies vis-a-vis competing, less efficient non-electric technologies.

DISCUSSION

"SENY public customers currently use substantial levels of electric air conditioning equipment, much of which is antiquated, and which contains chloro-fluorocarbons ('CFCs'), and needs replacement. Production of CFC refrigerants used in existing electric air conditioning equipment will be discontinued in 1996. Further, the SENY public customers also operate non-electric powered air conditioning systems. As these systems reach the end of their economic lives, these customers will be comparing the costs of alternative technologies available to meet their replacement air conditioning needs.

"Many of the SENY public customer accounts with air conditioning are on the Authority's mandatory TOD delivery service rate. Air conditioning is a highly seasonal, energy intensive activity, with air conditioning loads peaking during the months of June through September. These are also the times when time-of-day ('TOD') delivery service rates are high. This has the effect of dramatically increasing the operating cost of the more efficient electric air conditioning technologies. Consequently, staff is finding that even though the electric cooling option is superior from an environmental, first cost, and maintenance standpoint, customers may opt for non-electric alternatives because of lower operating costs.

"The EP incentives approved by the Trustees provide these customers with a portion of the economic motivation required to select electricity as the most energy efficient technology to meet their future cooling needs. The proposed modification to the delivery service rates could provide an added impetus to certain affected customers to chose the electric option.

"It is recommended that the Trustees adopt the Electrotechnologies Billing Option (see Exhibit '6-A'). This non-seasonal delivery service rate will allow those SENY public customers participating in EP the option of

being billed under a uniform annual delivery service rate. This change in the applicability of TOD delivery

service rates is proposed for appendices D, H, and A corresponding to production service classes SC64 - Industrial and Commercial Redistribution, SC69 - General Large service and SC-91 - Public Buildings.

"Notice of proposed action by the Authority is normally published in the State Register at least 45 days prior to adoption by the Trustees. The publication and comment process takes a minimum of 60 days and may be extended to 75 days. However, under the Authority's Administrative Procedures, 'emergency adoption' is possible when immediate adoption is necessary for the 'general welfare' and compliance with the normal rule making procedures alone would be contrary to the public's interest. The recommended modifications to the SENY public customer delivery service rates require emergency adoption in order to provide maximum benefit to the SENY public customers and to promote the general welfare.

"If this proposal is not implemented promptly, the SENY customers with antiquated electric air conditioning equipment may lose the opportunity to replace it with new efficient electric equipment and customers now operating less efficient, more polluting non-electric air conditioning equipment may not change to electric when they need to replace existing equipment. This proposal is responsive to the needs of those customers who are interested in the EP, but who are unable to finalize their commitments absent resolution of their TOD delivery service rate concerns. Therefore, it is necessary to implement this program on an emergency basis to enable all customers to participate. The Trustees will be requested to reconsider this proposal on a permanent basis as soon as publication requirements are met, but not more than 90 days after the emergency adoption is accepted for filing by the State Register.

FISCAL INFORMATION

"Adopting the Electrotechnologies Billing Option is not expected to have a significant impact on the recovery of delivery service costs. It is anticipated that the Authority will not under-recover relative to the underlying wholesale Con Edison delivery service rates. Staff will monitor revenue recovery and recommend future rate adjustments, if such actions are warranted.

RECOMMENDATION

"It is also recommended that consistent with the Authority's Administrative Procedures, the Secretary be authorized to file notice for publication in the New York State Register of emergency adoption of the proposed tariff changes and of proposed Authority action to adopt permanently the provisions of the measure, and to file such other notice as may be required by statute, regulation, or executive order.

"The Manager - Electric Rates recommends the implementation of the proposed Electrotechnologies Billing Option. It is further recommended that the Senior Vice President - Marketing and Economic Development be authorized to issue written notice to the SENY public customers, including revised delivery service appendices conforming to the recommended rate modifications. Exhibit '6-A' provides conforming language for the necessary tariff modifications.

"The Senior Vice President - Marketing and Economic Development, the Senior Vice President - Energy Efficiency, the General Counsel, the Senior Vice President - Business Services, the Chief Operating Officer, and I concur in the recommendation."

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

RESOLVED, That the proposed tariff modifications applicable to the delivery of firm power and energy to the SENY public customers be approved, and take effect beginning with the June, 1995 billing period or as soon thereafter as accepted for filing by the State Register; and be it further

RESOLVED, That action to adopt an Electrotechnologies Billing Option as outlined in the foregoing report of the President must, in the judgement of the Authority, be taken immediately to discharge its responsibilities and for the preservation of the general welfare because benefits associated with the program will be lost if immediate action is not taken and adherence to with the normal rule making procedures would be contrary to the public's interest; and be it further

RESOLVED, That the Secretary be, and hereby is, authorized to file notice of emergency adoption and notice of proposed action to adopt permanently the proposed changes to the rates and tariffs in the State Register and to file such other notice as is required by statute, regulation, or executive order; and be it further

RESOLVED, That the Senior Vice President - Marketing and Economic Development be, and hereby is, authorized to issue written notice to the affected customers including conforming tariff modifications shown in Exhibit `6-A'; and be it further

RESOLVED, That within 90 days from such filing, the Authority reconsider the action for permanent adoption and republication in the State Register.

Electrotechnologies Program Billing Option
Delivery Service Appendix Language

The following conforming language will be added to delivery service appendices D, H and A applicable to production service classes SC64-Industrial and Commercial Redistribution, SC69-General Large and SC91-Public Buildings respectively:

Rate IB: Time-of-Day (TOD) Electrotechnologies Billing Option

Applicable to any account and/or portion thereof:

- (a) billed or eligible to be billed at Rate IA and;
- (b) that includes participating load in the Authority's Electrotechnologies Program (EP). The customers' selection of this option must be made no later than the execution of the Customer Installation Commitment (CIC) and the rate will be effective upon the completion of the electrotechnologies project.

Transmission Demand Charge: (per month)

	Low Tension	High Tension
<u>For each on-peak kw</u>		
<u>of billing demand:</u>	\$12.32	\$9.00

The annual billing periods selected for the TOD electrotechnologies billing option are: on-peak: 8 a.m. to 6 p.m. weekdays (including holidays).

**7. INFORMATIONAL ITEM - Hydroelectric Project Preference
Customer Production Rate Increase Suspension**

The President submitted the following report:

SUMMARY

"In accordance with the instructions set forth in the Trustees' April 28, 1992 final action, the fourth and final rate increase in the current rate phase-in applicable to preference power customers of the Niagara/St. Lawrence-FDR Hydroelectric Project ('Hydroelectric Project') is suspended.

BACKGROUND

"In 1987, the Authority committed to perform an annual Hydroelectric Project cost-of-service study. As part of that study, Authority staff tracks the cumulative over or under recovery of preference power revenues relative to the actual costs of providing service to the preference customers.¹ This cumulative amount is called the Rate Stabilization Reserve ('RSR') balance.

"By resolution of April 28, 1992, entitled 'Hydroelectric Project Preference Customer Rate Increase Final Action', the Trustees adopted the following recommendation of the President:

[I]f the actual RSR balance were to become positive at the end of any calendar year during the phase-in period, the base rate increase to be implemented in the next subsequent rate year would be suspended, pending a formal review of the rates by the staff and the submittal of a report to the Trustees on the appropriate level of the rates for their approval.

"A copy of the minutes of that meeting without exhibits is attached hereto as Exhibit '7-A'.

DISCUSSION

"The prior 1993 cost-of-service study showed that the RSR balance had improved from negative \$8,142,000 at the close of 1992 to negative \$721,000 at the end of 1993. This continuing trend may be attributed largely to above average flow conditions. In 1993 Hydroelectric Project generation exceeded long term average ('LTA') by 15%. The 1994 generation level was 6% above LTA. This added generation produced significant non-firm Hydroelectric Project revenues in 1993 and 1994 relative to LTA generation levels.

"The 1994 Hydroelectric Project actual cost-of-service study showed that the cumulative revenue from preference power sales, as recorded by the RSR balance, exceeded the cumulative cost of providing that service by approximately \$2.8 million as of December 31, 1994. Based on this outcome, the final phase-in rate increase, which was to be effective May 1, 1995, is suspended. Therefore, the preference power rates will be frozen at the current levels.

¹ Preference power is power sold to rural and domestic customers, including municipal, cooperative and investor-owned utilities and adjacent states.

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FISCAL INFORMATION

"Each of the four annual phase-in rate increases scheduled for May 1 of 1992, 1993, 1994 and 1995, represented approximately \$5 million per year in additional Hydroelectric Project preference power production revenues. Elimination of the fourth and final increase scheduled for May 1, 1995 will reduce calendar year 1995 Hydroelectric Project preference power production revenues by approximately \$3.3 million relative to the original phase-in rates.

CONCLUSIONS

"The Senior Vice President - Marketing and Economic Development will issue written confirmation of this rate freeze to the affected customers. Staff will prepare a formal review of the Hydroelectric Project preference power production rates and submit a report to the Trustees."

In response to questions from Trustee Miller, Mr. Hiney explained that the rate stabilization reserve operates to tie rates charged by the Authority to water flow levels at such times that above-average flows result in increased hydro production by the Authority. Mr. Hiney further explained that the stabilization reserve has a built-in "negative" \$25 million dollars, meaning that rates would not be raised until the reserve falls below such negative amount. In response to questions from Acting Chairman Frey, Mr. Hiney explained that although current water levels are lower than they have been in recent years, they nonetheless continue to be above normal.

8. Proposed Modification to Hydropower Contracts with Investor-Owned Utilities

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize a modification to the methodology under which savings associated with Niagara/St. Lawrence power sales to upstate investor-owned utilities ('IOUs') are estimated and the execution of letter agreements with Niagara Mohawk Power Corporation ('Niagara Mohawk'; New York State Electric & Gas Corporation ('NYSEG'); and Rochester Gas and Electric Corporation ('RG&E').

BACKGROUND

"Pursuant to contracts dated February 22, 1989 (the 'Contracts'), the Authority provides allocations of firm and interruptible power from the Niagara and St. Lawrence Projects to the upstate IOUs. As required by the Power Authority Act, such power is resold by the utilities to their rural and domestic customers without markup.

"In accordance with the 'Regulation of Rates and Charges' provision of the Contracts, the utilities' bills to rural and domestic customers include a statement indicating the estimated total monthly savings in dollars realized by the individual customer for the particular billing period as a result of the purchase of hydroelectric power and related energy from the Authority. The Contracts specify the methodology to be employed to estimate the savings and allow for the methodology to be revised on mutual agreement of the parties.

"Briefly, the monthly savings estimate comprises separately computed capacity and energy components. The capacity savings component is predicated on the avoided cost of generation capacity for the individual utilities for the applicable year as set forth in the Public Service Commission Long Run Avoided Costs ('LRACs') issued on February 23, 1987. The energy savings component is based on the avoided cost of energy for the individual utilities for the applicable year as listed in the 1987 LRACs. The savings per kilowatthour are computed by subtracting the Authority's capacity and energy charges under the Contracts from the respective LRACs.

DISCUSSION

"The Authority has been involved in discussions with RG&E concerning the savings methodology in the Contracts. Specifically, RG&E has observed that the 1987 LRACs markedly overestimated the value of generation capacity and energy in New York. As such, RG&E contends that the hydropower savings computed pursuant to the methodology in the Contracts substantially over-estimates the savings shown on rural and domestic customers' bills. RG&E asserted that the savings should be based on current LRACs which are substantially lower than those issued in 1987.

"With respect to the energy component of the savings estimate, RG&E's position has merit. However, the capacity component of the savings estimate should reflect the projected value of the capacity at the time that RG&E made the decision to enter the long-term contract to purchase such capacity. The 1987 LRAC generation capacity projections represent a reasonable approximation of RG&E's alternatives for long term capacity purchases at the time that the Contracts were negotiated. As such, the Authority has offered a compromise under which

capacity savings would continue to be based on 1987 LRACs while energy savings would be a function of the most recent LRACS. This arrangement is acceptable to RG&E.

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"The RG&E compromise was offered to Niagara Mohawk and to NYSEG, both of which find the offer acceptable. Below is a comparison of the impact of the proposed modification on typical rural and domestic customers that pay electric bills of roughly \$70 per month (\$ 1993):

	<u>ESTIMATED MONTHLY SAVINGS</u>	
	<u>CURRENT</u>	<u>PROPOSED</u>
		(\$)
Niagara Mohawk	6.44	2.94
NYSEG	7.88	3.41
RG&E	8.58	3.41

"A proposed letter agreement that would modify the Contracts consistent with the foregoing is attached hereto as Exhibit `8-A`.

RECOMMENDATION

"The Manager - Power Contracts recommends that the Senior Vice President - Transmission Business Unit be authorized to execute letter agreements substantially in the form of the draft letter agreement attached hereto.

"The General Counsel, the Senior Vice President - Generation, the Chief Operating Officer, and I concur in the recommendation."

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

RESOLVED, That the Senior Vice President - Transmission Business Unit be, and hereby is, authorized to execute letter agreements with Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation in accordance with the foregoing report of the President.

9. Modifications to the Authority's Expenditure Authorization Procedures

The President submitted the following report:

SUMMARY

"The Trustees are requested to modify in part Attachment `F' of the Authority's October 27, 1987 `Expenditure Authorization Procedures' to delegate low dollar value real estate fee and easement acquisitions and disposition, while reserving to the Trustees higher value transactions as well as all acquisitions through condemnation.

BACKGROUND

"At their meeting of August 1, 1979, the Trustees approved an `Authorization to commit funds which are part of an approved budget', setting dollar limits for various levels of Authority officials to approve contracting for work included in an authorized budget. These authorizations have been periodically updated.

"At their meeting of July 26, 1983, the Trustees approved `Authority Expenditure Authorization Procedures, Real Property Transactions' setting dollar limits for payments for certain real estate transactions, settlement of real estate related claims, and miscellaneous transactions.

"At their meeting of May 14, 1985 and again on October 27, 1987, the Trustees approved, among other things, a comprehensive review of these real estate approval levels and established the delegation of approval levels for claims settlement and for the payment for certain real estate transactions. The real estate approval levels established by the Trustees at their meeting of October 27, 1987, remain in place today.

DISCUSSION

"The thrust of this section of the Expenditure Authorization Procedures was intended to continue the process of decentralization, recognizing the need to place further responsibility and accountability where it properly belongs: with the functional managers. However, these earlier delegations of expenditure authorization did not address the acquisition and dispositions of fee and/or easement interests in real property. This omission has resulted in the need to request Trustee approval for even nominal acquisitions and dispositions.

"The delegation to management of acquisition and disposition having a value of \$10,000 or less is suggested based on a review of recent real estate experience. From 1991 through 1994, 43 real estate acquisition or disposition items were acted on by the Trustees. Had items with appraised values of \$10,000 or less been delegated, only 20 of these items would have required Trustee approval. Further, this limit will delegate the bulk of danger tree and access road easement acquisitions. However, these recommendations in no way alter the Trustees' responsibility for approving acquisitions requiring the use of the Eminent Domain Procedure Law, nor will these recommendations alter the requirement that each real estate transaction will be subject to review for State Environmental Quality Review Act compliance.

"Therefore, to facilitate the policy of vesting accountability and responsibility in the functional manager, and to extend such policy to acquisitions and dispositions of fee and easement interests in real property, it is

recommended that the current delegation of approval for claim settlement and payment for real estate be modified

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to delegate authority for the acquisition and disposition of fee and easement interests in real estate to the position levels and at the expenditure levels as follows:

<u>Title</u>	<u>Current Limit</u>	<u>Recommended Limit</u>
Director - Real Estate		\$ 2,500
Vice President - Contracts and Real Estate		\$ 5,000
Senior Vice President - Business Services Unit		\$ 7,500
President		\$10,000
Trustees	All	Anything in excess

FISCAL INFORMATION

"There is no fiscal impact.

RECOMMENDATION

"The Director - Real Estate, the Director - Environmental Division, and the Vice President - Procurement and Real Estate recommend that the Authority's Expenditure Authorization Procedures as adopted June 2, 1981, and subsequently modified July 26, 1983 and October 27, 1987, be further modified in accordance with the above discussion.

"The Controller, the General Counsel, the Senior Vice President - Business Services Unit, the Chief Operating Officer, and I concur in this recommendation."

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

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RESOLVED, That the Resolution approved July 26, 1983, and revised October 27, 1987 be, and hereby is, further revised to delegate authority for the acquisitions and dispositions of fee and easement interests in real property other than condemnation procedures pursuant to the Eminent Domain Procedure Act, as set forth in the foregoing report to the position levels, and at the expenditure levels, as follows:

<u>Title</u>	<u>Current Limit</u>	<u>Recommended Limit</u>
Director - Real Estate	-	\$ 2,500
Vice President - Procurements and Real Estate	-	\$ 5,000
Senior Vice President - Business Services Unit	-	\$ 7,500
President	-	\$10,000
Trustees	All	Anything in excess

**10. Lease of Space, 9th Floor - Centroplex Building -
Danziger & Markhoff, P.C.**

The President submitted the following report:

SUMMARY

"The Trustees are requested to authorize the execution of a lease of approximately 1,771 square feet of office space on the 9th floor of the White Plains Office Building by the Authority as landlord to Danziger & Markhoff, P.C. as tenant. The proposed lease is for a term of six years and nine months having a fixed average base rent of \$26.00 per square foot as more specifically set out below and in the attached Exhibit `10-A'.

BACKGROUND

"The Authority acquired a commercial office building (hereinafter `Centroplex') by deed dated July 10, 1991. One of the Authority's present tenants, Danziger and Markhoff, P.C. (hereinafter `Danziger') had a lease with the Authority's predecessor in title, which the Authority acquired with the acquisition of the building. Danziger currently leases approximately 10,647 rentable square feet located on the 9th floor of the Centroplex Building. The term of Danziger's current lease runs through March 31, 2002.

DISCUSSION

"Danziger is an established law firm, with a primary focus on pension and estate planning issues. Due to present and future expansion needs, the firm has requested the Authority lease to it approximately 1,771 rentable square feet of space which are contiguous to its existing space. Preliminary negotiations on this additional space have resulted in basic lease terms as set out in Exhibit `10-A'. The average base rental for the term of the lease is \$26.00 per square foot. In the event tenant's improvement costs exceed \$20.00 per square foot (\$35,420), the Authority will fund these additional costs up to a maximum of \$45,000, and will be reimbursed at 8 percent interest by the tenant as an additional rental. Therefore, the rental could increase up to a maximum of \$4.85 per square foot.

"Based on a review of the current real estate market in the White Plains area, this transaction compares favorably to current rents in this area. Further, the Authority's current space needs do not include the proposed premises.

FISCAL INFORMATION

"The fixed annual rents and related fiscal information are set forth in Exhibit `10-A'. The Authority will initially pay \$35,420 for tenant improvements for Danziger (\$20 per rentable square foot). The Authority will further fund additional costs for tenant improvements up to a maximum of an additional \$45,000. There is no brokerage commission. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Director - Corporate Support Services, the Director - Real Estate, the Vice President - Finance, and the Vice President - Procurement and Real Estate recommend that the Trustees approve entering into a lease

agreement modifying the Authority's existing lease with Danziger & Markhoff, P.C. to include the lease of

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additional commercial office space in the Centroplex Building on terms substantially in accordance with the foregoing and the attached Exhibit `10-A`.

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

In response to questions from Trustee Miller, Mr. Hoff confirmed that the Authority does retain control over tenant improvements.

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

RESOLVED, That the Chairman, the President or the Senior Vice President - Business Services be, and hereby is, authorized to enter into a lease agreement or a lease modification for office space in the Centroplex Building with Danziger and Markhoff, P.C. on substantially the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Chairman, the President, the Senior Vice President - Business Services, 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.

BASIC LEASE TERMS

Authority to Danziger and Markhoff, P.C.

PREMISES: Approximately 1,771 square feet located on the 9th floor of the Centroplex Building. This space is contiguous to approximately 10,647 square feet of existing space occupied by Danziger.

TERM: 6 years and 9 months, to commence June 1, 1995 and terminate contemporaneously with Danziger's existing leasehold on March 31, 2002. A free rent period from June 1, 1995 to August 31, 1995, will be provided to allow tenant to build out the space for occupancy.

FIXED RENT
(for the
additional
premises):

From initial occupancy (Projected September 1, 1995 to March 31, 1996	\$25,310.54
April 1, 1996 to March 31, 1997	\$44,275.00
April 1, 1997 to March 31, 1998	\$45,160.50
April 1, 1998 to March 31, 1999	\$46,046.00
April 1, 1999 to March 31, 2000	\$46,931.50
April 1, 2000 to March 31, 2001	\$47,817.00
April 1, 2001 to March 31, 2002	\$48,702.50

The foregoing fixed rental includes a \$2.00 per square foot electric inclusion factor.

OPERATING

ESCALATION: Pro rata share of increases in operating expenses with a base year of 1995.

REAL ESTATE TAX

ESCALATION: Pro rata share of increases in real estate taxes over a weighted average base year of July 1, 1994 to June 30, 1995.

RENEWAL: None

PARKING: None

TENANT

IMPROVEMENT: \$20 per RSF (total of \$35,420). In the event tenant's additional costs up to a maximum of \$45,000 and will be reimbursed in equal monthly installments at 8 percent interest by the tenant as an additional rental.

11. Procurement (Services) Contract - St. Lawrence/FDR Power Project - Water Quality Survey - Northrop, Devine and Tarbell, Inc. - Award

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of a 16 month contract to Northrop, Devine and Tarbell, Inc. in the amount of \$126,631 to conduct a water quality survey in the vicinity of the St. Lawrence-FDR Power Project ('St. Lawrence') on the St. Lawrence River. This contract is expected to extend to September 30, 1996.

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 existing Federal Energy Regulatory Commission ('FERC') license for St. Lawrence expires in October 2003. The Authority will file the Notice of Application by 1998 or sooner. Before filing this application, the Authority must conduct environmental studies to characterize the baseline conditions in the vicinity of the project.

"The proposed water quality survey is one of such studies. This survey has been designed to provide interim results that will be included in the Initial Consultation Package. The results of the entire year long water quality survey will be presented in Exhibit 'E' of the license application.

DISCUSSION

"Water quality conditions within the St. Lawrence River have been characterized to various degrees in the past through studies conducted by, among others, the New York State Department of Environmental Conservation ('NYSDEC'), SUNY College of Environmental Science and Forestry ('SUNY-ESF') and the International Lake Ontario-St. Lawrence River Water Pollution Board. The last broadscale water quality survey of the St. Lawrence River was conducted in 1978 as part of the Winter Navigation Demonstration on the St. Lawrence River conducted by SUNY-ESF.

"The Authority requires a comprehensive year-round survey to characterize the current water quality conditions within the Project area. This survey will consist of sampling sediment and water including periodic composite samples and continuous monitoring with instruments from eight stations along four transects that are located between Chimney Point (upstream end of the Project) and just west of Massena Point (downstream end of the Project).

"The results of this survey will be compared with historical water quality data to evaluate the long term water quality conditions of the St. Lawrence River in the vicinity of the Project. The results of this survey will be used during the preparation of Exhibit E of the license application.

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"Thirty-eight firms were issued the bid document. Five firms provided the following bids:

Northrop, Devine and Tarbell	\$126,631
Normandeau Associates	133,671
Atlantic Testing Laboratories	194,006
The Johnson Co.	325,350
Hydro Qual	481,400

"The others declined to bid or were included as subcontractors to the above.

"We found Northrop, Devine and Tarbell proposal to be responsive and was the low bid. They proposed:

- a well qualified team,
- their subcontractors for sampling and quality control are experienced,
- and their testing laboratory is New York State certified.

"While Normandeau Associates bids was also responsive, their qualifications were not sufficient to overcome the fact that they were not the low bidder.

"Due to the significantly higher costs the other three proposals were not examined in detail.

FISCAL INFORMATION

"Funds for this contract are available in the St. Lawrence/FDR Relicensing Budget. Payment will be made from the General Reserve Account.

RECOMMENDATION

"The Director - Environmental Division and the Director - Licensing recommend the Trustees approve the award and funding of a procurement contract for the water quality survey of the St. Lawrence Project waters to Northrop, Devine and Tarbell, Inc. in the amount of \$126,631.

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

May 23, 1995

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of a multi-year procurement contract for the water quality survey of the St. Lawrence River to Northrop, Devine, and Tarbell, Inc. is hereby approved through September 30, 1996 as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital</u>	<u>Projected Closing Date</u>	<u>Contract Approval</u>
Water Quality Survey St. Lawrence/FDR Power Plant		
Northrup, Devine and Tarbell, Inc.	09-30-96	<u>\$126,631</u>

12. Procurement (Services) Contract - Indian Point 3 Nuclear Power Plant - NPS Energy Services, Inc. - Approval of Additional Funding and Increase in Compensation Ceiling

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with NPS Energy Services, Inc. ('NPS'), for maintenance services at Indian Point 3 Nuclear Power Plant ('IP3'), to \$45,000,000 from the current contract price of \$43,809,000. A detailed explanation of the nature of such services and the reasons for the funding increase request are provided below.

BACKGROUND

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

"The services of an outside maintenance contractor are required to support modification work and other re-start activities which cannot be performed by Authority staff. The current contract with NPS commenced on March 1, 1993, and is scheduled to expire June 30, 1995. Proposals for a new contract have been solicited, and Trustees' approval will be requested at the June 27, 1995 meeting, for the period of July 1, 1995 through December 31, 1996.

DISCUSSION

"The Trustees approved a contract value of \$41,000,000 at their meeting of December 15, 1994. Since that time, additional work has been authorized in the amount of \$2,809,000, in accordance with the Expenditure Authorization Procedures. Due to the need to support re-start activities at IP3, and perform additional modification and maintenance required after start-up, additional expenditures of \$1,191,000 are anticipated through the expiration of this contract. This increase results in a final contract price not exceeding \$45,000,000, including planning, scheduling, maintenance, modification and engineering support.

FISCAL INFORMATION

"Funding of IP3 expenditures has been included in the 1995 Approved O&M Budget. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Resident Manager - Indian Point 3 Nuclear Power Plant and the Chief Nuclear Officer recommend the Trustees' approval of the increase in the compensation ceiling of the contract with NPS Energy Services, Inc.

"The Vice President - Procurement and Real Estate, the General Counsel, the Senior Vice President - Business Services, the Chief Operating Officer, and I concur in the recommendation."

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

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures, an increase in the compensation ceiling of the contract with NPS Energy Services Inc. be, and hereby is, approved as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>O & M</u>	<u>Contract Approval (Increase in Compensation Ceiling)</u>	<u>Projected Closing Date</u>
Provide General Maintenance Services for IP3		
NPS Energy Services (C93-Z004)	\$ 1,191,000	06/30/95
Previously Approved Compensation Ceiling	<u>43,809,000</u>	
TOTAL REVISED COMPENSATION CEILING	<u>\$45,000,000</u>	

13. Collective Bargaining Agreement Between the Power Authority and Local Unions 2032 and 2104, International Brotherhood of Electrical Workers - Extension

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve an Agreement for Contract Extension to the Collective Bargaining Agreement ('Agreement') dated August 27, 1991 between the Power Authority and Local Unions 2032 and 2104 of the International Brotherhood of Electrical Workers ('IBEW'). This Agreement, which increases the term of the existing Agreement by four years and expires on June 30, 2000, covers employees at the Authority's St. Lawrence/FDR Power Project, Niagara Power Project, Blenheim-Gilboa Pumped Storage Power Project ('B-G'), Frederick R. Clark Energy Center ('Clark'), and James A. FitzPatrick Nuclear Power Plant ('JAF').

BACKGROUND

"The Authority and the IBEW are parties to an Agreement that is effective from July 1, 1991 through June 20, 1996. Following the 1993 reduction in force, the Authority and the IBEW entered into a two year extension to the collective bargaining agreement which was scheduled to expire on June 30, 1994. That extension agreement served a two fold purpose; it enabled the Authority to distance itself, in its relationship with the Union, from the confrontational setting engendered by the 1993 layoffs, and it provided the Authority with an opportunity to address perceived compensation inequities harbored by the non-represented workforce as a consequence of the 1993 wage freeze. The cost for achieving this measure of stability by this extension agreement was modest wage increases and unreduced health insurance benefits.

"In 1994, the Authority undertook an ambitious restructuring effort which resulted in further workforce reductions. In an effort to build on the positive relationship forged by virtue of the contract extension entered into in 1993, the IBEW leadership and its members participated in the 1994 restructuring as both committee participants and task force team members. The spirit of cooperation fostered by that effort, coupled with the Union's recognition of the increasingly competitive environment in the electric utility business and knowledge of the long term supply agreements the Authority reached with some of its large customers, prompted the IBEW leadership in 1995 to approach the Authority seeking a further extension of its collective bargaining agreement.

DISCUSSION

"Attached is the Agreement for Contract Extension (Exhibit '13-A') entered into by the Authority and the IBEW, subject to ratification of the union membership and approval by the Trustees and the IBEW International Office. The union membership ratified the extension agreement on May 18, 1995 by a vote of 597 in favor to 185 opposed. Approval by the IBEW International Office is procedural in nature and will be obtained after Trustee approval.

"During compressed negotiation sessions the Regional Managers identified significant work rule changes which the Authority required in return for the wage increases, maintenance of benefits, and limited job security sought by the Union. The agreement of the parties, which is reflected in the attached Exhibit, contains significant commitments by the Union in connection with work rule changes which translate into substantive cost savings.

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These considerable savings will fund a sizeable portion of the cost of the Agreement. More importantly the extension agreement bars the Union from reopening the contract on wage and benefit issues (including inclusion of its members in the 401(k) plan), but it contains language enabling the Authority to initiate discussions designed to achieve further productivity gains whenever it sees an opportunity to do so, with a provision for binding arbitration on unresolved productivity issues.

"The union members will receive a two percent general wage increase effective July 1, 1995, as agreed to in the 1993 contract extension. In addition, since the membership ratified the agreement for contract extension prior to May 19, they are eligible to receive a 1 percent signing bonus, based on base annual rates of pay. This will not increase the hourly rate of pay. Wage increases for the years beginning July 1, 1996 and July 1, 1997 will be 3% and 3.25%, respectively. They will be 3.5% in each of the following two years.

"The contract extension agreement represents a remarkable, unprecedented culture change at facilities where the unit employees are represented by the IBEW. Many artificial, inefficient jurisdictional barriers will fall, paving the way for more productive work practices. The Agreement underscores the mutual benefits that can be derived from a cooperative working relationship.

"This Agreement shall be used during its term as a value yardstick for compensation and benefits decisions affecting the non-represented employees of the Authority. In accordance with such and in order to conform to our policy of comparable treatment for all employees, we will also issue a one time productivity improvement payment to salaried employees equal to 1% of their annual base pay, to be paid during the first payroll period in December 1995. This 1% payment (\$1.13 million) will be offset by lower than normal benefits cost escalation and through our accomplishments in power plant operations and marketing, to which all employees have contributed.

"The Vice President - Human Resources has consulted with a representative of the Governor's Office of Employee Relations regarding the terms of the contract extension.

FISCAL INFORMATION

"The cost of the one percent signing bonus will be offset by productivity savings in 1995 and will not affect the 1995 budget. Annual productivity savings of \$2 million per year are expected at the hydro/transmission facilities beginning in 1996. Additional savings of \$1 million a year or more are estimated at FitzPatrick as a result of these work rule changes.

"The wage increases for the 1996-2000 period are less than that projected in the Authority's long-term financial forecast.

RECOMMENDATION

"I recommend with the concurrence of the Chief Operating Officer, the Chief Nuclear Officer, the Senior Vice President - Power Generation, the Senior Vice President - Business Services, the Vice President - Human Resources and the General Counsel that the agreement reached be approved by the Trustees."

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In response to questions from Trustee Waldbauer, Mr. Hiney briefly summarized the newly agreed-upon work rules. President Freeman explained that the improved work rules will produce an estimated \$4 million in increased productivity annually and that such savings will cover the costs of the increases negotiated between the parties. In response to questions from Trustee Miller, Mr. Bopp explained that several years ago, the rate of escalation in the annual cost of medical benefits had been in the double digits; however, the rate has recently decreased, and thus corresponding cost increases to the Authority of providing health benefits under the contract have similarly decreased.

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

RESOLVED, That the Director of Employee and Labor Relations be, and he hereby is, authorized on behalf of the Authority to execute an Agreement for Contract Extension further extending the collective bargaining agreement with Local Unions 2032 and 2104, International Brotherhood of Electrical Workers, AFL-CIO, dated August 27, 1991, covering specified operating and maintenance employees of the St. Lawrence, Niagara Blenheim-Gilboa, Clark and James A. FitzPatrick facilities with changes to that agreement as described in the foregoing report of the President.

Exhibit `13-A'
May 23, 1995

**AGREEMENT FOR CONTRACT EXTENSION
BETWEEN
POWER AUTHORITY OF THE STATE OF NEW YORK
AND
LOCAL UNIONS 2032 AND 2104
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO**

Subject to ratification of the memberships of the Local Unions 2032 and 2104 and the approval of the Power Authority's Trustees and the IBEW International Office it is agreed to modify an extension agreement dated November 22, 1993 which amended and otherwise extended the provisions of an agreement dated August 27, 1991 and scheduled to expire June 30, 1996 by amending and further extending such agreement until June 30, 2000 with the only changes as listed below:

PREAMBLE: Because the parties recognize they are involved in an increasingly changing and more competitive industry, there exists a desire for some measure of predictability. To the extent that wage and benefit levels can be determined, this agreement achieves that objective. However, in order to keep pace with changing business conditions and to remain competitive, they also recognize the need to continuously review present work practices. Therefore, the parties agree to continue to meet and discuss and attempt to resolve any pertinent issue that may arise in this regard in connection with the current collective bargaining agreement and in conformance with the requirements of the Public Employment Relations Board.

WAGE INCREASES

A 1.0% signing bonus based on an employee's base annual rate of pay (2080 hrs x hourly rate of pay) contingent upon ratification by the union membership on or before May 19, 1995. Such bonus shall not increase an employee's hourly rate of pay.

A 2.0% general wage increase effective July 1, 1995 as previously agreed in an extension agreement dated November 22, 1993.

- A. 3.0% general wage increase effective July 1, 1996.
- A 3.25% general wage increase effective July 1, 1997.
- A 3.5% general wage increase effective July 1, 1998.
- A 3.5% general wage increase effective July 1, 1999.

During the term of this extension agreement the Authority agrees to maintain the pension, welfare and miscellaneous other benefits as described in Article IX of the 1991-1994 collective bargaining agreement and the benefits handbook issued in April 1992.

Excluding a plant closing, sale of a facility or a catastrophic event the Authority agrees there will be no layoffs during the first three years of the extension (July 1, 1995 through June 30, 1998). At the end of the three year period the Authority agrees to meet with the Union to determine whether the Authority can extend this security provision for the remaining two years of the extension. Among other things such discussions will be based upon the anticipated productivity gains achieved during the first three years of the extension.

Seasonal grounds attendants, laborers and janitors employed on or after April 15 and not after October 15 shall be paid at the rate of \$7.00 per hour (NOT SUBJECT TO GENERAL WAGE INCREASES). Seasonal personnel in these classifications employed before April 15 or after October 15 shall be paid at the hourly rate of pay prescribed for such classification in the applicable wage schedule. Seasonal grounds attendants, laborers and janitors shall be accreted to the existing unit of temporary employees at JAF and the temporary employees performing brush control right of way maintenance. Paragraph 8 of the Brush Control Agreement shall apply to the employment of these seasonal employees.

Upon the mutual agreement of the Regional Manager and the appropriate Business Manager, the hours of work may be changed on a local basis either for all employees at a particular site or some employees on a department by department basis. Hours of work shall be reconsidered and reviewed on an annual basis during the last quarter of each calendar year.

Re: 765 kV High Voltage Hotstick Linepersons. To the extent high voltage hotstick work is required, the work shall be assigned to high voltage hotstick linepersons at St. Lawrence-FDR and Clark on an alternating, annual basis. For purposes of this provision the year shall begin on May 1 and conclude on April 30.

In the event the number of high voltage hotstick linepersons (HVHL) at the facility responsible for the work in a particular year is insufficient, e.g. St. Lawrence-FDR, the senior qualified and available HVHL from the other facility, e.g. Clark, shall be assigned on a temporary, per diem basis to the facility responsible for the work to augment that facility's 765 kV crew for the duration of the work assignment including training. This method for performing 765 kV high voltage hotstick work shall continue until such time as the total numbers of qualified and available HVHLs at St. Lawrence-FDR and Clark equals six. When there are less than a total of six (6) HVHLs at the two facilities, the posting to fill a vacancy, irrespective of where it occurs, and all subsequent postings for HVHLs shall take place only at St. Lawrence-FDR. It is intended over time to attrite the HVHL classification at Clark.

The Hydro Apprenticeship Training Program shall be modified as follows:

The Drafter and Technician classification shall be eliminated from the Program. All persons currently classified as an Apprentice Drafter or Technician shall be advanced to the Journeyperson classification immediately. It is understood that these apprentices who are accelerated immediately must complete the certification requirements associated with their classification.

The qualifications for the Operator classification shall be modified to include an Associate's Degree in an electrical or mechanical discipline; such modification shall be effective on January 1, 2000.

A form of automatic progression shall be applied to the Drafter and Technician classification. Employees shall serve one year in the A classification and shall progress to the B classification automatically provided their performance is satisfactory. Thereafter employees shall serve two years in the B classification and shall progress automatically to the C classification provided their performance is

satisfactory.

The ranges in the Rating Guide have been changed. The OUTSTANDING RANGE is now 75-100; the WELL-QUALIFIED RANGE is now 54-74.

Among other things the unique impact of competition on marketing JAF power necessitates review of conditions at JAF on an ongoing basis with a view toward economical and efficient operations. The Authority acknowledges the Union's cooperation in addressing emerging issues and generally resolving them in a mutually satisfactory manner. The Union agrees that it will continue to cooperate with the Authority in responding to requests for review of subjects addressed in the collective bargaining agreement or this extension.

Personnel from B-G or Clark may be utilized at the other facility for assignments of at least one week. The normal reporting location will maintain the lead role of each crew so assigned; the ratio of the local facility versus the distant facility for janitor/laborer classifications will not exceed 1/1, but crafts shall be assembled on a 2/1 basis.

St. Lawrence-FDR personnel whose normal reporting headquarters is not the Massena Substation may be required to report to work directly at the Massena Substation on the second day of work after notice is given provided such notice is given to an employee at or before the end of his/her regular or extended workday. Thus, if notice is given on Monday (Tuesday) [Wednesday], an employee so notified shall report directly to work at the Massena Substation on Wednesday (Thursday) [Friday]. Notice given on Friday shall be sufficient notice to require an employee to report to the Massena Substation on the following Monday morning. Employees notified to return to work at their normal reporting headquarters shall do so on the next work day following notice.

Clarification with respect to the meaning of Article VI, Section 2(a) and (b)

The Union recognizes the Authority's obligation to comply immediately with OSHA standards promulgated by the NYS Department of Labor, Division of Occupational Safety and Health (DOSHS) or other applicable federal or state regulatory agencies having jurisdiction. The Authority acknowledges its corresponding duty to negotiate with the Union concerning non-regulatory

safety issues and interpretation of the implemented regulations.

The duties of the telephone operator at the following locations shall be assumed by security personnel in the following manner:

At Blenheim-Gilboa, when the incumbent telephone operator vacates the job: At Niagara, whichever of the following occurs first, when the current full-time telephone operator vacates the job or upon the separation from employment of the part-time telephone operator. At Clark, on the effective date of this extension agreement. When implemented on a temporary (one or more days) or permanent basis, security guards on the day shift, Monday through Friday, shall be paid an additional one dollar per hour.

The qualification for an assistant schedule clerk are amended to reflect the ability to type with speed and accuracy.

Linepersons, mechanics, electricians and technicians shall perform tasks normally performed by other crafts to the extent such tasks are associated with the lineperson's, mechanics, electrician's or technician's primary assignment. Thus when a particular craft, e.g. electrician classification, is the lead craft or the craft responsible for the primary portion of the task, such lead craft shall perform all the components of the task thereby obviating the need for other crafts to perform the lesser, yet associated tasks. The following list while not exhaustive illustrates the type of associated tasks linepersons, mechanics, electricians and technicians will be required to perform:

- mechanics shall perform electrical disconnections when repairing equipment, such as pumps,
- employees shall pump their own gas,
- mechanics, technicians, linemen or electricians shall test electrical cords and power tools,
- employees shall, when the need arises, jump start or change the tires on vehicles assigned to them,

- technicians trip testing CO₂ shall reset and remove heads,
- mechanics, technicians or electricians shall repair float switches,
- any employee shall be responsible for the replacement of light bulbs in the area where they work.

During their normal rounds operators shall perform additional minor maintenance work such as:

- greasing units,
- filling greasers,
- changing light bulbs,
- performing battery maintenance,
- grounds work and snow removal at remote locations,
- conducting security checks at remote sites,
- examining respirator equipment, replacing air tanks, etc.

The foregoing list is not exhaustive; it merely illustrates the nature of the tasks operators will be expected to perform while making their daily rounds.

Shortly after the effective date of the agreement the Authority and the Union shall establish joint committees which will meet on a local basis (generally no more than one bargaining unit person per affected craft) to discuss and attempt to resolve any concerns raised by the Union with respect to the Authority's plans for

- reducing the number of different crafts used to perform operating and maintenance tasks, otherwise referred to as "fringe work" during negotiations, and
- increasing the minor maintenance work operators will perform during their normal rounds.

The Union acknowledges its commitment in connection with establishment of these committees

- to cooperate in achieving the changes reflected above,
- to identify additional areas where productivity can be increased and cost savings can be achieved.

- to facilitate the process of reaching resolution.

If any issue considered by the committee in connection with the foregoing matters remains unresolved on December 31, 1995, the committees shall refer such unresolved issues to the appropriate Regional Manager for the Authority and Business Manager for the Union who shall attempt to resolve such issues. To the extent any issues remain unresolved after their review, the appropriate Regional Manager may implement and the Union may initiate a grievance in writing at the (d) step of the grievance procedure set forth in Article XII of the Agreement. Thereafter, except as provided for otherwise, the procedures outlined in Article XII shall apply. The standard shall be whether the work constitutes "fringe work" or minor maintenance consistent with the foregoing descriptions of such.

Crafts will conduct more switching, grounding and tagging of selected equipment under the Senior Operator's guidance. The foregoing was discussed at length but owing to time constraints the Union sought up to an additional six months to explore with the Authority aspects of this proposal in order to establish an understanding about the extent to which it would apply.

Outside work in substations, switchyards, transformer bays and like facilities shall be performed by electricians in a manner like the work practices presently followed at St. Lawrence-FDR. The timing of breakers however shall be performed by Technicians at B-G/CEC and shall be referred to a joint Management/Union Committee on Productivity for determination of the appropriate craft at Niagara. Electricians shall perform the work now performed by linepersons at the small hydro stations, low voltage substations (69 kV and below) and on the switch gear portion of the Seaway lines. In order to achieve the productivity savings anticipated by these work rule changes, some linepersons must be converted to electricians. For purposes of this provision only, these conversions will be conducted on a voluntary basis and, if necessary, seniority by classification shall be controlling. Prior to performing electrical work the Authority shall train converted linepersons in order to prepare them sufficiently for the different tasks they may be required to perform. Employees reclassified as a result of this provision shall retain their current hourly rate of pay; future general wage increases shall be applied to that hourly rate of pay. The Union acknowledges its commitment to facilitate energetically these conversions.

If any issue concerning crafts performing additional switching, etc., or electricians performing outside work, etc., remains unresolved after six months, the Authority may implement its plan unless on or before January 10, 1996, the Union notifies the Authority's Director of Labor Relations in writing as to those issues with which it disagrees. As to those issues the parties agree to refer them to a mediator who is an expert in electric utility business matters and who is mutually acceptable to the parties. To the extent there are unresolved issues despite the mediation effort, either party may refer unresolved issues no later than 30 days after the conclusion of the mediation phase to interest arbitration. The neutral must be an expert in electric utility business matters and mutually acceptable to the parties.

Roger Clough
Business Manager, Local 2032
IBEW

John R. Bopp
Director of Employee and Labor
Relations - NYPA

William Evans
President and Business Manager
Local 2104 - IBEW

May 23, 1995

14. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, June 27, 1995, at the St. Lawrence/FDR Power Project at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

May 23, 1995

Closing Remarks of Acting Chairman Frey

The Acting Chairman, on behalf of the Trustees, expressed best wishes to Mr. Becker on the occasion of his imminent retirement and thanked Mr. Becker for 20 years of dedicated service to the Authority. Trustees Miller and Waldbauer joined in the remarks and suggested that a formal resolution be submitted to the Board at the next meeting.

CLOSING

Upon motion made and seconded, the meeting was closed at 11:25 a.m.

Anne Wagner-Findeisen
Corporate Secretary

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