

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

April 30, 1997

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

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

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
Robert A. Hiney	Senior Vice President - Power Generation
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Charles M. Pratt	General Counsel
Arnold M. Bellis	Vice President - Controller
John M. Hoff	Vice President - Procurement and Real Estate
Russell J. Krauss	Chief Information Officer
Joseph J. Carline	Assistant General Counsel
H. Kenneth Haase	Vice President - System Planning
Gerard V. Loughran	Vice President - Human Resources
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Relations
Richard E. Kuntz	Regional Manager - SENY Southeast New York
Daniel Berical	Director - Intergovernmental Affairs
Jordan Brandeis	Director - Performance Planning
Joseph J. Brennan	Internal Auditor
Mark O'Connor	Director - Real Estate
James H. Yates	Director - Business Marketing and Economic Development
Carmine J. Clemente	Counsel
Gary Paslow	Director - Policy Development
George W. Collins	Treasurer
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

Chairman Rappleyea 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 held on March 25, 1997 were approved.

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2. Financial Report for the Two Months Ended March 31, 1997

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

President Schoenberger reported on the results of the First Quarter Performance Measures. President Schoenberger stated that he was pleased to report that net revenues are running ahead of forecast and he anticipates that will continue for the balance of the year. He then introduced the members of the Nuclear Z Team who summarized their recommendations. In response to questions from Trustee Miller, Messrs. Schoenberger and Hill explained that the Team's recommendation to establish a nuclear generation task force to implement a comprehensive plan addressing radiation monitor replacement at both JAF and IP3 will achieve cost savings and efficiencies without sacrificing any safeguards. President Schoenberger stressed that safety remains paramount.

Trustee Waldbauer expressed the Trustees' thanks to the Team members for their efforts and commended them for their dedication.

4. New York City Public Utility Service - Modification of Allocation of Economic Development Power to Ellanef Manufacturing Corporation

The President submitted the following report:

SUMMARY

The Trustees are requested to approve certain modifications to the terms and conditions of an allocation of Economic Development Power ('EDP') to the New York City Public Utility Service ('NYCPUS') for resale to the Ellanef Manufacturing Corporation, ('Ellanef') pursuant to a recommendation for such modifications made by the Economic Development Power Allocation Board ('EDPAB').

BACKGROUND

'At their meeting of December 16, 1993, the Trustees approved an allocation of 1,600 kW of Economic Development Power to the Ellanef for job retention purposes for a term of ten years. The company is a privately held firm with facilities in Corona, Queens and Bohemia in Suffolk County. The firm specializes in precision machining and subassembly of components for the aerospace industry.

'At its meeting of December 17, 1996, the EDPAB recommended to the Authority an additional allocation of 100 kW of FitzPatrick Economic Development Power ('EDP') to the Ellanef, for job retention purposes. The power would be sold by the Authority to the New York City Public Utility Service ('NYCPUS') for resale to Ellanef. To implement the allocation, the EDPAB also recommended a proposed amendment of the contract between NYCPUS and Ellanef, extending the term of FitzPatrick service to May 20, 2010. EDPAB also recommended a transfer of EDP to two customer points of delivery not mentioned in the existing agreement between NYCPUS and Ellanef.

DISCUSSION

The Authority currently supplies 1,500 kW of industrial power to the NYCPUS for resale to Ellanef for use at four of its building locations in Corona, Queens. The company has grown substantially over the past two years, and to meet the continuing increase in demand for its products, Ellanef would like to increase its contract demand to 1,600 kW by exercising the optional power provision (Article 5) of its Power Service Agreement with the NYCPUS which allows Ellanef to receive an additional 100 kW of industrial power. The company would use this additional amount of power at a building location not mentioned in its present agreement with NYCPUS, namely: 50-05 98th Street, which is across the street from other buildings presently owned by Ellanef and served by NYCPUS.

Ellanef would make real property investments in this new building in excess of the minimum required under EDPAB rules. Part 460 of the Authority's Rules and Regulations (Procedures for Allocation of Industrial Power and Enforcement of Contracts) (21 NYCRR 460 (1988)) requires that any transfer of industrial power between facilities of a customer shall be subject to written approval of the Authority, and also of the EDPAB in the case of an EDP allocation.

In addition, Ellanef has requested an increase of 100 kW to the company's current maximum allocation of 1,600 kW under its Power Service Agreement with NYCPUS.

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The company would use the additional allocation of 100 kW at a second building location not mentioned in its present agreement with NYCPUS, namely 50-30 98th Street, which is also in close proximity to other buildings presently owned by Ellanef and served by NYCPUS in Corona, Queens.

Ellanef is also requesting an extension of the term of its contract with NYCPUS which expires December 31, 2003. The extension in term length will allow the company to bid on a long term contract with the Boeing Corporation at a fixed price and ensure that the supply of electricity would remain stable during the extended term of its contract with Boeing which would run until 2012.

The modified terms and conditions relating to maintenance of jobs, power utilization, and other matters have been incorporated into an amendment to the contract (Exhibit '4-A') between NYCPUS and Ellanef.

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). The contract between the company and NYCPUS 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 NYCPUS as provided by Part 460.4 of the Authority's Rules and Regulations and pursuant to the contract between the Authority and NYCPUS.

RECOMMENDATION

The Manager - Business Power Allocation and Compliance recommends that the Trustees approve the allocation and transfers of FitzPatrick power to New York City Public Utility Service for resale to Ellanef Manufacturing Corporation as described herein.

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

In response to questions from Trustee Waldbauer, Mr. Masilotti explained that the term of the contract between NYCPUS and Ellanef would be amended from 2003 to 2010 so as to enable Ellanef to bid on a long-term contract with the Boeing company. In response to further questions from Trustee Waldbauer, Ms. Morman stated that the number of 197 jobs represents a good jobs-per-megawatt ratio for EDP.

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

WHEREAS, pursuant to Article 6 of the Economic Development Law, the Economic Development Power Allocation Board has recommended to the Authority the allocation of Economic Development Power to the New York Public Utility Service ('NYCPUS') pursuant to Service Tariff No.35 of its power sales contract with the Authority for resale to the Ellanef Manufacturing Corporation with such modified terms and conditions as described in Exhibit '4-A' to the foregoing report of the President;

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NOW THEREFORE BE IT RESOLVED, That the Authority hereby approves the allocation of up to a total of 1.7 MW of FitzPatrick Economic Development Power to NYCPUS in accordance with the foregoing report of the President for resale to the Ellanef Manufacturing Corporation, subject to the approval by the Senior Vice President - Marketing & Economic Development of the terms of the contract for resale of such power by NYCPUS to Ellanef.

5. Election of Authority Non-Statutory Officers

The President submitted the following report:

SUMMARY

The Trustees are requested to elect the non-statutory officers of the Authority for a term expiring at the next annual Trustees' meeting or until their successors are elected.

BACKGROUND AND DISCUSSION

Article IV, Section 2 of the Authority's By-Laws provides for the election of its non-statutory officers. Section 3 of the same Article provides that such non-statutory officers shall hold office for a term expiring at the next annual Trustees' meeting or until their successors are elected.

RECOMMENDATION

It is recommended that the non-statutory officers provided for in Article IV of the By-Laws adopted December 18, 1984 and last amended in December 17, 1996, be elected by the Trustees to hold office for terms expiring at the next Annual Meeting of the Trustees in April 1998 or until their successors are appointed or elected, as follows:

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
John F. English	Senior Vice President - Corporate Planning
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Charles M. Pratt	General Counsel
Robert L. Tscherne	Senior Vice President - Energy Efficiency and Technology
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President - Project Management
Robert J. Deasy	Vice President - Appraisal and Compliance
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
William A. Josiger	Vice President - Engineering and Project Control
Russell J. Krauss	Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer - Power Generation
Gerard V. Loughran	Vice President - Human Resources
Harry P. Salmon	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Affairs
Arthur T. Cambouris	Assistant General Counsel

Gerald C. Goldstein	Assistant General Counsel
George W. Collins	Treasurer
Joseph J. Brennan	Internal Auditor
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

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

RESOLVED, That the following non-statutory officers of the Power Authority of the State of New York be, and each hereby is, elected pursuant to Section 2 of Article IV of the By-Laws, as adopted on December 18, 1984 and amended December 17, 1996, to hold office for a term expiring at the next annual Trustees' meeting or until their successors are appointed or elected:

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
John F. English	Senior Vice President - Corporate Planning
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Philip J. Pellegrino	Senior Vice President - Transmission
Charles M. Pratt	General Counsel
Robert L. Tscherne	Senior Vice President - Energy Efficiency and Technology
Arnold M. Bellis	Vice President - Controller
Woodrow W. Crouch	Vice President - Project Management
Robert J. Deasy	Vice President - Appraisal and Compliance
H. Kenneth Haase	Vice President - System Planning
John M. Hoff	Vice President - Procurement and Real Estate
William A. Josiger	Vice President - Engineering and Project Control
Russell J. Krauss	Chief Information Officer
Charles I. Lipsky	Vice President and Chief Engineer - Power Generation
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**6. Lease of Office Space - Centroplex Building
KPMG Peat Marwick LLP - 8th floor**

The President submitted the following report:

SUMMARY

The Trustees are requested to authorize the execution of a lease totaling approximately 23,204 square feet of office space on the 8th floor of the Centroplex Building, White Plains, New York by the Authority as landlord to KPMG Peat Marwick LLP ('KPMG') as tenant. The proposed lease to KPMG is for a term of ten years and nine months at an average annual fixed rent of \$19.00 per square foot, excluding electricity, plus adjustments to recover increases in taxes and operating expenses over a base year, as more specifically described in Exhibit '6-A' attached hereto.

BACKGROUND

The Authority acquired the Centroplex Building by deed dated July 10, 1991. This is a commercial office building with the majority of the existing space occupied by Authority personnel. Due to staff reductions, relocation of employees within the building, and expiration of leases with Travelers Insurance Company and the National Economic Research Association over the past few years, the Authority no longer has a need to occupy the 6th, 7th, and 8th floors. In July, 1995, the Authority engaged the real estate brokerage services of Rostenberg-Doern Company to solicit offers for leasing all or portions of this space.

DISCUSSION

KPMG is a global accounting firm with over \$4 billion in annual revenue. Corporate headquarters are located in New York City. KPMG has maintained a presence in White Plains for over 15 years and plans to relocate to 123 Main from its current leasehold at 11 Martine Avenue. KPMG's White Plains operations primarily consist of auditing, healthcare and consulting groups. Preliminary negotiations on this space have resulted in the basic lease terms set forth in Exhibit '6-A'. A review of local market conditions indicated that this transaction compares favorably to other deals recently completed in Downtown White Plains.

FISCAL INFORMATION

Payment for standard brokerage commissions, tenant improvements, and architectural and engineering fees as set forth in Exhibit '6-A' will be made from the Operating Fund.

RECOMMENDATION

The Director - Corporate Support Services, the Director - Real Estate, and the Vice President - Procurement and Real Estate recommend that the Trustees approve entering into a lease agreement with KPMG Peat Marwick LLP for commercial office space in the Centroplex Building on terms substantially in accordance with the foregoing and Exhibit '6-A'.

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

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In response to questions from Trustee Waldbauer, Mr. Hoff explained that the pay back for tenant improvement allowance will be approximately 2 ½ years. Mr. Hoff also explained that the brokerage commission will be paid out over a period of time as is standard in the real estate area. In response to questions from Trustee Miller, Mr. Delaney stated that staff is actively pursuing the possibility of leasing out additional WPO space, including the Jaguar Room. In response to further questions from Trustee Miller, Mr. Hoff explained that the lease to KPMG will refer to 1998 as the base year since the company will not take possession of the premises until October.

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

RESOLVED, That the President, the Senior Vice President - Business Services or the Vice President - Procurement and Real Estate be, and hereby is, authorized to enter into a lease agreement for office space in the Centroplex Building with KPMG Peat Marwick LLP on substantially the terms set forth in the foregoing report of the President; and be it further

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

BASIC LEASE TERMS

Authority to KPMG Peat Marwick LLP

- Premises:** Approximately 23,204 square feet on the 8th floor of the Centroplex Building.
- Initial Term:** Ten years and nine months, rent to commence nine months after delivery of all the demised space improved in accordance with the lease terms. The projected commencement date is October 1, 1997. Tenant reserves the right to terminate the lease on a one-time basis after five years of rent payments subject to reimbursement of all unamortized tenant improvements and brokerage commissions plus four months of rent.
- Fixed Rent:** For the first five years at \$417,672 annually or \$18.00 and for years six through ten, \$464,080 annually or \$20.00 per square foot.
- Electric:** Tenant is responsible for tenant use electricity by way of a submeter.
- Renewal Option:** Two five-year renewal terms at 95% of fair market value.
- Operating Escalation:** Pro-rata share of increases in operating expenses over a base year of 1998.
- Real Estate Tax Escalation:** Pro-rata share of increases in real estate taxes over a weighted average base year of 1998.
- Parking:** Tenant will be entitled to 40 parking spaces. Ten additional spaces shall be made available to tenant until such time that the balance of the 8th floor is leased. Reserved monthly charges are \$90.00 per space and unreserved charges are \$75.00 per space.
- Tenant Improvement Allowance:** Work letter of \$35.00 per square foot (total \$812,140), including architectural and engineering fees. All additional tenant improvement costs will be paid by tenant.
- Additional Space:** Tenant shall have a one-time right of first offer on all space that becomes available on contiguous floors during the initial and option terms. This is subordinate to previous commitments made to other tenants on the contiguous floors. Tenant also has the option to expand its premises by up to 2,000 square feet during the first year of the lease term.
- Brokerage Commissions:** The Authority will pay a standard Brokerage Commission.

7. 1996 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 1996 Annual Report of Procurement Contracts (Exhibit '7-A-1'), and the amended Guidelines for Procurement Contracts ('Guidelines') (Exhibit '7-A-2'), and to review open service contracts exceeding a year as detailed in the Annual Report (Exhibit '7-A-3').

BACKGROUND

Section 2879 of the Public Authorities Law, governs the administration and award of procurement contracts equal to or greater than \$5,000, and requires the Authority to annually prepare and approve a report on such contracts. The annual report must include a copy of the Authority's current procurement Guidelines, details concerning any changes to the Guidelines during the year and particular information concerning procurement contracts. The following additional information for each procurement contract included in the report must be identified: all contracts entered into with New York State business enterprises and 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 publication requirements, the basis for any such exemption and the status of existing procurement contracts.

The Authority's current Guidelines were approved by the Trustees at their meeting of October 31, 1989, were implemented as of January 1, 1990, and have been amended by the Trustees each year since their initial adoption.

Lastly, Section 2879 requires an annual review by the Trustees of open service contracts exceeding one year. Those long term service contracts exceeding a year and awarded after January 1, 1990, are included in the Annual Report. Open service contracts awarded prior to January 1, 1990 are listed in Exhibit '7-A-3'.

DISCUSSION

The 1996 Annual Report of Procurement Contracts is attached for review and approval by the Trustees (Exhibit '7-A-1'). This report reflects activity for all procurement contracts equal to or greater than \$5,000, as identified by the Authority's PARIS computer system, that were open, closed, or awarded in 1996, including contracts awarded in 1990 through 1995 that were completed in 1996, or were extended into 1997. All additional information required by the statute is also included. The Trustees are requested to approve the attached Report pursuant to Section 2879 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.

A copy of the revised Guidelines for Procurement Contracts, effective May 1, 1997 (Exhibit '7-A-2'), is attached to the Report. The revised Guidelines include clarification of requirements in the solicitation process. Specific changes to the Guidelines are noted in the attached 'red-lined' version of the Guidelines.

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RECOMMENDATION

The Vice President - Procurement and Real Estate recommends that the Trustees approve the 1996 Annual Report of Procurement Contracts, the revised Guidelines for Procurement Contracts, and review the open service contracts as attached hereto.

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

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

RESOLVED, That pursuant to Section 2879 of the Public Authorities Law and the Guidelines for Procurement Contracts adopted by the Authority, the Annual Report of Procurement Contracts, as listed in Exhibit 7-A-1 , and the revised Guidelines for the use, awarding, monitoring and reporting of Procurement Contracts (Exhibit 7-A-2) be, and hereby are, approved; and be it further

RESOLVED, That the open service contracts exceeding a year (Exhibit 7-A-3) be, and hereby are, reviewed.

**8. Procurement (Services) Contract - Indian Point 3
Nuclear Power Plant - Integrated Outage Services -
Westinghouse Electric Corporation - Award**

The President submitted the following report:

SUMMARY

The Trustees are requested to approve a change order in the estimated amount of \$20,000,000 to Westinghouse Electric Corporation ('Westinghouse') to provide integrated outage services for the 1999 and 2001 outages at the Indian Point 3 Nuclear Power plant ('IP3'). This is based upon a core group of tasks to be performed each outage, and actual work scopes and funding will be adjusted upward or downward as appropriate.

BACKGROUND

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

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

The removal of a nuclear power plant from service for refueling and maintenance is the single largest contributor to the reduction in plant availability. The shutdown for refueling has the multiple effect of reducing the capacity factor while incurring a large financial expenditure for the performance of physical work and the purchase of replacement power. Utilities throughout the world are successfully performing refuel outages that are in the four week time frame.

Over the life of the plant, the Authority has not completed a refuel outage at IP3 within the planned duration. For every day that an outage exceeds the planned duration, the Authority incurs up to \$300,000 a day in O&M expenses plus the additional purchased power expenses.

To improve the outage performance at IP3, Westinghouse (original equipment manufacturer ('OEM') and supplier of the nuclear steam supply system, the high pressure turbine and electrical generator) was contacted regarding a partnership agreement for integrated outage services (the Authority has a similar agreement with General Electric at the FitzPatrick plant), including outage planning. This relationship differs from the historical relationship that the Authority has had with Westinghouse as simply a service provider. Since Westinghouse is the OEM of the major nuclear and steam conversion components and the provider of many of the core outage activities, it is uniquely qualified to provide outage related services. Westinghouse is providing similar integrated outage services to many utilities, including Consolidated Edison Company of New York, Inc.'s Indian Point 2 Plant. The use of an integrated outage approach by Westinghouse at other Pressurized Water Reactor ('PWR') plants has significantly reduced outage duration. A notice was included in the Contract Reporter, published by the Department of Economic Development, to determine if there were any other firms interested in this work. There were no responses to the notice.

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At their meeting of November 26, 1996, the Trustees approved the award of an integrated outage services in the estimated amount of \$20,000,000 to Westinghouse for Refueling Outage 09 scheduled to commence in May, 1997.

DISCUSSION

Since the award of the 1997 Outage Services to Westinghouse, staff has been negotiating discounts and other considerations with Westinghouse if outage service for 1999 and 2001 were added to the contract scope. As a result of such negotiations, Westinghouse has agreed to the following:

1. Provide a discount of 5% for outage work performed in 1997, 1999 and 2001, resulting in an estimated discount pool of \$2,000,000. This amount will increase or decrease depending upon the final scope of work agreed upon for each outage. The defined scope will also be reduced to the extent that the Authority determines that is more efficient and cost effective to perform certain tasks with in-house staff. The discount pool can be used to purchase services or materials from Westinghouse (the latter must exceed \$120,000 in aggregate), which are competitively bid or negotiated on a sole source basis. The estimated discount pool for the 1997 outage will be \$1,000,000, which will be used to offset costs for materials and services to be purchased through 1999.
2. Westinghouse will at no cost provide an outage to outage (not exceeding 36 months) warranty for all work performed during the prior outage. This is in lieu of Westinghouse's standard warranty of one year. Westinghouse would typically charge an adder of 3% for such coverage.
3. Westinghouse will accept liability for removing any stuck studs on the reactor vessel, due to their non-conforming workmanship. While this likelihood is limited, the cost for removing a stuck stud can exceed \$300,000 for the first stud, with each additional stud exceeding \$100,000.
4. The Authority reserves the right to terminate services for the 1999 and 2001 outages for any of the following reasons:
 - (i) for cause
 - (ii) significant Westinghouse schedule delay
 - (iii) IP3 facility is permanently shutdown or sold
 - (iv) a third party operator or different operating company is formed. Westinghouse would be compensated for any multi-outage discount already used in the event this contract is not assigned to new operator or operating company

FISCAL INFORMATION

Payment for this work will be made from the appropriate approved 1999 and 2001 Operations and Maintenance and/or Capital accounts.

RECOMMENDATION

The Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Procurement and Real Estate, and the Senior Vice President and Chief Nuclear Officer recommend Trustees' approval of a change order in the estimated amount of \$20,000,000 to Westinghouse Electric Corporation for integrated outage support services in support of RO9 at the Indian Point 3 Nuclear Power Plant for the 1999 and 2001 outages, subject to the discounts and other conditions previously noted.

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

In response to questions from Trustee Miller, Mr. Hoff explained that there would now be a single contract with Westinghouse, rather than multiple agreements, which would foster greater efficiencies.

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

WHEREAS, that pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the change order with Westinghouse Electric Corporation is hereby approved for the period of time indicated, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Capital and O&M (1997 Budget)</u>	<u>Projected Closing Date</u>	<u>Expenditure Approval</u>
Indian Point 3 Nuclear Power Plant 1999 and 2001 Integrated Outage Services Change Order Westinghouse Electric Corporation	Dec. 31, 2001 or end of R011, whichever is later	<u>\$20,000,000</u>

**9. Procurement (Services) Contracts -
Clean Air for Schools Projects Program**

The President submitted the following report:

SUMMARY

The Trustees are requested to approve the award of four, three-year procurement contracts, with an option for a two year extension with the approval of the President and the Chairman, to the following firms: Goldman Copeland Associates, Harris Energy Systems, Parsons Brinckerhoff for downstate projects and Wendel Engineers and Harris Energy Systems for upstate projects for project management and program implementation services associated with the previously approved Clean Air for Schools Projects Program ('CASP'). The funds expended on this program will not exceed amounts made available by the State to the Authority from the Clean Water/Clean Air Bond Act of 1996 (the 'Bond Act') appropriations. The funds are to be disbursed to the Authority by the State of New York for the purpose of carrying out CASP as set forth in Section 56-0609 of the New York Environmental Conservation Law.

BACKGROUND

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

At their meeting of February 25, 1997, the Trustees approved the implementation of CASP using the Bond Act funds to be disbursed to the Authority by the State of New York for the purpose of carrying out CASP. The Trustees also authorized the Senior Vice President - Energy Efficiency & Technology to administer the Program with criteria consistent with requirements of the Bond Act and to establish a mechanism pursuant to which the funds will be distributed. The Trustees also approved an increase in the compensation limitation of the existing procurement contracts with Goldman Copeland Associates, P.C. and Parsons Brinckerhoff, which currently provide implementation services for the Energy Efficiency and Coal Conversion Pilot Program ('EECCP'). Goldman Copeland and Parson Brinckerhoff are currently expected to complete the coal conversion work for all 12 pilot schools by the fall of 1998. Contracts with these firms were initially approved by Trustees at their meeting of November 29, 1994.

As the General Contractor for the CASP, the Authority contracts for the conversion of existing coal-fired boilers plants to clean, modern, gas and/or oil-fired plants in qualifying public schools through the use of Implementation Contractors ('IC'). The services provided by the ICs will complement Authority headquarters office administrative staff resources in implementation of CASP. The typical contract scope-of-work will consist of the following:

- Facility audit consisting of site survey to identify opportunities for energy efficient building system improvements, as well as the conversion of the coal-fired boilers to clean, modern, gas and/or oil-fired boiler plants, including an estimate of the potential energy and operation and maintenance savings that the schools can expect through the conversion of the boilers and installation of recommend measures, and an estimate of the complete cost of implementation.

- Detailed design and engineering services of proposed system and measures identified in the audit report and approved by the Authority and the customer, including equipment specifications and cut sheets.
- Preparation of project design documents, including the bidding and contract specifications and drawings. These will describe the specific work to be performed at the school and the financial arrangements.
- Construction management, equipment procurement, and installation of proposed system and measures.
- Services for hazardous waste disposal and abatement of asbestos related to removal of asbestos-containing materials to facilitate boiler plant conversion.
- Quality assurance and warranty services and training of facility operations staff.

The installation of the recommended CASP improvements will be competitively bid by the ICs. The ICs guarantee the quality of all work performed by their installers.

The program will be directly administered by the Authority. The Senior Vice President - Energy Efficiency and Technology or his designee is authorized on behalf of the Authority to use existing agreements or, where necessary, to enter into new agreements with school districts or other entities under the Program to perform the projects.

DISCUSSION

In March 1997, the Authority requested bids relative to implementation of CASP from 18 consulting firms recognized for their experience in boiler plant design and retrofit projects for schools. Twenty-two additional bidders were added to the list as a result of the Authority's announcement in the Contract Reporter.

The Request for Proposal ('RFP') identified some very specific requirements for the bidders: experience providing the specific engineering and construction management functions, familiarity with current school district design requirements, and the capability to turnkey boiler conversions, including management of hazardous waste and asbestos abatement.

A bidders' conference was held on March 19, 1997 to explain the proposed scope of work and provide an opportunity for potential bidders to ask questions and seek clarification. The conference was attended by 22 firms.

On April 7, 1997, 13 bids were received. The firms responding included Black & Veatch, Burns & Roe, Flack & Kurtz, Energy Investment, Goldman Copeland, Harris Energy Systems, HEC Energy Services, Humphreys & Harding, Lakhani & Jordan, Parsons Brinckerhoff, Sear Brown, Syska & Hennessy and Wendel.

The criteria used to evaluate the bidders included experience with similar work, qualifications of key and support personnel, proposed project organization, compliance with Authority's minimum requirements, and proposed compensation schedule. Based upon the combined rankings three of the 13 proposals were eliminated

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from consideration as being non-competitive. These firms were Burns & Roe, Humphreys & Harding and Syska & Hennessy.

Using a weighted average scoring system, the bid evaluation team (consisting of staff from Contracts Administration and Energy Efficiency and Technology) reviewed the proposals and reached a consensus on a short list of bidders offering the best qualifications and pricing. These Firms were Flack & Kurtz, Goldman Copeland Associates, Harris Energy Systems, Parsons Brinckerhoff and Wendel. In addition, all five firms were invited to make oral presentations to the bid evaluation team. Based upon the oral presentations and review of the firms' qualifications, four firms Goldman Copeland Associates, Harris Energy Systems, Parsons Brinckerhoff and Wendel are recommended for CASP contract awards. A brief synopsis of the qualifications of the recommended firms is set forth below:

Goldman Copeland Associates

Goldman Copeland Associates ('GC') is experienced in all aspects of the scope of work identified in the RFP ranging from performing feasibility studies, design of coal conversion boiler plants and construction management. GC is a local New York City firm; they have extensive experience with the New York City School Construction Authority ('SCA') and Board of Education ('BOE') on coal conversion projects. GC has developed expertise specifically geared to NYC Public Schools, including many coal conversions and climate control upgrades, first for the SCA and over the past year for the Authority. In providing implementation services in connection with the Authority's EECCP, GC has responded to program needs by creatively fast-tracking efforts without sacrifice of thoroughness or quality. GC has a detailed in-place process for performing all facets of the CASP. This includes boiler plant conversion designs, construction management and commissioning of boiler plants. GC also offers the Authority a full service office of 72 people in New York City. To date, their performance has proven exemplary.

Harris Energy Systems

Harris Energy Systems has extensive energy services engineering experience with federal, state, private and utility clients. Harris provides Demand Side Management and related engineering services to numerous utility clients. Harris has been involved as a prime contractor in projects ranging from full turn-key direct install programs such as New England Electric's Systems' Small Commercial Industrial Program and Eastern Utilities Associates Energy Solutions Program and the Authority's Electrotechnologies Program. The Authority has been pleased with Harris' performance in the Electrotechnologies Program. Harris Energy System is based in Boston, MA and is a Subsidiary of Federic R. Harris Inc. which is based in Manhattan and employs over 100 people at its New York City location.

Parsons Brinkerhoff

Parsons Brinkerhoff ('PB'), a local New York City firm has provided services to the New York City Schools Construction Authority. PB has extensive experience in energy conservation studies/designs, boiler plant conversions, construction management and commissioning of boiler plants. PB was also awarded an Authority contract for implementation services related to the Authority's EECCP. Their performance to date has been satisfactory and their projects are proceeding as planned. PB also offers the Authority a strong local presence with a full-service regional office in New York City.

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PB has provided services to Brooklyn College; Hamot Medical Center; Kings County Hospital Center and the Adam Clayton Powell State Office Building. PB's engineer served as program managers responsible for preliminary evaluations, energy surveys and feasibility studies, design and construction management services.

Wendel

Wendel is a 110-person firm located in Buffalo which provides multidisciplinary design services including architecture, landscape architecture, civil, structural, mechanical and electrical engineering, and survey services. Wendel has demonstrated experience in the education market place, ranging from district-wide capital improvement projects to small-scale energy audits and retrofits. They have also undertaken projects which involve boiler upgrades, energy management systems, domestic hot water system upgrades and related electrical controls upgrades.

Wendel has worked closely with the State Education Department ('SED') to assure that all plans and specifications met SED guidelines and standards. Wendel's team has been involved in over 70 projects involving SED requirements and has worked with most of the current SED staff in developing these projects.

The decision to select multiple bidders was based on the anticipated workload. The bidders selected were ranked highest overall in terms of pricing, and greatest knowledge, capability and experience with the specialized requirements of implementing CASP. Initially, all upstate coal boiler conversion projects will be assigned to Wendel. However, should performance or workload issues dictate, upstate projects may also be assigned to Harris Energy Systems.

As with other Authority energy efficiency programs, compensation fees will be paid as a fixed percentage of the total equipment and installation cost for each project. Exhibit 'A' summarizes the compensation schedule for the recommended firms.

The Authority's contracts with the recommended consultants will include the Authority's Minority and Women-Owned Business Enterprise ('M/WBE') provisions, which state the following M/WBE goals:

Minority-Owned Business Enterprise Subcontracting Goal - 15%
Women-Owned Business Enterprise Subcontracting Goal - 10%

FISCAL INFORMATION

As previously authorized by the Trustees, expenditures for implementation services will be paid from the Bond Act funds made available to the Authority by the State of New York. In March 1997, \$22 million of such funds were transferred to the Authority. These funds, including any interest accruing on such funds until they are disbursed, are being held in an escrow account established by the Authority for the purposes of the Program.

The New York City Board of Education ('BOE') may supplement Bond Act funds with its share of City of New York's funds for energy efficient projects made available under The City of New York's long term power purchase agreement with the Authority. Such additional funds would be recovered from the City within ten years at the Authority's actual borrowing costs, including interest during construction.

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Certain climate control and distribution rehabilitation work in connection with the boiler conversion may be necessary for the proper performance of the heating system of a school. This rehabilitation work will be funded in progress and in full by the BOE and the School Construction Authority ('SCA'). The Authority's IC may be required to perform all work associated with the rehabilitation work which will be approved on a school-by-school basis by the BOE and SCA.

RECOMMENDATION

The Senior Vice President - Energy Efficiency and Technology recommends that the Trustees approve the award of contracts for project management and program implementation of the Clean Air for Schools Project Program to Goldman Copeland Goldman Associates, Harris Energy Systems, Parsons Brinkerhoff and Wendel in amounts not to exceed amounts made available by the State to the Authority from the Bond Act for a period of three years (with an option of a two year extension with the approval of the President and the Chairman) commencing on May 1, 1997.

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

In response to questions from Trustee Waldbauer, Mr. Tscherne explained that Authority staff is aware, due to having performed DSM work in the area previously, that there is an eligible coal-fired public school in Great Neck, L.I. In response to questions from Vice Chairman Frey, Mr. Tscherne outlined the specific criteria utilized in selecting the proposed contractors. In response to questions from Trustee Miller, Mr. Tscherne stated that the schools will not be required to reimburse the "grant" monies provided by the Bond Act, but that the Authority will recoup all of its own funds. Responding to questions from Trustee Ciminelli concerning the inclusion of coal-fired schools in Buffalo, Mr. Tscherne stated that the initial \$22 million provided under the Act will not suffice to cover all eligible schools statewide; however, it is anticipated that additional monies will be allocated by the Legislature in next year's budget for that purpose.

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

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RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award of contracts to Goldman Copeland Associates, Harris Energy Systems, Parsons Brinckerhoff and Wendel for consulting and implementation services in connection with the Clean Air for Schools Projects Program, for a period of three years, with an option for a two year extension, with the approval of the Chairman and the President, is hereby approved, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:

<u>Clean Air for Schools Program Implementation Services</u>	<u>Contract Approval</u>	<u>Projected Closing Date</u>
Goldman Copeland Associates	{Total Award not to Exceed amounts made available by the State to the Authority from the Bond Act appropriations}	04/30/00
Harris Energy Services		04/30/00
Parsons Brinkerhoff		04/30/00
Wendel		04/30/00

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10. Next Meeting

The next Regular meeting of the Trustees will be held on **Tuesday, May 20, 1997 at the New York City Office at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

11. Motion to Conduct Executive Session

Mr. Chairman, I move that the Authority conduct an executive session in connection with discussions regarding current litigation involving Niagara Mohawk Power Corporation. Upon motion made and seconded, an executive session was held.

(AFTER EXECUTIVE SESSION...)

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 was resumed in open session.

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Closing

Upon motion made and seconded, the meeting was closed at 12:50 p.m.

Anne Wagner-Findeisen
Corporate Secretary

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