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

September 30, 1997

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September 30, 1997

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

Present:	Clarence D. Rappleyea, Chairman
	Thomas R. Frey, Vice Chairman
	Frank S. McCullough, Jr., Trustee
	Hyman M. Miller, Trustee

Eugene W. Zeltmann	President and Chief Operating Officer
Robert A. Hiney	Executive Vice President - Project Operations
Peter W. Delaney	Senior Vice President - Business Services
James Knubel	Senior Vice President and Chief Nuclear Officer
Philip J. Pellegrino	Senior Vice President - Transmission
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Russell J. Krauss	Chief Information Officer
Arnold M. Bellis	Vice President – Controller
John M. Hoff	Vice President – Procurement and Real Estate
Charles I. Lipsky	Vice President and Chief Engineer
Gerard V. Loughran	Vice President - Human Resources
Stephen P. Shoenholz	Vice President - Public Relations
Ronald W. Ciamaga	Regional Manager – Northern New York
James J. McCarthy	Regional Manager - Central New York
Daniel P. Berical	Director - Intergovernmental Affairs
Jordan Brandeis	Director - Performance Planning
Frederick E. Chase	Director - Community Relations
Carmine J. Clemente	Deputy Counsel
John L. Murphy	Director - Public Information
Gary Paslow	Director – Policy Development
William Slade	Director - Environmental
James H. Yates	Director - Business Marketing & Economic Development
Joseph J. Carline	Assistant General Counsel
George W. Collins	Treasurer
Allison Shea	Attorney
Anne Wagner-Findeisen	Deputy Secretary

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

1. <u>Approval of the Minutes</u>

The minutes of the Regular Meeting held on August 26, 1997 and the Special Meeting held on September 11, 1997 were approved.

2. Financial Report for the Eight Months Ended August 31, 1997

3. Approval of Contract for the Sale of Expansion Power to Al Tech Specialty Steel Corporation

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a reallocation of four megawatts of Expansion Power, in Chautauqua County, to Al Tech Specialty Steel Corporation ("Al Tech") for the revitalization purposes.

BACKGROUND

"Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 megawatts of firm hydroelectric power as "Expansion Power" to businesses within the state located within 30 miles of the Niagara Project, provided that the amount of power (19,732 kW) allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

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

"Among the factors to be considered when evaluating a request for revitalization purposes are that the business is likely to partially close or relocate resulting in loss of jobs; the business is an important employer in the community; and the business has pursued other available sources of assistance to reduce energy costs.

DISCUSSION

"Al Tech is a wholly-owned subsidiary of Sammi Steel Ltd. of South Korea and is a large manufacturer of stainless steel, alloy and tool steel. The company is a major employer in both Chautauqua and Albany counties, and has a long history in New York State. Al Tech's corporate headquarters are at the Dunkirk plant consisting of approximately 100 acres of land, more than a million square feet under roof. Al Tech currently employs some 860 people, with an associated payroll of approximately $35 million. Al Tech also operates a large facility in Watervliet (Albany County) which provides raw material for the Dunkirk operations. Al Tech satisfied its contractual job commitment requirement for 1996.

"Al Tech has experienced declining profits over the last several years as a result of increased costs and foreign competition. Al Tech's Dunkirk plant would benefit from the reallocation of the low cost power to stay competitive and to continue operations at this facility.

"Al Tech currently has two allocations of Expansion Power , 2,800 kW and 4,000 kW, both being used at the Dunkirk facility. The 2,800 kW allocation is under a contract which terminates in the year 2006, and provides for a job commitment of 695 jobs. The 4,000 kW allocation provides for a job commitment of 945 which includes 250 jobs at its Watervliet.

"As the 4,000 kW allocation will expire at the end of this month, staff recommends the approval of an extension to December 31, 2006.

"The proposed allocation is supported by the Chautauqua County Industrial Development Agency.

"Al Tech's request was reviewed in accordance with the applicable criteria set forth in Part 460 of the Authority's Rules and Regulations governing the Allocation of Industrial Power (21 NYCRR 460 (1988)).

"Staff recommends that the Trustees approve the reallocation of four megawatts of Expansion Power for revitalization purposes to Al Tech. The allocation will help to reduce the Company's costs and will enable it to compete more effectively. In addition, the allocation will further secure the employment levels in Dunkirk as well as a substantial number of jobs in Watervliet.

RECOMMENDATION

"The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the reallocation of four megawatts of Expansion Power for revitalization purposes to Al Tech Specialty Steel Corporation.

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

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

RESOLVED, That the reallocation of four (4) megawatts of Expansion Power for revitalization purposes to Al Tech Specialty Steel Corporation be, and hereby is, approved for a term expiring December 31, 2006, as set forth in the foregoing report of the President; and be it further

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

4. Allocation of 4,000 kW Expansion Power

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve allocations of available Expansion Power, totaling four megawatts to three industrial companies.

BACKGROUND

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

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

DISCUSSION

"In accordance with the terms of the Power Authority Act, the Authority placed advertisements in northwestern newspapers seeking industrial customers who would expand and meet the criteria to receive an Expansion Power allocation in competition with a prospective allocation for Ingram Micro, Inc. The advertisement also solicits additional applicants for power allocation. Fourteen inquiries were received. Of these, 12 companies subsequently filed applications, of which, one company was from Chautauqua County (Monofrax, Inc.).

"Authority staff reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Two companies in addition to the prospective company, Ingram Micro, have been selected to be recommended to receive Expansion Power allocations. Monofrax, Inc. will be presented as a separate item at this Trustee meeting due to the nature of location for the recommended allocation.

"Staff recommends that the available Expansion Power be allocated among three companies, as set forth in Exhibit '4-A'. The Exhibit shows, among other things, the amount of power requested by each company, the recommended allocation and additional employment and capital investment information. These projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment. They are projected to result in the creation of a substantial number of jobs.

"There are nine companies for which staff is not recommending allocations as set forth in Exhibit '4-B'. One company had already started construction; one cannot utilize the additional power; one had received sufficient power per the Replacement Power Trustee item at the August 26, 1997 Trustee meeting; one had submitted an incomplete application, and the remaining five companies were not competitive in terms of jobs proposed.

RECOMMENDATION

"The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the allocation of four megawatts of Expansion Power to: Euro United Corporation; GM Powertrain Group - Tonawanda; and Ingram Micro Inc.

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

Trustee Miller questioned whether precluding an applicant who has already commenced construction work from receiving an allocation of power does not in effect penalize a company which has decided to expand. Mr. Yates responded in the negative, explaining that Expansion Power is intended to be an incentive rather than a reward, so that eligibility would be limited to applicants who undertake work as a direct result of receiving an allocation. Mr. Yates further explained, however, that a company which had previously commenced work would not be precluded from receiving economic development power under the Authority's "Power for Jobs" program.

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

RESOLVED, That the allocation of four megawatts of Expansion Power to: Euro United Corporation; GM Powertrain Group - Tonawanda; and Ingram Micro, Inc. be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

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

5. Allocation of 2,082 kW of Expansion Power in Chautauqua County

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve a 2,082 kW allocation of available Expansion Power, in Chautauqua County, to Monofrax, Inc. ('Monofrax')

BACKGROUND

"Under Section 1005 (13) of the Power Authority Act, the Authority may contract to allocate or reallocate directly or by sale for resale, 250 MW of firm hydroelectric power as 'Expansion Power' to businesses within the state located within 30 miles of the Niagara Project, provided that the amount of power (19,732 kW) allocated to businesses in Chautauqua County on January 1, 1987 shall continue to be allocated in such county.

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

"In accordance with the terms of the Power Authority Act, the Authority placed advertisements in northwestern newspapers seeking industrial customers who would expand and meet the criteria to receive an Expansion Power allocation in competition with a prospective allocation for Ingram Micro, Inc. The advertisement also solicits additional applicants for power allocation. Fourteen inquiries were received. Of these, 12 companies subsequently filed applications, of which, Monofrax from Chautauqua County, was one of the 12.

"Authority staff reviewed the applications and contacted the various applicants for more detailed information relevant to the selection process. Two companies in addition to the prospective company, Ingram Micro, have been selected to be recommended to receive Expansion Power allocations. Monofrax is being presented as a separate item at this Trustee meeting due to the nature of location for the recommended allocation.

DISCUSSION

"Monofrax is a direct wholly-owned subsidiary of Vesuvius Crucible Corp., and an indirect wholly-owned subsidiary of Cookson Group PLC. The company produces fused cast refractory blocks used primarily to line melting furnaces in the production of glass products. In addition to having heavily invested in this Falconer facility, Chautauqua County, over the last four years with major capital investments, Monofrax is considering a $1.5 million expansion and a $2.7 million new facility. The company has added 63 new jobs in anticipation of a new product line introduction and scheduled five additional jobs during 1997. Monofrax will commit to maintain a level of 380 jobs, a payroll which provides a total of $16.6 million to the economic benefits of New York State.

"A letter from R. James Gronquist, General Manager for the Board of Public Utilities, Jamestown, N.Y., was received. This letter documents that based on Monofrax receiving this allocation, the Jamestown Board will wheel this power and associated energy from their point of interconnection with Niagara Mohawk Power Corporation to the Monofrax facility.

"Staff recommends that the available 2,082 kW Expansion Power be allocated to Monofrax. The aforesaid projects will help to maintain and diversify the industrial base of Western New York and will provide new opportunities of employment in addition to the retention of approximately 374 jobs.

RECOMMENDATION

"The Manager - Business Power Allocations and Compliance recommends that the Trustees approve the allocation of 2,082 kW of Expansion Power to Monofrax, Inc.

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

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

RESOLVED, That the allocation of 2,082 kW of Expansion Power to Monofrax, Inc. be, and hereby is, approved on the terms set forth in the foregoing report of the President; and be it further

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

REPUBLIC NATIONAL BANK, Brooklyn/Kings County

Allocation: 1,000 kW of Economic Development Power and 1,462 jobs.

Background: Republic National Bank is a New York City-based commercial bank. The NYC Economic Development Corporation recommended an allocation of 1,000 kW to Republic. The company agreed to a total commitment of 1,462 jobs at the company level and in 1996, the total company employment averaged 3,137jobs/month. In addition, the company agreed to relocate and consolidate its back office and training facilities at One Hanson Place in Brooklyn, NY with commitment to retain 500 jobs at that location. In 1996, employment at the One Hanson Place site average 405 jobs/month. Republic has failed to meet its formal job commitment at One Hanson Place facility and New York City Public Utility Commission ("NYCPUS") has reduced its allocation from 1,000 to 700 kW.

The staff concurs with NYCPUS recommendation that the company's allocation be reduced 1,000 kW to 700 kW.

Recommendation: It is recommended that the Trustees reduce Republic National Bank's allocation from 1,000 kW to 700 kW, maintain the company employment commitment at 1,462 and reduce its job commitment at One Hanson Place to 345 jobs.

II. Allocations to Continue With No Change

BRENNER PAPER PRODUCTS COMPANY, Glendale/Queens County

Allocation: 700 kW of Economic Development Power and 165 jobs.

Background: Brenner Paper Company is a manufacturer of paper products which continues to recover from a downturn in 1993. In 1996, the company had an average monthly job rate of 137 as compared to its total job commitment of 165, thus meeting 83% of its total commitment. Employment figures for 1996 indicate job loss has stabilized and that the average monthly employment rate is holding steady at 137 jobs. The company has plans to increase the number of jobs at its facility in Queens. In addition, the company plans to purchase new equipment in anticipation of new orders which would result in an increase in employment. The company is working with the New York City Economic Development Corporation to improve profitability by reducing high lease costs on its building in Glendale. Staff recommends that Brenner Paper Products' allocation be maintained

Recommendation: It is recommended that the Trustees take no action at this time.

CERES CORPORATION, Niagara Falls/Niagara County

Allocation: 1,300 kW of Replacement Power and 83 jobs.

Background: Ceres Corporation is a start-up company which relocated from Massachusetts. The company is expanding its original product line, cubic zirconia diamonds, into high tech ceramic powder products.

In 1995, two major substations that serve the company failed, causing numerous operational problems. The time needed to correct this situation caused delays in product delivery and a significant loss of sales and revenues. Consequently, Ceres fell behind its expansion schedule and as a result employment figures were also affected. In

1996, Ceres had an average monthly employment level of 64 jobs or 77% of its total commitment. The company's monthly employment has been above 75 jobs (90% of 83 employment commitment) since November 1996. At the

end of second quarter 1997, the employment was at 90 jobs. Staff recommends that Ceres Corporation's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

DUNLOP TIRE CORPORATION, Buffalo/Erie County

Allocation: 6,000 kW of Expansion Power and 1,650 jobs.
250 kW of Replacement Power and 1,665 jobs

Background: Dunlop Tire Corporation ("Dunlop") manufactures tires for motorcycles, automobiles and trucks. In 1996, the company's employment rate averaged 1,419 jobs/month or 86% of its total employment commitment. In order to strengthen its ability to compete, Dunlop recently convinced its parent company to relocate its All Terrain Vehicle ("ATV") tire line from Japan to Tonawanda rather than sell the line to its competitor. Staff recommends that Dunlop's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

LEROY INDUSTRIES INC., LeRoy/Genesee County

Allocation: 1,300 kW of Economic Development Power and 312 jobs.

Background: LeRoy Industries, Inc. ("LeRoy") is a manufacturer of automobile and light truck spindles and knuckles, which attach the wheel to the axle. In 1996, the company's employment rate averaged 261 jobs/month or 84% of its total employment commitment. The company is fully utilizing its allocation and has a high Jobs/MW ratio for this allocation. The company has hired additional sales force to go after additional markets. Staff recommends that LeRoy's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

LIPE-ROLLWAY CORPORATION, Liverpool/Onondaga County

Allocation: 1,000 kW of Economic Development Power and 280 jobs

Background: Lipe-Rollway manufactures a broad range of bearings and bar feed attachments for machine tools. In 1996, the company's employment rate averaged 243 jobs/month or 87% of its total employment commitment. A $3 million investment is underway that would create additional jobs Staff recommends that Lipe-Rollway's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

MARKIN TUBING, A DIVISION OF M&R INDUSTRIES, INC.,
Pearl Creek/Wyoming County

Allocation: 1,200 kW of Economic Development Power and 145 jobs.

Background: Markin Tubing produces small-diameter welded steel tubing used by the automobile and appliance manufacturers. In 1996, the company's employment rate averaged 120 jobs/month or 83% of its total employment commitment. The company has continued to upgrade existing equipment and add new equipment. Capital additions in 1996 and early 1997 amounted to $1.5 million. Due to a temporary downturn in sales to the appliance and automotive markets, this is the first time Markin Tubing has fallen below its threshold employment of 90%. The company expects to increase employment throughout 1997. Staff recommends that Markin Tubing's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

NEW YORK ENVELOPE CORPORATION, Long Island City/Queens County

Allocation: 1,350 kW of Economic Development Power and 588 jobs.

Background: New York Envelope Corporation manufactures paper envelopes in facilities located in Queens and Brooklyn. In 1996, New York Envelope's monthly job rate averaged 422 jobs, or 72%, of its total commitment. The company is seeking a new location in New York City to consolidate the company's operations, and the new location could result in recovery of the jobs lost. New York City Economic Development Corporation Staff is assisting the company in the search for a new location. New York City Public Utility Service will continue to monitor the company's consolidation and employment levels. Staff recommends that New York Envelope's allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

OCCIDENTAL CHEMICAL CORPORATION, Niagara Falls/Niagara County

Allocation: 16,000 kW of Replacement Power and 1,232 jobs.

Background: Occidental Chemical Corporation is a leading producer of commodity chemicals and plastics. In 1996, the company's employment rate averaged 902 jobs/month or 73% of its total employment commitment.

In 1996, Occidental exceeded its job commitment requirements for Expansion Power at the Grand Island facility with a monthly average of 157 jobs or 124% of its total commitment. However, Occidental fell below its commitment of 1,232 jobs on its Replacement Power contract for its Niagara Falls facility with 994 Erie and Niagara jobs, or 81% of the company's total employment commitment. This was due to the closing of the company's Durez plant. Although Occidental is expanding its specialty products business it is anticipated that the jobs associated with the Replacement Power contract will continue to fall short of its total commitment in the near term.

According to the terms of its contract, Occidental could potentially lose 4,000 kW of its Replacement Power allocation as a consequence of the job shortfall on that contract. The company is planning on additional expansions in Western New York, which will result in additional employment. Staff recommends that Occidental's specialty chemical expansion in Western New York be monitored closely and this allocation be maintained to support their planned growth.

Recommendation: It is recommended that the Trustees take no action at this time.

SGL CARBON CORPORATION, Niagara Falls/Niagara County

Allocation: 3,200 kW of Expansion Power and 188 jobs.

Background: SGL Carbon Corporation ("SGL") has had an Expansion Power contract since 1989 and qualifies as a "vintage"* customer. As a vintage customer, SGL is required to maintain 80% of baseline employment of 188 jobs (150 jobs). In 1996, SGL's monthly employment average was 118 jobs or 63% of its total job commitment on the Expansion Power contract.

The monthly employment has been steadily increasing since September 1996 and reached 154 jobs in July 1997. Staff recommends that SGL's allocation be maintained.

Recommendation: It is recommended that the Trustees maintain SGL Carbon Corporation's allocation of 3,200 kW of Expansion Power at this time.

SORRENTO CHEESE CO., INC., Buffalo/Erie County

Allocation: 250 kW of Replacement Power and 402 jobs.

Background: Sorrento Cheese Co. Inc. ("Sorrento") manufactures mozzarella, ricotta cheese, and powdered whey. In April 1991, Trustees approved 250kW of Replacement Power. Sorrento committed to add 12 new jobs to an existing 390 base employment and retain 402 jobs. In 1996, the company's employment rate averaged 256 jobs/month or 64% of its total employment commitment. Based on 1996 employment, the company has a high jobs/MW ratio of over 1000 Jobs/MW. Staff recommends that the Trustees maintain Sorrento's allocation at 250 kW (minimum) and reduce its 402 jobs to 250 jobs.

Recommendation: It is recommended that the Trustees maintain Sorrento's allocation at a minimum level of 250 kW and reduce the company's job commitment from 402 jobs to 250 jobs.

STEUBEN FOODS CORPORATION, Elma/Erie County

Allocation: 5,000 kW of Economic Development Power and 500 jobs.

Background: Steuben Foods is a leading developer and processor of milk based aseptic beverages and desserts in the United States. In 1996, Steuben Foods maintained an average monthly employment rate of 431 jobs or 86% of its total employment commitment. Steuben Foods now has a long-term agreement with Yoo-Hoo for the production of all their aseptic products which used to be manufactured in Canada. Beginning this summer, Steuben Foods commenced production of asceptic soy milk for the largest marketer of soy milk in the world. The success of the new agreements will produce more high quality good paying jobs at Steuben Food's Elma plant. It is recommended that the Trustees continue this allocation

Recommendation: It is recommended that the Trustees take no action at this time.

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* **"Vintage"** allocations refer to those Expansion Power customers who have signed contracts before 1989 and have negotiated a target job ration of level 80% versus 90% for other Expansion Power customers.

THE GUNLOCKE CORPORATION, Wayland/Steuben County

Allocation: 5,000 kW of Economic Development Power and 765 jobs.

Background: The Gunlocke Corporation ("Gunlocke") is a manufacturer of steel office furniture. In 1996, Gunlocke's monthly employment average was 578 jobs or 76% of its total job commitment.

Gunlocke is experiencing a major upturn in business and feels it will meet and exceed its employment targets by end of 1st quarter 1998. Gunlocke is experiencing trouble getting skilled help to travel or move to Wayland, NY and has expanded its search radius. As of September 1997, the company reported that its employment level is at 735 and is expected to be over 765 employment level in 1998. Staff recommends that the allocation be maintained.

Recommendation: It is recommended that the Trustees take no action at this time.

TRICO PRODUCTS CORPORATION, Buffalo/Erie County

Allocation: 250 kW of Expansion Power and 350 jobs.

Background: Trico is a manufacturer of windshield wipers. In 1996, Trico's monthly employment average was 274 jobs or 78% of its total job commitment on the Expansion Power contract.

Last year, the allocation was reduced from 300 kW to 250 kW. Staff recommends the company's allocation be maintained at the minimum level of 250 kW.

Recommendation: It is recommended that the Trustees take no action at this time.

WESTWOOD SQUIBB PHARMACEUTICALS, INC., Buffalo/Erie County

Allocation: 500 kW of Replacement Power and 705 jobs.

Background: Westwood Squibb is a pharmaceutical company engaged in R&D and production of dermatologicals. In 1996, Westwood Squibb maintained an average monthly employment rate of 572 jobs or 81% of its total employment commitment. Westwood Squibb announced closing of its Buffalo plant in August 1996. Since that time, the company has experienced substantial volume increase and increased substantially the total number of employees at the plant. In June 1997, the employment at the Buffalo site was 633, meeting the minimum requirement at the 90% level. It is recommended that the Trustees continue this allocation

Recommendation: It is recommended that the Trustees take no action at this time.

III. Allocations to Continue With Job Commitment Changes for Productivity Improvements

AMERICAN AXLE AND MANUFACTURING, INC., Buffalo/Erie County

Allocation: Total:5,900 kW
2,700 kW of Expansion Power and 1,812 jobs
3,200 kW of Replacement Power and 1,812 jobs

Background: American Axle and Manufacturing, Inc. ("American Axle") is a major manufacturer of drive axles, steering gears and linkage for several major auto manufacturers including General Motors. At 671 jobs/MW on its Expansion Power contract and 566 jobs/MW on its Replacement Power contract, American Axle is a high jobs/MW customer. The company has requested a reduction of its job commitments on both the Expansion Power and Replacement Power allocations from 1,812 jobs to 1,766 jobs due to productivity improvements. American Axle has spent $50 million on updating machines, re-arraignment of work space, and utilization of robots in paint booths and repetitive work areas. Staff visited the plant, reviewed the processes and documentation and concur that the customer has met the criteria for a job commitment reduction as outlined in the contract.

Recommendation: It is recommended that the Trustees reduce American Axle's employee commitment on its Expansion and Replacement Power allocations by 46 jobs each and readjust the job commitment level from 1,812 jobs to 1,766 jobs/contract.

FORD MOTOR CO. (STAMPING PLANT), Buffalo/Erie County

Allocation: Total: 7,200 kW
4,300 kW of Expansion Power and 2,154 jobs
2,900 kW of Expansion Power and 2,154 jobs

Background: The Ford Stamping Plant is one of two plants that manufacturer hoods, side panels, rear panels, roofs, and trunk decks for all of Ford's assembly plants. A high Jobs/MW customer, the Ford Motor Company averages 501 jobs/MW on one of its Expansion Power contracts and 743 jobs/MW on its other Expansion Power contract. The company has requested an employment commitment reduction of 50 jobs on each contract for a total of 50 jobs due to productivity improvements. The company has spent $55 million on coil feed project, self-guided vehicles, adhesive application system and Interpress robots. Other productivity improvements include: re-alignment of existing presses into a series of configurations with robots moving parts between machines and the addition of robot operated material handling trucks. Staff visited the plant, reviewed the processes and documentation and concur that the customer has met the criteria for a job commitment reduction as outlined in the contract.

Recommendation: It is recommended that the Trustees reduce Ford Motor's employee commitment by 50 jobs from 2,154 to 2,104 jobs on both its Expansion Power contracts.

GENERAL MOTORS CORPORATION
(DELPHI / HARRISON RADIATOR), Lockport/Niagara County

Allocation: 14,300 kW of Expansion Power and 6,668 jobs.

Background: General Motors Corporation (Delphi/Harrison Radiator) ("GM-DELPHI") manufactures heat exchanger equipment for the auto, construction, and military industries. The company's jobs/MW ratio is 466 jobs/MW.

GM-Delphi has requested a reduction in jobs from 6,668 to 6,516 jobs due to productivity improvements. The company has spent $6 Million on the following productivity measures: re-alignment of work spaces, the consolidation of jobs, replacement of old furnaces with state of the art automatically fed furnaces, major product redesign from copper to aluminum radiator cores and steel to plastic molded valves, installation of automated tube assembly and automated core stacking. Staff visited the plant, reviewed the processes and documentation, and concurs that the customer has met the criteria for a job commitment reduction as outlined in the contract.

Recommendation: It is recommended that the Trustees reduce GM-Delphi's employee commitment from 6,668 jobs to 6,516 jobs.

TAM CERAMICS INC., Niagara Falls/Niagara County

Allocation: Total: 14,115 kW
3,000 kW of Expansion Power and 224 jobs.
11,115 kW of Replacement Power and 306 jobs.

Background: TAM Ceramics Inc. is a major producer of titanium and zirconium products used in the electronics, ceramics and metallurgical industries. TAM Ceramics qualifies as a "vintage" customer.

In 1996, TAM Ceramics met its total job commitment for its Expansion and Replacement Power allocations. The company had an average employment of 310 jobs or 101% for its total Replacement Power allocation in 1996.

TAM Ceramics has requested a reduction in jobs on its Expansion Power from 224 to 220 jobs and on its Replacement Power contract from 306 jobs to 302 jobs due to productivity improvements. Through cooperative effort by union representatives and management, TAM Ceramics was able to combine responsibilities of four furnace operator helpers and four crusher operators. Of the $9 million the company spent in 1996, more than $7 million went towards product and process improvements and production expansion.

Recommendation: It is recommended that the Trustees reduce TAM Ceramics' Replacement Power job commitment from 306 to 302 and reduce its Expansion Power job commitment from 224 to 220 jobs due to productivity improvements.

RECOMMENDATION

"The Director - Business Marketing and Economic Development recommends that the Trustees approve reductions in power allocations and job commitments for four companies as outlined in this item; that the Trustees defer action with regard to the other 14 companies specifically addressed in this item; that the Trustees approve a lowering of the job commitment levels for four companies due to productivity improvements as outlined in this item. In addition, it is recommended that the Trustees authorize the Director - Business Marketing and Economic Development to provide written notice to those companies whose power allocations and/or job commitments are being reduced.

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

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

RESOLVED, That the Authority hereby approves the reduction of power allocations and job commitments to four companies; defers action with respect to the 14 other companies identified in the report; and reduces job commitments to four companies for productivity improvements; and be it further

RESOLVED, That the Director - Business Marketing and Economic Development be, and hereby is, authorized to provide written notice to these companies whose allocations and job commitments are being reduced.

7. Electric and Fuel Hedging Authorization

The President submitted the following report:

SUMMARY

"The Trustees are requested to review and approve (1) the attached Guidelines for hedging fossil fuel and electricity purchases and sales in Exhibit '7-B', (2) the execution of master agreements or similar industry standard documents for the hedging of fossil fuel and electricity purchases and sales, and (3) entering into specific hedging transactions under such master agreements or related documents as may be deemed necessary or advisable by senior management through a competitive selection process.

BACKGROUND

"The Authority's current Expenditure Authorization Procedures, while covering physical fuel and electric purchases and sales, do not include financial hedging within their scope for electric purchases and sales and only provide for limited fossil fuel hedging. Therefore, the Trustees are requested to authorize staff to enter into various fuel and electric hedging contracts not to exceed (a) the fuel consumption associated with the maximum electrical generating output of the Authority's fossil fuel facilities; (b) sale of excess energy available from the Authority's electrical generating facilities after all customer contractual requirements have been met; or (c) purchases from others in support of such customer contractual requirements.

"The authorizations requested hereunder are intended to supercede those approved by the Trustees at the June 25, 1996 meeting with respect to fossil fuel hedging. Staff's ability to enter into fossil fuel Master Agreements (or similar industry standard documents) and to utilize a greater diversity of financial hedging products/tools will be significantly enhanced as a result of the approval of the recommendations contained in this item.

"The Authority in support of its customer requirements purchased over $81 million of oil and natural gas for its fossil plants and over $118 million of power to fulfill its contractual requirements to customers in 1996. In 1997 similar amounts are expected to be expended for fuel and power while at the same time the Authority is expected to generate power sales of over $90 million in the spot market above it's contractual requirements to customers. All of these transactions are subject to price fluctuations in the marketplace and could be hedged either through financial instruments or physically by buying or selling longer term as opposed to spot market.

DISCUSSION

"In order to operate effectively in a competitive environment, the Authority needs the tools to hedge fossil fuel and electricity purchases and sales in what can be a very volatile market. Tools available for hedging the cost of oil, natural gas and electricity include: puts (floors), calls (ceilings), futures, swaps and swap options. A definition of each such tool is set forth in Exhibit '7-A'.

"The use of these hedging tools, which is common practice within energy service companies, would allow the Authority to lock in prices for a period up to 18 months or longer, effectively reducing its exposure to fuel and electric price volatility. All such hedging transactions would be pursuant to master agreements or similar industry standard documents setting forth general terms and conditions of each contract. It is staff's intention to enter into master agreements (or related/similar documents) with several qualified financial entities. Many of these entities already have business relationships with the Authority. Individual hedging transactions under the master agreements would be secured through competitive bidding and would be governed by the attached Guidelines, as set forth in Exhibits '7-B' and '7-B1', covering electric and fossil fuel requirements, respectively.

"In utilizing hedging instruments, it is the Authority's goal to be as competitive as possible while maintaining a predictable revenue stream using the same risk management tools available to other energy providers and public power agencies. Lower Colorado River Authority, Jacksonville Electric Authority, Bonneville Power Administration and the Tennessee Valley Authority, all currently use fossil fuel or electric hedging instruments to reduce price volatility on a regular basis.

"The Authority intends to use hedging as a conservative response to the problem of market price fluctuation and operational uncertainty (e.g., unplanned outages). In fact, doing nothing is to take a risk position because adverse movements in prices can affect net revenues. Hedging can restructure this exposure to unpredictable large price movements just like an insurance policy protects against an unanticipated loss in asset value.

"One example of how hedging could be used by the staff to reduce the Authority's electric sales price risk involves the use of futures contracts. Excess power that would be available in future months for sale at spot market prices could be sold forward by using a futures or forward contract. Sales by the Authority under forward contracts would serve as an insurance against any unanticipated drop in the market price of electricity and subsequent reduction in revenues. While there are currently no futures contracts traded for delivery in the Northeast, these contracts, when available, such contracts would allow the Authority to efficiently execute this strategy. Prior to the establishment of a delivery point in the Northeast (expected in late 1998 or early 1999) and a futures contract for that point, certain options contracts may be used to implement this strategy. (Three examples of how financial hedges might be used at the Authority have been provided in Exhibit '7-C'. The Authority's exposure under any of these contracts is limited by the attached Guidelines, which state that the maturity date of financial instruments may not exceed 18 months. In the case of electric hedges, the transaction shall not exceed the maximum amount of purchases from others in support of customer contractual requirements and/or the excess energy available from the Authority's electrical generating facilities after all customer contractual requirements have been met. Fossil fuel hedges shall not exceed the fuel consumption associated with the maximum electrical generating output of the Authority's fossil fuel facilities, and all hedging will be effectuated for risk management purposes and not speculation.

"In addition, all fossil fuel and electric hedging transactions will be reported to the Trustees for review bi-annually.

FISCAL INFORMATION

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

RECOMMENDATION

"The Senior Vice President - Transmission and the Executive Vice President - Project Operations recommend that the Trustees approve the attached Guidelines and approve the execution of master agreements or similar industry standard documents for the hedging of fossil fuel and electricity purchases and sales, as well as entering into specific hedging transactions pursuant to such master agreements or related documents, as described above.

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

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

RESOLVED, That the attached Guidelines Governing Electric and Fuel Hedging be, and hereby are, approved; and be it further

RESOLVED, That the Chairman, the President, or their designee(s) are, and each of them, hereby is authorized to enter into master agreements or similar industry standard documents having such terms and conditions as he may deem necessary or advisable, which are hereby approved, with such entities as each may select as advisable so as to effectuate the purposes expressed in the foregoing report of the President, which selections are hereby approved; and be it further

RESOLVED, That the Chairman, the President, or their designee(s) are, and each of them hereby is, authorized to execute such supplements to, or confirmations of, the master agreements referenced above, as the Chairman, the President, or their designees may deem necessary or desirable through a competitive selection process in accordance with the attached guidelines to effectuate the hedging of fossil fuel and electricity purchases and sales, including, among other things, option contracts (including puts and calls), futures contracts, swap contracts, and options on swap contracts; and that the Chairman, the President, or their designee(s), are, and each of them hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, requests, demands, directions, consents, approvals, confirmations, orders, applications, agreements, certificates, supplements, and further assurances or other communications of any kind under the corporate seal of the Authority or otherwise as he, she or they may deem necessary, advisable or appropriate to effectuate the intent of these resolutions or to comply with the requirements of the master agreements or similar industry standard documents referenced above; and be it further

RESOLVED, That all hedging transactions referenced above will be governed in accordance with the guidelines in Exhibit "7-B" and "7-B1" and will further be subject to such policies, procedures, and internal controls of the Authority as are applicable to ensure their proper use.

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

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '8-A' for the Indian Point 3 ('IP3') and James A. FitzPatrick ('JAF') Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. In addition, the Trustees are requested to approve an increase in the compensation ceiling of the procurement contract with Maytag Corp., for the procurement of super efficient refrigerators in support of the Authority's Public Housing Energy Efficiency Program, to $10,703,000 from the previously approved ceiling of $6,160,000. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

BACKGROUND

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

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

DISCUSSION

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

"Although the firms identified in Exhibit '8-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

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

"Extension of each of the contracts identified in Exhibit '8-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a

proprietary technology or specialized equipment at reasonable negotiated rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to the IP3 Continuous Improvement Program, support of Refuel Outage 9 ('RO9'), as well as post-outage activities.

Contracts in Support of the Nuclear Plants:

"The contract with **GE Nuclear Energy (C96-Z0040)** provides for the preparation of a complete engineering package for a contingency modification in support of the repair of Reactor Pressure Vessel core spray pipe cracking at the JAF, as well as the procurement of material and installation, if needed. The original award, which was competitively bid, became effective on August 29, 1996 for a term of one year. Although the engineering has been completed, and the replacement piping and related parts have been fabricated, a twenty-two month extension of this contract is requested in order for GE to stand by and partially mobilize for contingency readiness in the event cracking is found during the next In-Vessel Visual Inspection of the core spray piping during Refueling Outage 13, currently scheduled for the end of 1998. The current contract amount is $1,296,000. The Trustees' approval is requested to extend the subject contract through June 30, 1999, with no additional funding requested. It should be noted that the total contract amount is subject to a rebate from GE.

"The contract with **Stone & Webster Engineering Co. (C96-Z0042)** provides for engineering services for the Electrical Distribution System load management model update for the IP3. The original award, which was competitively bid, became effective on September 23, 1996 for a term of one year. A one-year extension is requested in order to complete the original work scope, which was delayed due to emergent issues related to pre-outage and outage work. The current contract amount is $220,200; only $70,000 has been expended to date. The Trustees' approval is requested to extend the subject contract through September 22, 1998, with no additional funding requested.

Contracts in Support of Headquarters; Law Department; Energy Efficiency & Technology Business Unit; the Niagara Project; and the Frederick R. Clark Energy Center:

"The contract with **Executive Education Network (S96-82448)** provides for the installation of satellite and other receiving equipment for a Distance Learning Center and establishment of an Executive Development Program at the Authority's White Plains Office ('WPO') and JAF. The program is supported by computer-based business and management courses available to upper management in "electronic classrooms" at these two locations. The original award, which was competitively bid, became effective on August 1, 1996 for a term of one year. A one-year extension is now requested in order to complete the original scope of work. Although the installation of the receiving equipment at WPO was completed in March 1997, the JAF installation had been postponed due to negotiations with a potential outside operator for that site. The current contract amount is $21,000. This firm lump sum includes a one-time $4,500 enrollment fee per site as well as $1,000 for monthly registration fees per site for a six-month pilot program. Authority staff will evaluate these services upon completion of the pilot, and determine whether to modify, expand or terminate services. The Trustees' approval is requested to extend the subject contract through July 31, 1998 with no additional funding requested at this time.

"The contract with **Franklin G. DeFazio (S96-85620)** provides for technical analyses of the Niagara River's ice carrying capacity and expert witness testimony in connection with the DiLaura v. Power Authority litigation, which has been ongoing in state and federal court, for years. The outcome of this case may affect how the Niagara Project is operated during periods of adverse winter weather conditions as well as revenue from the Project. For the last several years, the Authority has utilized the services of Mr. DeFazio, who was formerly employed by the firm Stetson-Harza, Inc. At their meeting of September 24, 1996, the Trustees approved these services under the Stetson-Harza contract through June 30, 1999. Mr. DeFazio subsequently left the Stetson firm to work on his own. In view of his expertise in the subject matter and his thorough familiarity with the DiLaura case, staff recommended that the Authority continue to work with Mr. DeFazio in this matter. A new contract became effective on January 1,

1997, for an initial term of one year, with an option to extend services for two additional years. In February 1997, the State court granted part of the Authority's motion to dismiss several of plaintiffs' causes of action in the state complaint; plaintiffs have served notice of appeal. Mr. DeFazio's services continue to be required for trial preparation. The Trustees are requested to approve exercising the option for a two-year extension in the contract with Mr. DeFazio. The current contract amount is $40,000. The Trustees' approval is requested to extend the subject contract through December 31, 1999, with no additional funding requested at this time.

"The contract with **IMCOR (S96-82913)** provides for the consulting services of James Clemence, a professional with extensive experience in organizational development. Mr. Clemence has been working on executive development/succession management for the Authority, such as the '360 degree feedback reports' and development plan outlines. Mr. Clemence has been developed the Executive Influence program and has extensive knowledge of the case materials he developed to support this program. The original award, which became effective on August 26, 1996, was for an initial term of less than one year. The President authorized an interim one-month extension through September 30, 1997, to enable Mr. Clemence to serve as a facilitator of the Executive Influence program that was unveiled earlier this month. The current contract amount is $167,250; it is estimated that an additional $35,000 may be required for the extended term. The Trustees' approval is requested to ratify the one-month extension previously authorized by the President and, to approve an additional three-month extension through December 31, 1997, and additional funding, up to $35,000 if needed.

"The contract with **Johnson/Hehr Associates Inc. (S96-82537)** provides for conceptual and detailed design services for new visual, audio, and "hands-on" exhibits and displays for the Authority's Blenheim-Gilboa Visitors' Center. Work scope included engineering consulting services, cost estimates, and preparation of construction bid specifications. The original award, which was competitively bid, became effective on August 1, 1996 for a term of up to one year. Due to additional design changes made during the process, as well as construction permit application requirements, the work was not completed during the original time frame. A two-month interim extension through September 30, 1997 was authorized in order to continue the original work scope. A ten-month extension is now requested in order for the firm to provide technical data and drawing revisions necessary for construction permit applications, and to provide engineering review, if necessary, of equipment and manufactured components during the fabrication and installation of the new exhibits. The current contract amount is $51,430; it is estimated that an additional $8,000 will be required for the extended term. The Trustees' approval is requested to ratify the previously authorized two-month extension, and to approve an additional ten-month extension through July 31, 1998, as well as the additional funding.

"The contract with **Kalkines, Arky, Zall & Bernstein, LLP (S96-85685)** provides for legal services in connection with a pending arbitration involving the Consolidated Edison Company of New York, Inc. regarding unpaid IP3 demand charges. The original award, which was the result of a competitive search, became effective on December 2, 1996. A three-year extension is now requested in order to continue services on an "as required" basis until all issues related to this matter are resolved. The current contract amount is $300,000. The Trustees' approval is requested to extend this contract through December 31, 2000 with no additional funding requested at this time.

"The contract with **Maytag Corp. (S95-76977)** provides for the furnishing and delivery of super efficient refrigerators for the New York City Housing Authority ('NYCHA'). The installation of the new refrigerators and the removal of the old units are provided by another vendor under a separate agreement. At their meeting of October 31, 1995, the Trustees approved the award of refrigerator procurement contracts to both General Electric and Maytag Corporation for the purchase of the most energy efficient refrigerators available for the Authority's Public Housing Energy Efficiency Program, in a total amount not-to-exceed $12,700,000. The contract with GE was executed first, through December 31, 1996, in the amount of $6,520,326. The contract with Maytag Corp. became effective on January 1, 1997, in the amount of $6,160,000, for an initial term of one year. Because the NYCHA indicated greater satisfaction with the Maytag units, which utilize only 437 kW hours annually, the Authority conducted a competitive search of five refrigerator manufacturers to meet this standard; Maytag was the only manufacturer able to provide units with the requisite energy efficiency level. A one-year extension to the Maytag contract is therefore requested in order to complete the original work scope, which involves the procurement

of 14,000 additional 15 cubic ft. Magic Chef refrigerator units, which utilize 437kW per unit. The current contract amount is $6,160,000. It is currently anticipated that an additional $4,543,000 will be required for the extended term. Trustees' approval is requested to extend the subject contract through December 31, 1998 and to approve the additional funding, thereby increasing the compensation ceiling of the contract with Maytag to $10,703,000.

"The contract with **McGrath Industries (S96-84585)** provides for all necessary labor, tools, and equipment for the removal and installation of flashboards and boat warning system buoy anchors, as well as for sill plate grouting, at the Authority's Crescent and Vischer Ferry Projects. The original award, which was competitively bid, commenced on November 1, 1996 for an initial term of one year, with an option to extend for two additional years. A two-year extension is now requested in order to continue services and exercise the option in the original contract. The current contract amount is $58,195. It is estimated that an additional $120,000 will be required for the extended term. The Trustees' approval is requested to extend the contract with McGrath through October 31, 1999 and to approve the additional funding.

"The contract with **Scrufari Construction Company, Inc. (S96-84309)** provides for renovation services (Phase 1) at the Niagara Power Vista Visitor Center. Work includes, but is not limited to, the following: plaster and acoustical tile ceiling; lighting and emergency lighting; spray-on fireproofing; thermal insulation on piping and HVAC ducts and fans; automatic wet pipe sprinkler system; fire alarm and detection system; fire damper and access panels; exit signs; painting; and patio exterior exit stairs and fencing. The work areas for this Phase 1 renovation include the RS level, observation building, and reception building. This contract, which was competitively bid, became effective on October 22, 1996, for a term of less than one year. Although a substantial amount of work has been performed, it could not be completed within the original term due to a schedule change made by the Authority; work was stopped in order to re-open the Visitor Center. A five-month extension is requested in order to complete the original work scope. The current contract amount is $1,759,819. It is estimated that an additional $200,000 will be required for the extended term to cover expenses incurred due to the prior work stoppage, demobilization, remobilization costs, and scope additions. The Trustees' approval is requested to extend the subject contract through March 31, 1998 and to approve the additional funding.

"The contract with **William Walker Inc. (S96-83854)** provides for software consulting/ engineering services to support the Energy Control Center's ('ECC') Leeds & Northrup ('L&N') Energy Management System ('EMS') and Encore computer system at the Frederick R. Clark Energy Center. The life extension of this system was requested in response to delays encountered in the procurement of the replacement system from another firm; the intent is to support the current EMS system until the new one is installed and tested by running both systems in parallel, to ensure continuity and data integrity. Mr. Walker, a former L&N technical lead, has provided needed expertise to support the EMS at Clark. His familiarity with the Authority's Energy Scheduling and Accounting system, as well as with other special hardware and software aspects of the L&N EMS makes him uniquely qualified. Mr. Walker has been involved in several of the ECC's system upgrades and continues to be a valuable technical resource as the ECC adapts to the changing utility industry. The original award, which became effective on September 5, 1996, was for a term of less than one year. A 22-month extension is now requested in order to continue support for the L&N EMS life extension project on an as needed basis. The current contract amount is $27,600. It is estimated that an additional $93,000 may be required for the extended term. The Trustees' approval is requested to extend the subject contract through June 30, 1999 and to approve such additional funding.

FISCAL INFORMATION

"Funds required to support contract services for various non-nuclear Headquarters departments/Business Units and non-nuclear facilities, as well as JAF, and IP3 have been included in the 1997 Approved Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

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

RECOMMENDATION

"The Regional Manager - Western New York, the Regional Manager – Central New York, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Vice President - Nuclear Engineering, the Chief Information Officer, and the Vice President - Human Resources recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '8-A', and of an increase in the compensation ceiling of the contract with Maytag Corp., as set forth above.

"The Vice President - Procurement and Real Estate, the Deputy General Counsel, the Senior Vice President – Energy Efficiency and Technology, , the Senior Vice President - Business Services, the Chief Nuclear Officer, the Executive Vice President – Project Operations, and I concur in the recommendation".

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "8-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President; and be it further

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

O & M	**Contract Approval (Increase in Compensation Ceiling)**	**Projected Closing Date**
Procurement of super efficient refrigerators for the NYC Housing Authority		
Maytag Corp. S95-76977	**$ 4,543,000**	**12/31/98**
Previously Approved Compensation Ceiling	**$ 6,160,000**	
TOTAL REVISED COMPENSATION CEILING	**$10,703,000**	

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

The President submitted the following report:

SUMMARY

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '9-A' for the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants, as well as for Headquarters. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are set forth in the discussion below.

BACKGROUND

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

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

DISCUSSION

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

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from $15,000 to $3,000,000.

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

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

Contracts in Support of the Nuclear Facilities:

"The contract with **Awisco NY Corp. (C97-I6970)** commenced on July 1, 1997, for an initial one year term, subject to subsequent Trustees' ratification and approval. The purpose of this contract is to provide on- and off-site preventive and corrective maintenance for plant welding equipment, on an "as required" basis, including

parts and supplies to support such maintenance, for IP3. Awisco was the sole responding bidder of five bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, $15,000.

"The contract with **Charles Point Cleaners dba 24.kt Cleaners (Q-02-1932; PO # TBA)** will commence on October 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide dry cleaning, tailoring, and repair services for IP3 security force uniforms. Charles Point Cleaners was the low bidder of two bids received (in addition to one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $72,000.

"The contract with **Meacham Electronics (S97-04946)** commenced on June 15, 1997 subject to subsequent Trustees' ratification and approval. The purpose of this contract is to provide security equipment maintenance services, on an 'as required' basis, for IP3. Services include providing all necessary labor, materials, equipment, and services required to repair/ refurbish/maintain applicable security equipment, consisting of video cameras, monitors, VCR's, switchers and optical isolators. Meacham was the low bidder of four bids received (of 17 bids solicited in addition to notice in the Contract Reporter). Rates will remain firm for the duration of the contract. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $30,000.

Contracts in Support of Headquarters:

"The contract with **Sedgwick James of New York, Inc. (Q-02-1947; PO # TBA)** will commence on January 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide third party administration services for the Authority's Self-insured Workers' Compensation Program. Sedgwick James was the low bidder of seven bids received (in addition to nine non-responding bidders and notice in the Contract Reporter). The intended term of this contract is five years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, $625,000.

"The contract with **United Health Care (Q-02-1991; PO # TBA)** will commence on January 1, 1998, subject to the Trustees' approval. The purpose of this contract is to provide third party administration services for the Authority's medical plan for salaried and UWUA workers. Since United Health Care is the only known carrier with a Participating Provider Network throughout the entire state, the award is recommended on a sole source basis. Notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; however, no additional bidders were identified. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested, with an option to extend for up to two additional years with the approval of the President. Approval is also requested for the total amount expected to be expended for the term of the contract, $3,000,000 plus an additional $2,000,000 if the option to extend is exercised. This does not include payment of medical claims, which are paid separately.

FISCAL INFORMATION

"Funds required to support contract services for JAF, IP3, and Headquarters have been included in the 1997 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

RECOMMENDATION

"The Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, the Director of Risk Management, the Vice President – Human Resources, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '9-A' and as discussed above.

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

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

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit "9-A" are hereby approved for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President.

10. Ratification of Joint Announcement – New York Nuclear Operating Company

The President submitted the following report:

SUMMARY

"The Trustees are requested to ratify the Chairman's signing of a Joint Announcement by Consolidated Edison Company of New York, Inc., Niagara Mohawk Power Corporation, Rochester Gas & Electric Corporation and the Power Authority (the 'Participants') which is attached hereto as Exhibit '10-A', and to approve funds for the Authority's share of the cost to investigate the feasibility of the New York Nuclear Operating Company ('NYNOC').

BACKGROUND

"The Joint Announcement signed by the Chairman on August 28, 1997, reflects the Participants' interest in moving forward with plans to form NYNOC which would manage and operate New York's six nuclear generating facilities and maximize the value of these assets to the state's economy.

DISCUSSION

"Execution of the Joint Announcement by the Authority sets the stage for further discussions among the Participants regarding the feasibility of unified operation of the six nuclear generating facilities in New York State. The goal is to achieve operational excellence that will produce electricity in a safe manner and at a competitive price. The Participants will conduct a study to access the costs and benefits of NYNOC. The study is scheduled to be completed by the end of the year, at which time the findings will be presented to the Trustees.

FISCAL INFORMATION

"Funding for costs arising in connection with feasibility inquiries will include certain consulting expenses (e.g., legal, accounting), and basic travel expenses. Staff estimates the Authority's share of these initial costs to investigate the feasibility of NYNOC to be approximately $500,000.

RECOMMENDATION

"The Chief Nuclear Officer recommends the adoption of the following resolution. The Deputy General Counsel and I concur in the recommendation."

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

RESOLVED, That the Trustees hereby ratify the execution by the Chairman of the Joint Announcement of the Niagara Mohawk Power Corporation, Rochester Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., and the Authority which is attached hereto as Exhibit "10-A"; and be it further

RESOLVED, That the Authority be, and hereby is, authorized to enter into a limited liability company known as New York Nuclear Operating Company; and be it further

RESOLVED That the President and Chief Operating Officer, the Executive Vice President – Project Operations, the Senior Vice President – Business Services, the Senior Vice President – Chief Nuclear Officer, the Secretary and General Counsel, the Treasurer or the Deputy Treasurer and their designees be, and hereby are, authorized to execute any and all documents necessary to further the formulation and administration of the limited liability company, on behalf of the Authority.

11. Motion to Conduct Executive Session

"Mr. Chairman, I move to conduct an executive session in connection with discussion concerning the Carillion v. State and New York Power Authority litigation." Upon motion duly made and seconded, an executive session was held.

12. Motion to Resume in Open Session

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

13. Sound Cable Project - Settlement of Carillion v. State & New York Power Authority Litigation and Grant of Easements, Maps WNR-25 R-1 and WNR-125TE R-1

The President submitted the following report:

SUMMARY

The Trustees are requested to approve payment of $725,000 (in addition to $581,863.50 previously paid so that the total to be paid would be $1,306,863.50) and the conveyance of an access easement to Carillion Realty Corp. ('Claimant') in settlement of its Claim Nos. 80047 and 80048 currently pending against the Authority in the New York State Court of Claims.

BACKGROUND

At their meeting of February 28, 1989, the Trustees approved the acquisition by purchase or eminent domain of 0.359 acres in fee from Claimant for the construction of the North Transition Station in Westchester County. The Trustees also authorized the acquisition of an additional 0.231 acres for a temporary construction easement.

At the time of the acquisition in 1989, Claimant's property consisted of five vacant residential lots (including two with waterfront on Long Island Sound) which were part of a larger approved subdivision. The Authority acquired one of those five lots and bisected another with a new road used to facilitate its construction activities. Following construction, that road would also provide Claimant's remaining three lots access to the main road.

In accordance with the Authority's appraisal and the Eminent Domain Procedures Law, claimant was offered and has accepted an advance payment of $512,325 (i.e. $495,000 plus interest) for the appropriation of one of his five lots (i.e. 0.359 acres) and any diminution in value of Claimant's remaining lots, and $69,538.50 (inclusive of interest) for the Authority's actual use of the temporary construction easement.

Claimant subsequently filed a Court of Claims action challenging the adequacy of this payment. It sought over $2 million damages plus interest and legal and appraisal fees. Appraisers for both sides acknowledged that the appropriation had reduced the value for the remainder parcels. Claimant initially insisted that the other lots were landlocked and valueless, an argument it eventually lost at the trial and appellate levels given the Authority's offer of an easement on the new road it had constructed. Claimant also alleged then, and now reasserts, that, even with access, the value of its remaining property as subdivision lots has been diminished due to the appropriation. It was this issue which would have been the focal point of the scheduled January 1998 trial of this case.

DISCUSSION

The Authority and Claimant have reached a settlement of the pending claim, subject to the approval of the Trustees. That settlement provides for an additional payment to Claimant of $725,000, and the road easement in return for a release of all claims, including interest and attorney and appraisal fees, arising out of the appropriation. In light of the value of the property at issue, the nature of the appropriation and the considerable interest which has accumulated (9% per year for 8 years), this settlement represents a fair disposition of the litigation and is in the Authority's best interest. Accordingly it is recommended the Trustees approve the settlement.

FISCAL INFORMATION

On June 28, 1994, the Trustees approved a budget of $8.2M to settle all outstanding real estate claims for this project. With this payment, all claims (with the exception of two minor claims) will have been settled at a cost of approximately $4.6M. There is no fiscal impact resulting from the conveyance of the Grant of Easement for access.

RECOMMENDATION

The Deputy General Counsel recommends that the Trustees approve the settlement of the claim filed by Carillion Realty Corp. in the New York State Court of Claims substantially on the terms set forth above.

The Director - Environmental Programs, the Vice President - Controller, the Vice President - Procurement and Real Estate, the Senior Vice President - Business Services, the Executive Vice President - Project Operations, and I concur in the recommendation."

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

RESOLVED, That in accordance with the Authority's Expenditure Authorization Procedures, the settlement of Claim Nos. 80047 and 80048 filed by Carillion Realty Corp. are hereby approved substantially on the terms set forth in the foregoing report of the President; and be it further

RESOLVED, That the Authority hereby approves the conveyance of the Grant of Easement for access containing 0.127 acres as shown and described in Map No. WNR-62C, Parcel No. 62 substantially on the terms set forth in the foregoing report. The Authority hereby determines that such conveyance is on terms beneficial to the State of New York and the Authority; and be it further

RESOLVED, That the Secretary and General Counsel be, and hereby is, authorized to execute and deliver to Carillion Realty Corp., on behalf of the Authority and in the name of the People of the State of New York, acting by and through the Authority, the Grant of Easement as shown and described in Map No. WNR-62C, Parcel No. 62; and be it further

RESOLVED, That the President, Secretary and General Counsel or the Director - Real Estate of the Authority be, and hereby is, authorized on behalf of the Authority to execute any and all other agreements, papers and instruments which may be deemed necessary or desirable to carry out the foregoing.

14. <u>Next Meeting</u>

The Regular meeting of the Trustees will be held on **Tuesday, October 28, 1997**, **at the New York Office** at **10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.

Closing

Upon motion made and seconded, the meeting was closed at 11:45 a.m.

Anne Wagner-Findeisen
Deputy Secretary

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