

July 23, 2013

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Transmission Life Extension and Modernization Program – St. Lawrence/FDR Power Project – 115 kV and 230 kV SF6 Circuit Breakers - Contract Award

SUMMARY

The Trustees are requested to award a six-year contract to Hitachi, HVB Inc. (“HVB”) of Suwanee, GA in the amount of \$3.5 million to furnish and deliver twenty-one 115 kV and ten 230 kV SF6 Circuit Breakers (“STL Breakers”) to the St. Lawrence/FDR Power Project’s Switchyard (“Switchyard”) for the Authority’s Transmission Life Extension and Modernization (“T-LEM”) Program (“Program”).

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the 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 (“EAPs”) for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of \$3 million require the Trustees’ approval.

T-LEM is a multiyear program that will upgrade the Authority’s existing transmission system to maintain availability, increase reliability and ensure regulatory compliance. The Program encompasses Authority transmission assets in the Central, Northern and Western Regions and has been divided into several projects. The Program is estimated to cost \$726 million and includes:

- Upgrades, refurbishments and replacements associated with switchyards and substations
- Transmission line structures or towers and associated hardware, including tower painting
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

The scope is a result of internal and external assessments and recommendations. Funding will be requested in a tiered approach for each project as the complete plan-of-work develops.

The STL Project’s electric power facilities are protected against faults by power circuit breakers which are designed to rapidly isolate affected lines and equipment in order to minimize

damage to the equipment and to protect public health and safety. Proper operation of these critical components of the protection system are crucial to minimizing adverse effects on the bulk power system and ultimately for preventing cascading system outages and wide-scale blackouts. The Authority’s Engineering department evaluated the Oil Circuit Breakers (“OCBs”) at the Switchyard and determined the scope and priority of the OCBs replacements.

It was determined that the OCBs are: 1) over-dutied; 2) beyond their useful life; 3) require increased maintenance; and 4) require replacement on an expedited basis. Therefore, the twenty 115 kV and nine 230 kV existing OCBs will be replaced with SF6 gas breakers; one additional 115 kV and 230 kV SF6 spare gas circuit breakers will also be procured.

DISCUSSION

In response to the Authority’s request for proposals (“RFP”) Q12-5389RH advertised in the New York State *Contract Reporter* on December 26, 2012, thirty-four (34) firms downloaded the bid documents to furnish and provide commissioning support for the STL Breakers. The Authority’s Fair Cost Estimate (“FCE”) is \$3,900,000.00. Three proposals were received on January 31, 2013 as noted below:

<u>Bidder</u>	<u>Location</u>	<u>Base Bid</u>
Hitachi, HVB Inc.*	Suwanee, GA	\$3,172,660.00
Siemens Energy, Inc.**	Richland, MS	\$3,174,700.00
Hitachi, HVB Inc.***	Suwanee, GA	\$3,481,100.00
Siemens Energy, Inc.****	Richland, MS	\$3,604,800.00
ABB, Inc.	Mount Pleasant, PA	\$4,040,761.10

- * Proposal based on delivery in 2014 and 2015
- ** Proposal based on delivery in 2014
- *** Assumes 5% annual increases for material delivery and services beyond 2015
- **** Assumes 5% annual increases for material delivery and services beyond 2014

HVB, the lowest technically qualified bidder, has provided a material lead-time that allows for the SF6 Circuit Breaker installation schedule conformance with the current line-outage schedule. HVB will furnish and deliver the STL Breakers, provide the STL Project staff with equipment training, technical assistance during installation, start-up and functional testing support. Accordingly, staff recommends award of this contract to HVB, which submitted the lowest-priced and most technically acceptable bid.

Siemens Energy Inc. (“Siemens”) has been awarded previous contracts with the Authority and took numerous technical exceptions to the Authority’s technical specification for the STL Breakers. The Authority provided Siemens the opportunity to clarify and resolve the

exceptions. Based on Siemens' responses to the Authority's RFP, post-bid addendum and discussions; Siemens' proposal was deemed technically unacceptable and did not meet the requirements of the specification.

ABB Inc. ("ABB") is considered the second lowest-priced technically qualified bidder. ABB has been awarded previous contracts with the Authority, took minimal exceptions, demonstrated knowledge of the scope-of-work and are experienced in the manufacturing of high voltage equipment.

FISCAL INFORMATION

Payment associated with this project shall be made from the Authority's Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, the Project Manager and the Regional Manager – Northern New York recommend that the Trustees approve the award of a six-year contract to Hitachi, HVB Inc. of Suwanee, GA in the amount of \$3.5 million to furnish and deliver Circuit Breakers to the St. Lawrence/FDR Power Project's Switchyard for the Authority's Transmission Life Extension and Modernization Program.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Gil C. Quiniones
President and Chief Executive Officer

Att.
STL – Breakers – Award

RESOLUTION

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to authorize the award of a six-year contract to Hitachi, HVB Inc. of Suwanee, GA in the amount of \$3.5 million to furnish and deliver Circuit Breakers to the St. Lawrence/FDR Power Project's Switchyard for the Authority's Transmission Life Extension and Modernization Program, as recommended in the attached memorandum of the President and Chief Executive Officer;

Contractor

Hitachi, HVB Inc.
Suwanee, GA

Contract Approval

\$3.5 Million

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.