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TO: NYPA BOARD OF TRUSTEES
FROM: EDWARD WELZ, CHIEF OPERATING OFFICER
DATE: MARCH 12, 2013
SUBJECT: MONTHLY REPORT FOR THE BOARD OF TRUSTEES

This report covers performance of the Operations group in February 2013.

Operations

Plant Performance

Systemwide net generation¹ was 1,870,590 megawatt-hours² (MWh) for February 2013 which is above the projected net generation of 1,822,363 MWh. For the year, net generation was 3,886,804 MWh which is above the projected target of 3,830,144 MWh.

The fleet availability factor³ was 87.8 percent in February 2013 and 88.3 percent for the year. Generation market readiness factor⁴ was 99.4 percent in February, which met the monthly target of 99.4 percent. Year-to-date generation market readiness factor was at 99.2 percent.

No significant outages occurred during February, while one significant outage that began last year continued into the month:

- a) The weld crack repairs on St. Lawrence Unit 28 continued into February. The unit is expected to return to service on March 15, 2013.

Generation net revenue in February was \$28.0 million with a loss of revenue of \$0.1 million. For the year, net revenue was \$65.2 million while revenue loss was \$1.3 million.

Niagara River flows in February 2013 continued to be below the historical average, and are expected to be below average for at least the next two years. St. Lawrence River flows during February 2013 were also below forecast. River flows are expected to be below historical levels beyond 2013.

Transmission Performance

Transmission reliability^[1] in February was 96.43 percent, which was above the target of 94.54 percent. Year-to-date transmission reliability is 97.35 percent, above the target of 94.95 percent.

There were no significant unplanned transmission events to report in February.

Safety

The NYPA DART (Days Away, Restricted or Transferred) Rate as of February 2013 is 0.41 compared to the target of 0.78. The Operations DART Rate as of February 2013 is 0.61 compared to the target of 1.08.

Currently there are no reported lost time injuries that occurred in February.

Environmental

There were no reportable incidents for February 2013. For the year, there have been two incidents.

The annual target is 32 incidents.

Relicensing – Niagara Power Project

Preparations are continuing in anticipation of constructing the Frog Island Habitat Improvement Project (HIP) this season. Design work on the Strawberry Island HIP, which is the last of the Niagara HIPs, continues.

Support is being provided for securing FERC approval for the Maid of the Mist proposal. Planning and coordination is being provided to minimize the disturbance and interruption of use of NYPA recreational facilities that will be impacted by this proposal.

Relicensing – St. Lawrence-FDR Power Project

Construction of the Nichols Island Controlled Level Pond HIP is proceeding well. The access road through the project is now complete, and sheet pile cohes are complete in two of three dikes employing them. The project is on schedule for completion early this summer.

Relicensing – Blenheim-Gilboa Project

Preparation of the preliminary licensing documents continues. A Strategy White Paper is being prepared to support executive decision making. At this time, no significant regulatory issues that would impact relicensing have been identified.

Life Extension and Modernization Programs

St. Lawrence LEM Upgrade

Unit 17 was taken out of service on January 2, 2013 to start unit automation work. The St. Lawrence Electrical, Mechanical, and Test departments continue to work on the demolition/installation activities including Unit Board, Governor, Lube Oil System, Packing box, Cooling Piping, Metering, and 480V Feeder to the Unit. The unit is projected to return to service on June 28, 2013. The 2013 scheduled completion date for the LEM Program remains unchanged.

Transmission LEM

Project teams continue coordinating activities to support engineering, procurement, and construction activities associated with the St. Lawrence Circuit Breaker and Relay Replacement as well as the Niagara Relay Replacement projects approved under the program. Relay replacements are on-going at Blenheim-Gilboa and Clark Energy Center.

Replacement of the spare auto-transformer at Massena Substation is in progress with equipment delivery expected in mid-2013.

Refurbishment of Auto-Transformer 1B at Marcy is ongoing with completion expected in May 2013. Proposals have been received and are being evaluated for refurbishment of the remaining auto-transformers and reactors at Marcy as well as Massena Substation.

Proposals have been received for tower modeling of the weathering steel structures. A RFQ has been issued for painting of the transmission structures in the St. Lawrence region.

LPGP LEM

On February 11, 2013 the fourth and final feeder outage (Feeder 1) commenced as scheduled. This outage includes the replacement of the fourth GSU, the potheads at the Switchyard and LPGP and an upgrade to the Isolated Phase Bus sections. This feeder is scheduled to return to service on April 5, 2013.

The fabrication of the spare GSU commenced and is scheduled to be delivered in August 2013. The factory acceptance testing of the new Unit Control Board for the first unit to be upgraded (#11) commenced in January and is underway, the delivery is scheduled for the end of March 2013. The first new turbine is in transit from Japan and is scheduled to arrive at LPGP on April 26, 2013. The assembly of the second turbine commenced and the fabrication of the third turbine components are well underway. The fourth and portions of the fifth and sixth turbine components were released for fabrication.

The outage for the first unit started December 12, 2012 and refurbishment work is well underway; repairs to the stay ring and vanes are near completion. The refurbishment work on Unit 11 stator was delayed due to a recent concern regarding the stator coil insulating material that it may contain asbestos containing material (ACM). Since such time, the Authority had a detailed analysis performed on the materials in question and the NYS Dept of Labor confirmed that this material should be treated as non-ACM. A schedule recovery plan for the stator work is presently underway in order to maintain the return to service date of August 16, 2013. The LPGP LEM program is scheduled to be completed in 2020.

RMNPP Unit 13 Standardization

The outage for the standardization work commenced on September 14th, 2012. The measurements of the stator sole plates and the surrounding stator concrete floor revealed that a ½ inch of concrete needs to be removed around half of the underlying stator floor circumference. The concrete removal was completed and work is proceeding on schedule, the return to service date is July 19, 2013. Work continued with the assembly of the new stator in the Assembly Bay which is scheduled to be completed by May 2013 in time for installation into Unit 13.

Technical Compliance – NERC Reliability Standards

In February, Technical Compliance continued to oversee compliance enforcement actions related to several of the NERC Reliability Standards that are applicable to NYPA's NERC registrations. There are currently active enforcement actions for eight (8) self-reports of possible violations of the standards. One of these was submitted to the Northeast Power Coordination Council (NPCC) in 2011, one in 2012, and four (4) in January and two (2) in February 2013. For those submitted in 2011 and 2012, NYPA is awaiting the initiation by NPCC of settlement discussions. For those submitted in January and February 2013, mitigation plan documents are under development that will be submitted to NPCC as part of the enforcement process.

The two self-reports of possible violations submitted to NPCC in February were the result of investigations of compliance concerns identified by the staff pursuant to an internal procedure entitled “Possible NERC Reliability Standards Compliance Violation.” The compliance concerns were associated with the Modeling, Data, and Analysis (MOD) reliability standards. This internal process is viewed by the regulator as evidence that NYPA has a strong internal compliance program.

The Federal Energy Regulatory Commission (FERC) approved the new Bulk Electric System (BES) definition on December 20, 2012 that will require transmission assets above 100 kV to be subject to the NERC Reliability Standards. In February, NYPA staff continued work to identify any compliance gaps for 40 newly identified BES elements under NYPA’s current NERC registrations. NYPA met with National Grid staff to discuss Transmission Operator (TOP) and Transmission Planning (TP) responsibilities for NYPA newly identified BES assets located within their substations. Follow-up meetings with National Grid and meetings with other TOs are planned for March. NYPA continues to participate in meetings with the NYISO and the other NY Transmission Owners to assess both Transmission Operator (TOP) and Transmission Planning (TP) functional registration and compliance management impacts and actions pursuant to the new BES definition.

Energy Resource Management

NYISO Markets

In February, Energy Resource Management (ERM) bid 2.1 million MWh of NYPA generation into the NYISO markets, netting \$65.8 million in power supplier payments to the Authority. Year-to-date net power supplier payments are \$126 million.

Fuel Planning & Operations

In February, NYPA’s Fuels Group transacted \$44.8 million in natural gas and oil purchases, compared with \$18.9 million in February 2012. Year-to-date natural gas and oil purchases are \$84.5 million, compared with \$46.0 million at this point in 2012. The total \$38.5 million increase is mainly due to the higher cost of fuel at the Astoria Energy II Plant (\$23.8 million), Small Clean Power Plants (\$7.7 million), Richard M. Flynn Power Plant (\$1.4 million), and the 500-MW Combined Cycle Plant (\$5.6 million).

In February, fuel oil was purchased for AEII (\$2.8m) and the 500-MW Combined Cycle Plant (\$2.5 million) respectively for the purpose of replenishing inventory level in preparation for winter operations and to meet contractual obligations.

GLOSSARY

¹ **Net Generation** – The energy generated in a given time period by a power plant or group of plants, less the amount used at the plants themselves (station service) or for pumping in a pumped storage facility. Preliminary data in the COO report is provided by Accounting and subject to revision.

² **Megawatt-hour (MWh)** – The amount of electricity needed to light ten thousand 100-watt light bulbs for one hour. A megawatt is equal to 1,000 kilowatts and can power about 800 homes, based on national averages.

³ **Availability Factor** – The Available Hours of a generating unit over the Period Hours (hours in a reporting period when the unit was in an active state). Available Hours are the sum of Service Hours (hours of generation), Reserve Shutdown Hours (hours a unit was not running but was available) and Pump Hours (hours a pumped storage unit was pumping water instead of generating power).

⁴ **Generation Market Readiness Factor** – The availability of generating facilities for bidding into the New York Independent System Operator (NYISO) market. It factors in available hours and forced outage hours that drive the results.

⁵ **Regional Greenhouse Gas Initiative (RGGI)** – A cooperative effort by Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. These nine states have capped CO₂ emissions from the power sector, and will require a 10 percent reduction in these emissions by 2018. RGGI is composed of individual CO₂ Budget Trading Programs in each of the nine participating states. Regulated power plants can use a CO₂ allowance issued by any of the nine participating states to demonstrate compliance with the state program governing their facility. Taken together, the nine individual state programs function as a single regional compliance market for carbon emissions, the first mandatory, market-based CO₂ emissions reduction program in the United States. New Jersey was a tenth state within the RGGI program but New Jersey's governor pulled the state out of the program in 2011.