

September 24, 2013

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Procurement (Services) Contract –  
Blenheim-Gilboa Pumped-Storage Project  
Relicensing – Lead Relicensing Consultant –  
Contract Award**

**SUMMARY**

The Trustees are requested to approve the award of a procurement contract to Kleinschmidt Associates, P.A., P.C. (“KA”) of Pittsfield, ME to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped- Storage Project (the “B-G Project”). The term of the contract will be for five years. The amount for which authorization is requested is \$5.6 million.

**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.

The Authority’s Expenditure Authorization Procedures (“EAPs”) require the Trustees’ approval for the award of non-personal services, construction, equipment purchase or non-procurement contracts in excess of \$3 million, as well as personal services contracts in excess of \$1 million if low bidder, or \$500,000 if sole-source or non-low bidder.

On December 13, 2010, the Trustees authorized the capital expenditure of up to \$8.7 million to conduct the first phase of the relicensing of the B-G Project. This request seeks to award a multiyear contract for the Lead Consultant to assist the Authority in this effort.

**DISCUSSION**

In 1969, The Federal Power Commission (now the Federal Energy Regulatory Commission (“FERC”)), issued a 50-year license for the B-G Project. This license expires in April 2019. In addition to the St. Lawrence and Niagara projects, the B-G Project represents the core of the Authority’s generation system. The Authority needs to obtain a new license for the B-G Project to continue to operate it after the original license expires.

The Authority has considerable experience with relicensing its large hydroelectric projects, but FERC’s relicensing process is long and complicated. To assist the Authority in this important effort, the Authority is proposing to engage a Lead Relicensing Consultant who will

provide a broad range of services through either its own resources, or, as appropriate, through the use of subcontractors.

Previously, a Lead Consultant was engaged to support the Authority in the first phase that involved assembling and researching information, preparation of documents and support for informal consultation with stakeholders. The contract for the first phase was awarded to KA and this work is now largely completed.

The second phase will involve the formal FERC relicensing process including issue scoping, study selection and planning, study field work and reporting and preparing the license application. The second phase is, by regulation, a highly structured schedule driven process and is triggered by the filing of the documents prepared in the first phase.

To address the need for a Lead Relicensing Consultant to support the FERC process, the Authority solicited proposals from qualified consultants, and received one proposal from KA which had provided Lead Consultant Services for the first phase of the B-G relicensing.

KA is well known to the Authority, has extensive hydroelectric relicensing experience and is technically qualified. KA has proposed to continue a team approach which would combine the resources of Gomez & Sullivan Engineers and TRC Solutions with their own resources. This is the same team that had satisfactorily supported the first phase of the B-G Project relicensing and is very similar to the team currently implementing the Niagara Project new license Compliance and Implementation program.

The evaluation team agreed that the KA team is very capable of providing a quality work product, and have proven this with their performance in first phase and in other Authority projects. These organizations have been working together successfully on Authority projects for years. Their experience in relicensing pumped-storage projects is unparalleled. The KA team has firsthand knowledge of B-G and the relicensing effort to date, and have a clear understanding of the steps necessary to advance this effort. The KA team has extensive experience with the New York State regulatory agencies such as the New York State Department of Environmental Conservation that will play a pivotal role in the relicensing. The KA team has extensive staff resources which addresses the concern that the departure of key personnel would reduce the consultant's ability to assist the Authority.

The proposed contract would be a time and materials contract. The KA team proposal should completely meet the Authority's needs on this effort in light of their extensive experience with pumped-storage project relicensing and New York regulatory agencies, as well as the extent of their staff resources.

#### FISCAL INFORMATION

Since these expenditures are related to the relicensing of the Blenheim-Gilboa Project, they will be treated as a capital expense and payments will be made from the Capital Fund. There are sufficient funds remaining from the \$8.7 million authorization to cover the cost of this contract; therefore, no additional authorization is being sought at this time. It is possible that

additional funding may be necessary after the scope and nature of the studies necessary to support the relicensing are better known.

RECOMMENDATION

The Vice President – Project Development and Licensing, the Vice President – Procurement, the Regional Manager – Central New York and the Director – Relicensing and Implementation recommend that the Trustees authorize award of a contract to Kleinschmidt Associates P.A., P.C. for \$5.6 million to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project.

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

Gil C. Quiniones  
President and Chief Executive Officer

Att.  
KA - Award

**RESOLUTION**

RESOLVED, That pursuant to the Authority's Expenditure Authorization Procedures and the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to Kleinschmidt Associates P.A., P.C. for five years, in an amount of \$5.6 million to provide consulting services in support of the second phase of the relicensing of the Blenheim-Gilboa Pumped-Storage Project, as recommended in the attached memorandum of the President and Chief Executive Officer;

**Contractor**

Kleinschmidt Associates P.A., P.C.

**Contract Approval**

\$5,600,000

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive 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.