

March 25, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Niagara Power Project – Robert Moses Generator
Step-Up Transformer Replacement –
Capital Expenditure Authorization Request**

SUMMARY

The Trustees are requested to approve capital expenditures in the amount of \$5,500,000 for the replacement of the Robert Moses Generator Step-Up Transformer (“GSU”) at the Niagara Power Project.

BACKGROUND

In accordance with the Authority’s Expenditure Authorization Procedures, capital expenditures in excess of \$3 million require the Trustees’ approval.

After a bushing failed on Robert Moses GSU 3 in the fall of 2012, the spare GSU was placed in service. Several options for repair of the failed unit were evaluated. However, due to the cost, uncertainty of the success of the repair, and critical nature of the GSUs, a new replacement transformer will be procured and installed in 2015.

DISCUSSION

The scope-of-work for this project includes the design, fabrication, delivery, assembly, testing, and installation of one 115kV wye-reactance-grounded / 13.8kV delta GSU.

After issuance of a Request for Proposal (“RFP”) and a competitive bidding process, an equipment procurement contract for the GSU was awarded to ABB, Inc. in the amount of \$2,531,168 in March 2014. ABB has extensive experience in design and fabrication of large power transformers, has demonstrated knowledge of the scope-of-work and is capable of completing the project. ABB has also performed successfully on other Authority projects and has demonstrated its ability to adhere to schedule and budget. Pending approval of these capital expenditures, the contract award has been limited to \$200,000. Preliminary funding in the amount of \$1,030,914 was previously authorized for the procurement of long-lead equipment and for the detailed design of the GSU installation.

This fall staff anticipates issuing an RFP for the installation of the new GSU, which will occur during a scheduled outage in 2015. The anticipated scope-of-work for the installation contract will include the removal and disposal of the failed GSU; demolition and replacement of the deluge fire suppression system; connections to the low voltage Iso-Phase bus and overhead high voltage strain bus; and structural repairs to the GSU containment bays, as required.

The total Project cost is estimated at \$5,500,000, as follows:

Preliminary Engineering and Design	\$ 50,000
Detailed Engineering and Design	\$ 186,800
GSU Procurement	\$2,600,000
GSU Installation and Niagara Site Support	\$2,124,000
Authority Indirect and Direct Expenses	<u>\$ 539,200</u>
TOTAL	<u>\$5,500,000</u>

Future-year funding will be included in the Capital Budget request for that year.

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority's Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Acting Vice President – Procurement, the Regional Manager – Western New York, and the Project Manager recommend that the Trustees authorize capital expenditures in the amount of \$5,500,000, for the replacement of the Robert Moses Generator Step-Up Transformer at the Niagara Power Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, capital expenditures are hereby approved in the amount of \$5,500,000, for the replacement of the Robert Moses Generator Step-Up Transformer at the Niagara Power Project, as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chair, 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.