

May 22, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Procurement (Services) Contract –
Niagara Switchyard – Transmission Life Extension
and Modernization Program – Capital Expenditure
Authorization Request and Contract Award**

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$154.7 million for Phase 1 of the Niagara Switchyard Life Extension and Modernization (“Project”). The Project (estimated total phase 1 and phase 2 installed cost of \$266.9 million) is part of the Transmission Life Extension and Modernization Program and will be presented for Trustee funding authorization in two phases as explained below.

The Trustees are also requested to approve the award of a contract in the amount of \$5.3 million to ABB, Inc. Power Transformer Division, Raleigh, NC for the engineering, manufacturing, assembly, and testing of one 800 MVA auto-transformer to replace the existing auto-transformer #4 at the Niagara Switchyard in Lewiston, NY. The President and Chief Executive Officer has, in accordance with the Authority’s Expenditure Authorization Procedures, approved the amount of \$750,000 for preliminary Project engineering.

BACKGROUND

Section 2879 of the New York State Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for non-personal services contracts in excess of \$3 million and contracts involving services to be rendered for a period in excess of one year. The Authority’s Expenditure Authorization Procedures require the Trustees’ approval for construction contracts with a value in excess of \$3 million.

The Transmission Life Extension and Modernization 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 Program 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.

This Project is divided into two phases:

Phase 1 of the Project which is presented today for authorization will replace:

1. Thirty-three oil circuit breakers (OCBs), insulators and miscellaneous hardware
2. Twenty-one motor operated disconnects (MODs) and seventy-one manual disconnect switches
3. Three auto-transformers
4. Metering, instrument transformers and grounding
5. Switchgear, 13.8 kV transformers, motor control centers (MCCs) and cables

Phase 2 of the Project which will be presented at a later date for authorization will replace:

1. Twenty-nine OCBs, insulators and miscellaneous hardware
2. Twenty-three MODs and seventy-seven manual disconnect switches
3. Two auto-transformers
4. Grounding, fence, gate, and roadways

In response to the Authority's Request for Proposal advertised in the New York State *Contract Reporter* on June 25, 2013 (RFQ No. Q135496AT), nine proposals were received on August 9, 2013 from Jiangsu Huapeng Transformer Ltd., Hico America, Inc., Kenny Construction Company, GE Prolec Transformers Inc., SPX Transformer Solutions, Inc., Smit Transformer Sales Inc., ABB Inc., Mitsubishi Electric, and Toshiba International Corporation. The bids were evaluated from a cost, delivery schedule, and technical standpoint and ABB Inc.'s proposal is deemed lowest in cost and technically acceptable.

DISCUSSION

The Project has been structured in a manner to prioritize the replacement of poor performing and aged equipment. Replacement of listed equipment will be sequenced in conjunction with planned equipment replacements, outages, internal resource availability, and external utility upgrades, as follows:

Phase 1:	2014 – 2019
Phase 2:	2020 – 2025

This initial capital expenditure authorization for Phase 1 is comprised of the following:

Preliminary Engineering (Previously Approved)	\$ 750,000
Engineering and Design	\$ 7,467,000
Procurement	\$ 64,021,000
Construction/Installation	\$ 64,371,000
Authority Indirect and Direct Expenses	<u>\$ 18,123,000</u>
TOTAL	<u>\$154,732,000</u>

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 Vice President – Engineering, the Vice President – Transmission, the Acting Vice President – Procurement, the Project Manager, and the Regional Manager – Western New York recommend that the Trustees approve capital expenditures in the amount of \$154.7 million and award of a contract in the amount of \$5.3 million to ABB, Inc. Power Transformer Division, Raleigh, NC for the Niagara Switchyard Life Extension and Modernization 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 in pursuant to the Authority’s Expenditure Authorization Procedures, capital expenditures in the amount of \$154.7 million are hereby authorized for the Niagara Switchyard Life Extension and Modernization Project as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to ABB, Inc. Power Transformer Division, Raleigh, NC in the amount of \$5.3 million to engineer, manufacture, assemble and test one 800 MVA Auto-Transformer as part of the Niagara Switchyard Life Extension and Modernization Project, as recommended in the foregoing memorandum of the President and Chief Executive Officer and set forth below:

<u>Contractor</u>	<u>Contract Approval</u>
ABB, Inc. Power Transformer Division Raleigh, NC	<u>\$5.3 million</u>

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 Acting Executive Vice President and General Counsel.