



**Date:** July 26, 2016

**To:** THE TRUSTEES

**From:** THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**Subject:** Astoria Annex Replacement of Shunt Reactors Project –  
Capital Expenditure Authorization Request and Contract Award

**SUMMARY**

The Trustees are requested to authorize capital expenditures in the amount of \$4.5 million for the Astoria Annex Replacement of Shunt Reactors Project (herein referred to as the “Project”) at the Astoria Annex Substation in Astoria, New York. The work will be performed over a three-year period with engineering, fabrication, installation and commissioning taking place from 2016 to 2018.

The Trustees are also requested to approve the award of a three-year contract in the amount of \$3.1 million to Alstom Grid LLC (Alstom) of Canoas, Brazil to Engineer, Procure and Construct (“EPC”) two, 3-phase 345 KV Air Bushing Oil-filled Shunt Reactors as part of this Capital Expenditure Authorization Request (“CEAR”).

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for contracts involving services to be rendered for a period in excess of one year.

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

The President and Chief Executive Officer, in accordance with the Authority’s Expenditure Authorization Procedures, approved the amount of \$406,200 for preliminary project engineering, which is part of the overall \$4.5 million CEAR.

**DISCUSSION**

The work performed under this CEAR is for direct replacement of the existing two shunt reactors including all engineering services, purchase and installation of the reactors and all associated site installation work and construction oversight. The existing reactors are the original reactors from Poletti Power Plant and are over 30 years old. Implementation of this Project will address the issue of service-age equipment failures as well as provide security against accelerated degradation within the Q35 L & M cable system.

This capital expenditure authorization is comprised of the following:

|  |                     |
|--|---------------------|
| Preliminary Engineering/ Design (NYPA) | \$ 120,000          |
| Engineering/Design                     | \$ 200,000          |
| Procurement                            | \$ 3,395,600        |
| Construction/Installation              | \$ 465,800          |
| Authority Indirect and Direct Expense  | <u>\$ 318,600</u>   |
| <b>Total</b>                           | <b>\$ 4,500,000</b> |

In response to the Authority's Request for Proposal advertised in the New York State *Contract Reporter* on November 4, 2015, Inquiry Q15-5985FS, seventy-four firms downloaded the bid document and on January 6, 2016 ten proposals were received as listed below:

| BIDDING CONTRACTOR                              | LOCATION                | BID                    |
|---|-------------------------|------------------------|
| Hyundai Corporation USA (Hyundai)               | Seoul, Korea            | \$ 2,804,996.00        |
| <b>Alstom Grid LLC (Alstom)</b>                 | <b>Canoas, Brazil</b>   | <b>\$ 3,073,300.00</b> |
| TBEA Group, Inc. (TBEA)                         | Shenyang, China         | \$ 3,076,800.00        |
| Baoding Tianwei Baobian Electric Co., Ltd (BTW) | Hebei, China            | \$ 3,441,587.00        |
| Siemens Industry, Inc. (Siemens)                | Erlangen, Germany       | \$ 3,844,920.00        |
| ABB Inc. (ABB)                                  | Ludvika, Sweden         | \$ 3,871,070.00        |
| MVA Power Inc (MVA)                             | Montreal, Canada        | \$ 3,899,222.76        |
| Smit Transformer Sales Inc (SMIT)               | Nijmegen, Netherlands   | \$ 3,997,992.00        |
| Hawkeye, LLC ( Hawkeye)                         | Hauppauge, NY           | \$ 4,076,244.40        |
| Welsbach Electric Corp. ( Welsbach)             | College Point, NY       | \$ 4,246,250.00        |
| <b>NYPA Fair Cost Estimate</b>                  | <b>White Plains, NY</b> | <b>\$ 4,649,520.00</b> |

Based on the review of the technical submissions, Hyundai did not meet the engineering technical requirements. During the process of evaluation and as a consequence of the post-bid clarifications, Alstom was deemed the technically most competitive bidder after successfully passing QA/QC inspection of its factory in Brazil by the Authority on April 27th and 28th, 2016.

FISCAL INFORMATION

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

## RECOMMENDATION

The Senior Vice President – Operations Support Services and Chief Engineer, the Senior Vice President – Transmission, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement and the Regional Manager – Southeast New York recommend that the Trustees authorize capital expenditures in the amount of \$4.5 million for the Astoria Annex Replacement of Shunt Reactors Project and award a contract to Alstom Grid LLC in the amount of \$3.1 million to Engineer, Procure and Construct two, 3-phase 345 KV, Air Bushing Oil-filled Shunt Reactors.

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 Authority's Capital Expenditure Authorization Procedures, capital expenditures are hereby approved in the total amount of \$4.5 million for the Astoria Annex Shunt Reactor Project as recommended in the foregoing memorandum of the President and Chief Executive Officer;

| <b><u>Capital</u></b>                               | <b><u>Expenditure Authorization</u></b> |
|---|---|
| Astoria Annex Replacement of Shunt Reactors Project | <u>\$ 4,500,000</u>                     |
| Previous Authorization                              | \$ 406,200                              |
| <b>Current Request</b>                              | <b><u>\$ 4,093,800</u></b>              |
| Total Amount Authorized                             | <u>\$ 4,500,000</u>                     |

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 Alstom Grid LLC in the amount of \$3.1 million to Engineer, Procure, and Construct two, 3-phase 345 KV, Air Bushing Oil-filled Shunt Reactors as recommended in the foregoing memorandum of the President and Chief Executive Officer;

| <b><u>Contractor</u></b>   | <b><u>Contract Approval</u></b>               |
|--|---|
| <b>Alstom Grid LLC<br/>Canoas, Brazil<br/><br/>(#Q15-5985FS)</b> | <b>3-year Contract<br/><u>\$3,073,000</u></b> |

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.