

July 29, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Procurement (Services) Contract – Niagara Power Project –
Lewiston Pump Generating Plant Life Extension and
Modernization Program – Upgrade of Stub Shaft, DC Field
Bus, Collector Ring and Neutral Bus – Contract Award**

SUMMARY

The Trustees are requested to approve the award of a two-year contract to General Electric Industrial Solutions (“GE”) of Pittsfield, ME in the amount of \$1,379,269 for the upgrade of the Stub Shaft, DC Field Bus, Collector Ring and Neutral Bus of 3 out of the 12 existing motor generating units (3rd Unit; 4th Unit; and 5th Unit) at the Niagara Power Project, Lewiston Pump Generating Plant (“LPGP”). This work is part of the Life Extension and Modernization (“LEM”) Program at the LPGP.

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.

At their June 29, 2010 meeting, the Trustees approved the LPGP LEM Program at the estimated cost of \$460 million. As of their November 9, 2012 meeting, the Trustees have authorized a capital expenditure amount of approximately \$252 million for the LPGP LEM Program; the value of this contract falls within that capital expenditure authorization.

The principal reason for the life extension work at LPGP is the aging condition of the generating equipment. Failure to maintain the LPGP would result in significant loss of peaking and firm capacity from the Niagara Power Project, impacting the ability of the Niagara Power Project to meet requirements under power contracts with the Authority’s customers.

In July 2012, a multi-year contract was awarded to Andritz Hydro (“Andritz”) for the motor generator upgrade of all 12 of the existing motor generating units at LPGP (the “MG Upgrade Contract”). The work under the MG Upgrade Contract included the subject work, as well as replacement of the stator coils and rotor poles for each of the 12 existing motor generating units. The MG Upgrade Contract was structured such that the work was to be released in four phases consisting of 3 units each – the first phase consisting of 1st Unit, 2nd Unit and 3rd Unit.

During the refurbishment of the 1st Unit, the stator coils fabricated by Andritz failed industry tests causing the Authority to investigate further. Ultimately, the Authority issued a “stop work order” affecting all further work under the MG Upgrade Contract as a result of Andritz’s failure to properly fabricate the stator coils in accordance with the technical specifications, the Authority’s requirements and acceptable industry standards. An emergency contract was issued to GE to install a spare set of stator coils that the Authority had previously purchased from GE in lieu of the faulty Andritz coils, along with the replacement of the Stub Shaft, Collector Ring, DC and Neutral Bus and Current Transformers replacement on the 2nd Unit.

The current procurement for the upgrade of the Stub Shaft, DC Field Bus, Collector Ring and Neutral Bus for the 3rd Unit, 4th Unit and 5th Unit is required as a component of the LEM project, specifically to connect the new static exciter to the existing rotor and for the new relay protection to operate as designed, and to maintain the overall LEM project schedule.

DISCUSSION

An advertisement to solicit bids (Q14-5619FS) for the upgrade of the Stub Shaft, DC Field Bus, Collector Ring and Neutral Bus for motor generating units 3, 4 and 5 was issued and appeared in the New York State *Contract Reporter* on April 2, 2014. Two proposals were received on May 30, 2014. The NYPA Fair Cost Estimate for this project is \$1,659,000.

The final proposal prices are as follow:

<u>Bidder</u>	<u>Bid Price</u>
General Electric Industrial Solutions	\$1,379,269
Alstom Hydro Power Inc.	\$1,669,193

The proposals were reviewed by an Evaluation Committee (“Committee”) with representatives from Procurement, Engineering, Niagara Project and Project Management. Queries were sent to GE, the lowest price bidder, seeking clarifications to their proposal and to provide an opportunity for GE to demonstrate their work plan, guaranteed characteristics of their proposal and pricing. GE’s responses were acceptable to the Committee.

In the recent past, GE successfully completed several projects at the Niagara Power Project, including the Stub Shaft, Collector Ring, DC and Neutral Bus and Current Transformers replacement of the 2nd Unit and the stator coil replacement of the 1st Unit. GE has broad experience in projects of this magnitude, has demonstrated knowledge of the scope-of-work and is capable of completing this project in a timely manner. The Committee recommends that a contract for the work described above be awarded to GE whose bid is technically and commercially acceptable.

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital Fund and is included in the 2014 approved Capital budget.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Vice President – Engineering, the Acting Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a two-year contract to General Electric Industrial Solutions of Pittsfield, ME in the amount of \$ 1,379,269, for the upgrade of the Stub Shaft, DC field Bus, Collector Ring and Neutral Bus of three motor generating units as part of the Life Extension and Modernization Program to renovate and modernize the Lewiston Pump Generating Plant.

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, approval is hereby granted to award a two-year contract to General Electric Industrial Solutions of Pittsfield, ME, in the amount of \$1,379,269, for the upgrade of the Stub Shaft, DC field Bus, Collector Ring and Neutral Bus of three motor generating units as part of the Life Extension and Modernization program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the foregoing memorandum of the President and Chief Executive Officer;

Contractor

Contract Approval

General Electric Industrial Solutions

\$1,379,269

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.