

July 29, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Small Clean Power Plants – Blackstart Project –
Harlem River and Hell Gate – Capital Expenditure
Authorization Request and Contract Award**

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$11,000,700 and approve a contract in the amount of \$7,536,100 to Dynamic Mechanical Contractors, Inc. (“Dynamic”) of Hackensack, NJ for engineering, procurement, installation, start-up, testing and commissioning services associated with the Blackstart Project (“Project”) at the Harlem River and Hell Gate Small Clean Power Plants (“SCPPs”). This Project entails the installation of a 1,000 kW diesel generator and related appurtenances at Hell Gate and Harlem River SCPPs, respectively.

On March 12, 2012 the President and Chief Executive Officer approved \$668,883 for preliminary engineering related to the project.

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.

Each of the Harlem River and Hell Gate SCPP consists of two LM6000 Gas Turbine-Generator units and are each connected to the Hell Gate Annex Substation via 138 kV Circuit Breaker #4 and #1, respectively. Neither the Hell Gate nor Harlem River generating facilities possess blackstart capability.

Major New York City blackouts have occurred, resulting in a complete loss (de-energization) of the 138 kV transmission system. Future such events would result in a full-load rejection trip of the SCPPs, assuming that the SCPPs were operating at the time of the event. Current configurations do not allow the SCPPs to provide power to the transmission system in the event of a total blackout.

At the request of Consolidated Edison (“Con Edison”) the Authority agreed to construct such blackstart capabilities at the two sites, as long as NYPA can recover the reasonable costs incurred in constructing such facilities over a reasonable time period.

Under the existing New York Independent System Operator’s (“NYISO”) Transmission Tariff, new generating facilities that provide blackstart services to Con Edison are permitted to recover their reasonable and prudent costs for providing blackstart service. The Tariff states that the NYISO determines what costs are reasonable for providing this service.

Con Edison agreed to select the Authority’s Hell Gate and Harlem River facilities as blackstart resources under Con Edison’s System Restoration Plan, over the period designated in the Tariff for the recovery of blackstart costs.

Based on a review of the NYISO Tariff, a payback period of twenty-two years is anticipated (through 2029) for construction costs.

In response to the Authority’s request for proposal advertised in the New York State *Contract Reporter* on March 6, 2014 (RFQ No. Q14-5603JF), ten companies attended the pre-bid walk down and three proposals were received on April 30, 2014 from the bidders listed below:

<u>Company</u>	<u>Evaluated Price</u>
Dynamic Mechanical Contractors, Inc. (Hackensack, NJ)	\$7,536,100
Welsbach Electric Corp. (College Point, NY)	\$8,186,000
E-J Electric Installation Co. (Long Island City, NY)	\$11,673,120

The Authority’s Comparative Cost Estimate is \$10,200,000.

The proposals were reviewed by an Evaluation Committee consisting of Authority staff. Dynamic provided the lowest cost and technically acceptable proposal. It included a detailed project execution and resource plan describing Dynamic’s approach for management of the project scope, cost, schedule, safety, quality and a specific identification of the major work tasks to be performed. The company’s proposal meets the criteria as specified in the Authority’s construction specification. It has also successfully completed several projects for the Authority. Dynamic took no exceptions to the Authority’s technical specifications and commercial terms and conditions.

FISCAL INFORMATION

Payments 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 Acting Vice President – Procurement, the Project Manager, and the Regional Manager – Southeastern New York recommend that the Trustees approve capital expenditures in the amount of \$11,000,700 and award of a contract in the amount of \$7,536,100 to Dynamic Mechanical Contractors of Hackensack, NJ for the Blackstart Project at the Harlem River and Hell Gate Small Clean Power Plants.

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 Expenditure Authorization Procedures, capital expenditures in the amount of \$11,000,700 are hereby authorized for the Hell Gate and Harlem River Blackstart Small Clean Power Plant Project (“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 authorize capital expenditures in the amount of \$7,536,100 to provide material, installation and testing services for the Project, as recommended in the foregoing memorandum of the President and Chief Executive Officer and as set forth below:

<u>Contractor</u>	<u>Contract Approval</u>
Dynamic Mechanical Contractors (Hackensack, NJ)	\$7,536,100

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.