

Date: July 30, 2015

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Richard M Flynn Power Plant – 2015 Major Outage –
Capital Expenditure Authorization Request

SUMMARY

The Trustees are requested to authorize a Capital Expenditure Authorization Request (“CEAR”) in the amount of \$10, 521,800 for the replacement and/or upgrade of critical parts for the Richard M Flynn Power Plant’s (“Plant”) gas turbine and controls during the 2015 Major Outage (“Project”). Funding in the amount of \$2,473,800 was previously authorized by the President and Chief Executive Officer in 2013 for long lead time components of the Project.

BACKGROUND

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

The Plant has been in service since May 1994 and is now considered a merchant plant. The Plant consists of one gas turbine and one steam turbine. The timing of major overhauls and large projects at the Plant is based on the recommended maintenance cycles of the Siemens V84.2 gas turbine. Siemens recommends that the gas turbine be completely overhauled and upgraded approximately every 33,000 operating hours, which, with typical operating parameters, equates to once every four years. When the Plant is offline (outage) other maintenance projects which cannot be done while in-service, are completed. The last major outage at the Plant was in 2011. In keeping with the four-year schedule, the next outage is due to start in October 2015. The repairs and upgrades described below are critical to the safe, reliable and efficient operation of the Plant.

DISCUSSION

Following the 2011 Major Outage, critical gas turbine parts that were salvageable were sent out for refurbishment and upgrade. Components that were not repairable needed to be replaced. These purchased and/or refurbishment components have long lead times and need to be procured well in advance of the Plant’s next outage in order to maintain operational schedules and prevent an extended outage. Examples of these critical components are: HR3 gas burners, compressor inner diffuser, turbine blades/vanes, mixing elbows, controls and the turbine inner case. The costs associated with the purchase and refurbishment of these components and the balance of the activities associated with the Project are incorporated in the following table.

Category	Total Authorization Request
Preliminary Engineering	\$ 38,100
Engineering Design	\$ 126,000
Procurement	\$ 9,643,700
Construction Installation	\$ 138,000
NYPA Indirect Expense	\$ 501,000
NYPA Direct Expense	\$ 75,000
Total All Categories	\$10,521,800

FISCAL INFORMATION

Payment associated with this Project will be made from the Authority's Capital Fund. At this time, staff is requesting authorization of the remaining balance of \$8,048,000 for implementation of the Project during the 2015 Major Outage.

RECOMMENDATION

The Senior Vice President – Power Generation, the Vice President – Procurement, the Regional Manager – Southeastern New York and the Director – Operations, RM Flynn Power Plant, recommend that the Trustees authorize capital expenditures in the amount of \$8,048,000 for the replacement and/or upgrade of critical components for the gas turbine and controls and the balance of activities during the Richard M Flynn Power Plant's 2015 Major Outage.

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 are hereby approved in the amount of \$8,048,000 for the upgrade and purchase of critical components for the gas turbine and controls and the balance of activities during the 2015 Richard M Flynn Power Plant's Major Outage as recommended in the foregoing memorandum of the President and Chief Executive Officer:

<u>Capital</u>	<u>Expenditure Authorization</u>
RM Flynn Power Plant – 2015 Major Outage	
Previous Authorization	\$ 2,473,800
Current Request	<u>8,048,000</u>
Total Amount Authorized	\$ <u>10,521,800</u>

AND BE IT FURTHER RESOLVED, That the 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.