May 21, 2013

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Transmission Life Extension and Modernization Program
St. Lawrence – Massena Substation
765 kV Reactors Refurbishment Contract Award

SUMMARY

The Trustees are requested to approve the award of a multi-year contract in the amount of $11.7 million to ABB, Inc. of St. Louis, MO to refurbish eight ASEA 765kV reactors at the Massena Substation.

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. In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contracts exceeding $3.0 million require the Trustees' approval.

The Transmission Life Extension and Modernization is multiyear program that will upgrade the Authority's existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses 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 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.

In 2007, ABB conducted a Life Assessment and Risk of Failure Study covering the ASEA Shunt Reactors. The study centered on the operating condition, life assessment and risk of failure analysis and provided an extensive list of recommendations required to maintain reliability and extend the life of the Reactors. The recommendation indicated a need to refurbish the reactors at the Massena Substation. Refurbishment efforts will be performed in a sequenced

approached. The current schedule calls for the refurbishment of one reactor this year, and two units per year for 2014 through 2016 and completion of the final unit in 2017.

The Massena Substation is a 765kV substation. There are a total of eight reactors at the substation which were put into service in 1977.

The reactors are critical components of the 765kV transmission system. The refurbishment of the reactors will lengthen the service life of these assets to improve reliability and maintain a robust electrical grid while minimizing future losses which can result in a loss of a 765kV transmission line and resulting loss of revenue.

DISCUSSION

The scope of work under this contract includes the refurbishment of eight ASEA reactors.

In response to the Authority's request for proposal advertised in the New York State *Contract Reporter* on January 17, 2013, fifty (50) firms downloaded the bid documents. The following three (3) proposals were received on January 18, 2013 as noted below:

Bidders:	**Base Price**	**Evaluated Price**
ABB, Inc. St. Louis, MO	$ 7,513,116	$ 11,744,436
Eaton Corp LeRoy, NY	$ 12,639,616	$ 14,435,610
GE Energy Tonawanda, NY	$ 7,275,200	Non-Responsive

Post Bid Addendum #1 was issued 4/3/2103.

In 2006, ABB conducted a Life Assessment and Risk of Failure Study, which indicated a need to refurbish the auto-transformers and reactors at the Marcy Substation. Refurbishment efforts will be performed in a sequenced approached. The current schedule calls for the refurbishment of one reactor this year with two units per year from 2014 through 2016 and completion of the final unit in 2017.

In addition to the base proposal, $1.7 million will be added to the contract award for work associated with civil improvements and extended warranty of five years. An initial release of $9.2 million will be issued.

Optional pricing was also requested of ABB, Inc., based on projected future expenses. These optional items totaling $2.6 million will be exercised based on condition of equipment following inspection.

The project work will commence in 2013 with the refurbishment of one reactor, and two units per year for 2014 through 2016, and the final reactor will be completed in 2017.

FISCAL INFORMATION

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

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Transmission, the Vice President – Procurement, and the Project Manager recommend that the Trustees approved the award of a multi-year contract to ABB, Inc. in the amount of $11.7 million.

For the reasons stated, I recommend the approval of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

Gil Quiniones
President and Chief Executive Officer

Att.
Transmission LEM – Massena
Substation - Refurbish Reactors

R E S O L U T I O N

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to ABB, Inc., in the amount of $11.7 million to provide refurbishment services to eight reactors for use at the Massena Substation, as recommended in the attached memorandum of the President and Chief Executive Officer:

Contractor	**Contract Approval**
ABB, Inc. St. Louis, MO	$11.7 million

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.