

May 21, 2013

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Alcoa Transmission Line Relocation Project
Capital Expenditure Authorization Request**

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$3,715,000 for the Alcoa Transmission Line Relocation Project (the "Project"). This Project entails the relocation of the existing 115 kV Transmission Lines MRG1, MRG2 and MR3 in support of Alcoa's Massena Modernization Project ("MMP").

Alcoa will reimburse the Authority for 100% of the cost of the Project.

BACKGROUND

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

At their meeting on December 16, 2008, the Trustees approved a new long-term agreement between the Authority and Alcoa, Inc. for the sale of 478 MW of hydroelectric power generated at the St. Lawrence/FDR Project. The term of this agreement is for 30 years with a provision for a possible 10-year extension. As part of the agreement, Alcoa, Inc. committed to protect a minimum of 900 jobs at the aluminum production facilities. The agreement was contingent upon the Alcoa Board of Directors approving the investment of at least \$600 million for the Alcoa Massena Modernization Project.

In March of 2013 the Alcoa Board of Directors announced the Company's decision to proceed with the next phase of the project. Alcoa is planning to invest \$42 million for site preparation at the Massena East smelter and provide an additional \$10 million toward a North Country Economic Development Fund ("NCEDF"). Before construction begins on the new smelter, certain projects must be completed, one being the Alcoa Transmission Line Relocation Project.

The Alcoa Massena Modernization Project will install a new 115 kV Substation to feed the loads for the new Smelting Potline and the auxiliary 13.8 kV loads of Alcoa's Massena East Plant. The proposed location of the new substation and new potline is currently encumbered by the present location of the Authority's Transmission Lines MRG1, MRG2 and MR3. These lines currently feed Alcoa's Reynolds Substation and other Customers (GM and Awkwesasne).

The Authority and Alcoa executed an Agreement in January of 2011 to relocate Transmission Lines MRG1, MRG2 and MR3 around the proposed location of the new substation and potline while maintaining supply to the current plant.

The Authority is responsible for the Preliminary Engineering, Detailed Engineering, and Construction scope of work associated with relocation of the transmission lines.

DISCUSSION

Relocation of Transmission Lines MRG1, MRG2 and MR3 was structured to be performed in three (3) phases;

- Phase 1: Preliminary Engineering (2009)
- Phase 2: Detailed Engineering (2011 – 2012)
- Phase 3: Construction (2013)

The Authority issued contracts to Hatch Energy (“Hatch”) for the Phase 1 and 2 scope of work. Hatch completed the Preliminary Engineering in 2009 and Detail Engineering in 2012.

The Authority issued a Request for Proposals (“RFP”) for Phase 3 – Construction and has completed the bid evaluation to award an installation contract to Northline Utilities, LLC the lowest cost and technically acceptable bidder.

This capital expenditure authorization is comprised of the following:

PHASE 1 – Preliminary Engineering	\$ 125,000
PHASE 2 – Engineering/Design	\$ 420,000
PHASE 3 – Procurement	\$ 100,000
PHASE 4 – Construction/Installation	\$2,750,000
PHASE 8A – NYPA Direct Expense (Project Mngmt, Construction Mngmt)	\$ 175,000
PHASE 8B – NYPA Indirect Expenses	<u>\$ 170,000</u>
TOTAL	<u>\$ 3,715,000</u>

FISCAL INFORMATION

Payments associated with this project will be made from the Authority’s Capital Fund. Alcoa will reimburse the Authority for 100% of the cost of the Project.

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, the Project Manager, and the Regional Manager – Northern New York recommend that the Trustees approve capital expenditures in the amount of \$3,715,000 for the Alcoa Transmission Line Relocation Project.

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 C. Quiniones
President and Chief Executive Officer

Att.
Alcoa Transmission
Line Relocation - CEAR

RESOLUTION

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 \$3,715,000 for the Alcoa Transmission Line Relocation Project, as recommended in the attached memorandum of the President and Chief Executive Officer; 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.