

May 21, 2013

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: Transmission Life Extension and Modernization Program  
Clark Energy Center – Marcy 765kV  
Auto-Transformers and Reactors – Contract Award**

**SUMMARY**

The Trustees are requested to approve the award of a multi-year contract in the amount of \$19.6 million to ABB, Inc. of St. Louis, MO to refurbish three ASEA 765 kV auto-transformers, four ASEA 765 kV reactors, and three Westinghouse 765 kV auto-transformers at the Clark Energy Center (“CEC”).

**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, construction and equipment contracts exceeding \$3,000,000 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.

The CEC consists of a 765 kV and 345 kV substation. There are a total of seven auto-transformers and four reactors at the substation which were put into service in 1978. The refurbishment of auto-transformer (1B) is ongoing and scheduled to be completed this summer by ABB, Inc.

The auto-transformers and reactors are critical components of the 765 kV transmission system. The refurbishment of the auto-transformers and 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 765 kV transmission line and resulting loss of revenue.

## DISCUSSION

The scope of work under this contract includes the repair and refurbishment of three ASEA auto-transformers, four ASEA reactors, and three Westinghouse auto-transformers.

In response to the Authority's request for proposal advertised in the New York State *Contract Reporter* on January 24, 2013, forty-four (44) firms downloaded the bid documents. The following proposal was received on January 25, 2013 as noted below:

| <b>Bidder:</b>            | <b>Base Proposal</b> | <b>Evaluated Proposal</b> |
|---------------------------|----------------------|---------------------------|
| ABB Inc.<br>St. Louis, MO | \$11,557,832         | \$19,556,074              |

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 approach. The current schedule calls for the refurbishment of one additional auto-transformer this year with two units per year from 2014 through 2017 and completion of the final unit in 2018.

In addition to the base proposal, \$3.4 million will be added to the contract award for work associated with wiring and extended warranty of five years. An initial release of \$15.0 million will be issued.

During the ongoing refurbishment of auto-transformer (1B), there were unanticipated expenses due to the nature of the refurbishment project. Optional pricing was requested of ABB, Inc., based on lessons learned and projected future expenses. These optional items totaling \$4.6 million will be exercised based on condition of equipment following inspection.

## 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 approve the award of a multi-year contract to ABB, Inc. in the amount of \$19.6 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 C. Quiniones  
President and Chief Executive Officer

Att.  
Transmission LEM –Refurbish  
Transformers and Reactors

**RESOLUTION**

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 \$19.6 million to refurbish six auto-transformers and four reactors for use at the Marcy Substation, as recommended in the attached memorandum of the President and Chief Executive Officer;

**Contractor**

ABB, Inc.  
St. Louis, MO

**Contract Approval**

\$19.6 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.