

May 21, 2013

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Blenheim Gilboa Power Project – Generator Step-Up Transformers – Capital Expenditure Authorization and Contract Award

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$6.9 million for the engineering, design, manufacture, shipment, assembly, installation, testing, and commissioning of two generator step-up transformers (the “Project”) for Blenheim Gilboa Power Project. One of the new transformers will be installed at Unit #2 and the other will serve as a standby spare.

The Trustees are also requested to approve the award of a value contract to Hyundai Heavy Industries Co. (HHI) of South Korea, in the amount of \$5.6 million to design, fabricate, test, deliver, assemble, install and commission the transformers. The contract work is scheduled to commence in 2013 and be completed in 2014.

BACKGROUND

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

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. Also, in accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services or equipment purchase contract exceeding \$3 million requires Trustees’ approval.

On August 26, 2012, the Unit #2 Generator Step-Up Transformer (GSUT) at the Blenheim Gilboa Power Project (“BG”) had a significant internal failure which rendered the transformer unrepairable. The damaged GSUT was removed from service and replaced with the existing spare transformer allowing unit operation to be restored. The spare transformer, however, is undersized for long term use with the turbine-generators that were upgraded during the recent BG/LEM project. As a result of the loss of one transformer and the undersized condition of the existing spare, two new 325 MVA GSUT’s will be purchased to match the three remaining transformers replaced during the LEM program.

DISCUSSION

The Authority placed a notice to procure bids in the New York State *Contract Reporter* on October 9, 2012 and bid packages for the Procurement of Two Generator Step-Up Transformer for Blenheim Gilboa Power Project were available as of October 15, 2012. Nine proposals were originally received on November 20, 2012.

All proposals were reviewed by an Evaluation Committee comprising the Authority's staff from BG, Engineering, Quality Assurance, Asset Management, Procurement, and Project Management.

The proposals were evaluated based on:

- Compliance with commercial, technical and quality assurance requirements
- Price
- Compatibility with the existing GSU transformers
- Engineering and Quality Assurance support and travel associated with overseeing the design, fabrication, and testing.

As part of the bid evaluation process, post bid addenda were issued for technical and commercial clarifications from all bidders.

The Evaluation Committee determined that HHI's bid in the lump sum price of \$5,600,942 to be technically acceptable

HHI is the original manufacturer of the existing GSUTs at BG. HHI's proposed design of the new GSUT will be identical to that of the three (3) GSUTs purchased as part of the BG/LEM project except for the tap changer. The proposed tap changer will be of a newer design to avoid premature failure that was experienced and lessons learned from the failed Unit #2 GSUT.

Design and fabrication of the two new transformers will begin in 2013 and deliver and installation will occur in the third quarter of 2014.

The total project cost is estimated to be \$6.9 million as follows:

Task	Total
Engineering	\$ 157,500
Procurement	\$5,880,000
Construction	\$ 379,500
Authority Direct & Indirect	\$ 464,000
Total:	\$6,881,000

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 Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager, and the Regional Manager – Central New York recommend that the Trustees approve capital expenditures in the amount of \$6.9 million for two generator step-up transformers for Blenheim Gilboa Power Project and a contract award to Hyundai Heavy Industries Co. in the amount of \$5.6 million to design, fabricate, test, deliver, assemble, install and commission the transformers.

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

RESOLUTION

RESOLVED that pursuant to the Authority's Expenditure Authorization Procedures, capital expenditures in the amount of \$6.9 million are hereby authorized in accordance with and as recommended in the attached 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 award a value contract to Hyundai Heavy Industries Co. in the amount of \$5.6 million to design, fabricate, test, deliver, assemble, install and commission the transformers, as recommended in the attached memorandum of the President and Chief Executive Officer:

Contractor

Hyundai Heavy Industries
South Korea

Contract Approval

\$5.6 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.