

June 26, 2012

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

SUBJECT: Niagara Power Project – Lewiston Pump Generating Plant Life Extension and Modernization Program – Motor-Generator Upgrade, Accessory Replacement and Overhaul – Contract Award

SUMMARY

The Trustees are requested to approve the award of a nine-year contract in the amount of \$90,989,359 to Andritz Hydro Inc. of Charlotte, NC (“Andritz”), for the motor-generator upgrade, accessory replacement and overhaul work as part of the Life Extension and Modernization (“LEM”) Program at the Lewiston Pump Generating Plant (“LPGP”).

Interim approval was given, with a limited authorization not to exceed \$104,000, in order for Andritz to commence the engineering evaluation which is necessary to have the stator coils, field poles and related components delivered to the site by January 2013. The delivery of the components is vital to meet the installation schedule for the first unit’s planned outage starting in December 2012.

BACKGROUND

In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3 million or contracts exceeding a one-year term requires Trustee approval.

At their June 29, 2010 meeting, the Trustees approved the LPGP LEM Program at the estimated cost of \$460 million and authorized capital expenditures in the amount of \$131 million. This requested contract award is a part of the previous capital expenditure authorization.

LPGP is a low-head pump storage plant with 12 reversible motor-generators. A hydroelectric generator converts mechanical energy into electricity; a motor converts electrical energy into mechanical energy and pumps the water into the reservoir. The principal reason for life extension work at LPGP is the condition and age of generating equipment, including the original transformers, motor-generators, pump-turbines, exciters and controls, potheads and High Pressure Fluid-Filled (“HPFF”) plants. Failure to maintain LPGP would result in significant loss of peaking and firm capacity from the Niagara Power Project, preventing the Project from being able to meet power contracts with the Authority’s customers.

The work under this contract includes complete engineering evaluation of the existing motor-generators and design of new field poles, stator windings and other systems and rehabilitation work to enhance unit capacity and improve water-to-wire efficiency. The existing LPGP motor-generators were re-wound in the 1980s; one unit was re-wound again in each of 2005 and 2009. The 2005 re-wind was based on a planned program of re-winds, which has been superseded by the present LEM Program.

DISCUSSION

An advertisement to procure bids was issued and appeared in the New York State *Contract Reporter* on January 10, 2012. Five proposals were received on April 3, 2012. In addition, Post-Bid Addenda Nos. 1 and 2 were issued to clarify the bidders’ proposals; final prices were received on May 7, 2012. The final proposal prices are as follows:

<u>Bidder</u>	<u>Location</u>	<u>Base Bid</u>	<u>Base Bid with Escalation</u>
Andritz Hydro Inc.	Charlotte, NC	\$80,449,691	\$90,989,359
Alstom Hydro Power Inc.	Littleton, CO	\$84,317,913	\$92,877,328
Voith Hydro Inc.	York, PA	\$85,704,623	\$97,574,321
National Electric Coil	Columbus, OH	\$87,856,684	\$99,077,439
General Electric International Inc.	Rotterdam, NY	Not provided	\$122,489,538

All proposals were reviewed by an evaluation committee with representatives from Procurement, Engineering, Niagara Project and Project Management. Meetings were conducted with three bidders to clarify their proposals and provide an opportunity to explain how they arrived at their work plan, guaranteed characteristics and pricing.

Alstom took numerous commercial exceptions such as insurance, liquidated damages and limitation of liability which are not acceptable to the Authority. In addition, Alstom’s original proposal price increased by \$14,000,000 based on Post-Bid Addendum No. 2 for an “exception free proposal” of which \$5.0 million is the estimated cost for insurance. Furthermore, \$16,800,000 of their bid is subject to currency adjustment.

Andritz did not increase its price in order to provide an exception free proposal and was evaluated to be the lowest-priced, technically qualified bidder.

The estimated cost of this work is within the authorization of this project which was approved by the Trustees at their June 29, 2010 meeting; this work is included in the 2012 approved Capital Budget. Future funding will be included in the Capital Budget request for those years.

FISCAL INFORMATION

Payment associated with this project will be made from the Authority’s Capital Fund.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Power Supply Support Services Operations, the Vice President – Project Management, the Vice President – Engineering, the Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees approve the award of a nine-year contract to Andritz Hydro Inc. of Charlotte, NC, in the amount of \$90,989,359, for motor-generator upgrade, accessory replacement and overhaul as part of the Life Extension and Modernization Program to renovate and modernize the Lewiston Pump Generating Plant.

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.
NIA – Motor Generator Upgrade,
Accessory Replacement and Overhaul

RESOLUTION

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a nine-year contract to Andritz Hydro Inc. of Charlotte, NC, in the amount of \$90,989,359, for the motor-generator upgrade, accessory replacement and overhaul as part of the Life Extension and Modernization Program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the attached memorandum of the President and Chief Executive Officer;

Contractor

Andritz Hydro Inc.
Charlotte, NC

Contract Approval

\$90,989,359

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.