

Date: March 29, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: **Blenheim-Gilboa Switchyard Life Extension and Modernization Project – Capital Expenditure Authorization Request**

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$10,997,700 for the Blenheim-Gilboa Switchyard Life Extension and Modernization (“LEM”) Project (“Project”). The project is part of the Transmission Life Extension and Modernization (“T-LEM) Program.

The Trustees are also requested to ratify the President and Chief Executive Officer’s preliminary approval of \$790,800 for preliminary engineering for the project.

BACKGROUND

T-LEM is a multiyear program that will upgrade the Authority’s existing transmission system to maintain availability, increase reliability, and ensure regulatory compliance. The Program encompasses Authority 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; and
- Replacement of the submarine cable on PV-20.

The Blenheim-Gilboa 345 kV Switchyard is approximately 40 years old with much of the original equipment still in service, but approaching the end of its useful life. An assessment of the condition of the switchyard equipment, as well as the maintenance practices, resulted in recommendations for the replacement of the following:

- Motor Operated Disconnect Switches
- Ground Switches
- Potential Transformers
- Capacitive Coupling Voltage Transformers
- Surge Arrestors
- Capacitor Bank (Repair/Replace).

DISCUSSION

The equipment identified will be replaced during the period 2016 – 2020 using a combination of internal and external resources. Equipment will be procured in accordance with the Authority’s equipment procurement procedures.

The capital expenditure authorization is comprised of the following:

Preliminary Engineering (previously approved)	\$ 790,800
Engineering and Design	\$2,440,900
Procurement/Materials	\$1,961,900
Construction	\$3,220,000
Authority Direct/Indirect	<u>\$2,584,100</u>
Total	<u>\$10,997,700</u>

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 Vice President – Transmission, the Project Manager and the Regional Manager – Central New York recommend that the Trustees authorize capital expenditures in the amount of \$10,997,700 for the Blenheim-Gilboa Switchyard Life Extension and Modernization Project.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That pursuant to the Authority’s Expenditure Authorization Procedures, capital expenditures in the amount of \$10,997,700 are hereby authorized in accordance with, and as recommended in, the foregoing memorandum of the President and Chief Executive Officer;

<u>Capital</u>	<u>Expenditure Authorization</u>
Blenheim-Gilboa Switchyard LEM	<u>\$10,997,700</u>

AND BE IT FURTHER RESOLVED, That the Authority, in accordance with Treasury Regulation Section 1.150-2, hereby declares its official intent to finance as follows: The Authority intends to reimburse to the maximum extent permitted by law with the proceeds of tax-exempt obligations to be issued by the Authority, all expenditures made and which may be made in accordance with the Project described in the foregoing memorandum of the President and Chief Executive Officer, with the maximum principal amount of obligations to be issued for such project expected to be \$10, 997,700; 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.