



Date: March 29, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: **Marcy-South Series Compensation Project –
Capital Expenditure Authorization Request – Revision 1
and Increase in Contract Authorization**

SUMMARY

The Trustees are requested to authorize an additional \$10.5 million to the October 2014 approved expenditure authorization request for engineering, equipment procurement, installation, start-up testing and commissioning services for the Marcy-South Series Compensation Project (“MSSC”) Project (“Project”). The initial approved authorization was \$48.4 million.

The Trustees are also requested to approve an increase in the contract awarded to ABB, Inc. of Raleigh, NC from the previous amount of \$23.6 million to \$28.0 million to fund additional scope, materials, installation, testing and commissioning services in support of the project.

BACKGROUND

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

The MSSC Project will add switchable series compensation capacitors to increase power transfer by reducing series impedance over the existing 345kV Marcy South circuits. Specifically, the Project will add a 915 MVA SC bank (40% compensation) on the Marcy-Coopers Corners 345 kV line, a 315 MVA SC bank (25% compensation) on the Edic-Fraser 345 kV line, and a 240 MVA SC bank (25% compensation) on the Fraser-Coopers Corners 345 kV line. The three SC banks will be installed near the Fraser Substation. In addition, the Project includes replacing the conductor lines on approximately 21.8 miles of the NYSEG-owned Fraser-Coopers Corners 345 kV line and will replace/upgrade circuit breakers, protection relays and communication systems at substations owned by the Authority (Marcy, Bleheim-Gilboa), NYSEG (Fraser, Coopers Corners, Oakdale), National Grid (Edic, Clay, Volney, New Scotland), Central Hudson (Rock Tavern) and Orange & Rockland (Middletown).

The Authority is responsible for reimbursing National Grid, Central Hudson and Orange & Rockland for the engineering, procurement, installation, testing and commissioning of equipment replacement/upgrade at each utility’s substation. NYSEG will be responsible for its costs associated with installation of one SC bank and ancillary equipment at the Fraser Substation, replacing the conductor lines on 21.8 miles of the Fraser-Coopers Corners 345 kV line and equipment/upgrade at NYSEG-owned substations. NYSEG costs are not included in the Authority’s capital expenditure request.

The original estimate for the project was \$54.3 million dollars. On October 15, 2014, an authorization request for Phase 1 funding in the amount of \$45.4 million was approved by the Trustees with a \$5.9 million balance to be authorized. The approved amount included \$3 million previously approved for system studies, preliminary engineering, licensing and initial detailed engineering as well as a contract award to ABB Inc. of Raleigh, NC, in the amount of \$ 23.6 million to provide professional engineering, procurement, testing and commissioning services for the Project.

DISCUSSION

The Project estimate has been revised to \$58.9 million (an increase of \$4.6 million) as a result of developments during detailed engineering including:

- Authority payments for engineering, procurement and installation of complex relay protection, telecommunication, control and integration upgrades among five utilities;
- Remediation of access roads post completion of project;
- Security enhancements for NERC CIP V5 projects.

This request for Phase 2 funding includes the original “Balance to be Authorized” \$5.9 million plus an additional \$4.6 million to complete the Project, for a total of \$10.5 million.

The net increase in capital expenditure requested is as follows:

Consultant Engineering Services	\$ 1,122,500
Procurement	\$ (1,100,000)
Construction/Installation	\$ 10,719,900
<u>NYPA Direct/Indirect Expense</u>	<u>\$ (185,900)</u>
TOTAL	\$10,556,500

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 – Transmission, the Vice President – Procurement, and the Project Manager recommend that the Trustees approve the additional capital expenditures in the amount of \$10.5 million for the Marcy-South Series Compensation Project and an increase in the contract awarded to ABB, Inc. of Raleigh, NC from the previous amount of \$23.6 million to \$28.0 million.

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, additional capital expenditures in the amount of \$10.5 million are hereby authorized for the Marcy-South Series Compensation (“Project”) as recommended in the foregoing memorandum of the President and Chief Executive Officer;

<u>Capital</u>	<u>Additional Expenditure Authorization</u>
Marcy-South Series Compensation Project	<u>\$10.5 million</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to authorize the increase in the contract awarded to ABB, Inc. of Raleigh, NC from the previous amount of \$23.6 million to \$28.0 million to fund additional scope, materials, installation, testing and commissioning services in support of the project, as recommended in the foregoing memorandum of the President and Chief Executive Officer;

<u>Contact</u>	<u>Additional Contract Approval</u>
ABB, Inc. Raleigh, NC (PO #4600002861)	<u>\$4.4 million</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 process of tax-exempt obligation to be used by the Authority all expenditure 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 used for such project expected to be \$58.9 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.