



Date: September 29, 2015

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: **Procurement (Services) Contract –
Coopers Corners Shunt Reactor Project –
Revision to Capital Expenditure Authorization Request
and Increase in Contract Authorization**

SUMMARY

The Trustees are requested to authorize an increase in Capital Expenditure Authorization in the amount of \$3.491 million for additional construction services for the Coopers Corners Shunt Reactor Project (“Project”). This Project entails the installation of a 200 MVAR Shunt Reactor at the 345 kV Coopers Corners Substation owned and operated by the New York State Electric & Gas Corporation (“NYSEG”). Phases 1 and 2, in the amounts of \$5.130 million and \$4.685 million, were approved by the Trustees at their December 2012 and May 2014 meetings, respectively.

The Trustees are also requested to approve an increase in the amount of \$1.828 million to the contract authorization for O’Connell Electric Company, Inc. (“OCE”) of Victor, NY to provide additional construction services, for a total amount of \$5.685 million, for the Coopers Corners Shunt Reactor Project.

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, Capital Expenditures in excess of \$3 million require the Trustees’ approval. Additionally, in accordance with the Authority’s Expenditure Authorization Procedures, additional funding that exceeds 25-percent of the originally approved contract amount requires the Trustees’ approval.

During periods when there is low electric demand on the system, the electric load can be below 11,000 MW. While this results in lightly loaded transmission lines, the resulting voltages are above acceptable operating limits. Historically, high voltages have been observed at the Coopers Corners 345 kV Substation and surrounding area. These voltage problems may be worsened if other transmission equipment is also out-of-service (e.g. Fraser Static VAR Compensator and/or UE1-7 345 kV transmission line).

The New York Independent Systems Operator (“NYISO”) performed a System Impact Study (“SIS”) to evaluate the impact of the Project on the reliability of the New York State Transmission System. The SIS results show that installation of a 200 MVAR shunt reactor is the ideal solution for high voltage issues during light load conditions.

In July 2012, the Authority and NYSEG executed an Engineering & Procurement Agreement for the installation of a 200 MVAR shunt reactor at Coopers Corners 345 kV Substation, located in the Town of Liberty, NY. The Authority will own the shunt reactor and associated equipment; NYSEG will operate and maintain the equipment subject to the executed Facilities Agreement.

The Project is structured to be performed in two phases;

Phase 1 (previously approved): Engineering, Procurement, Project Management
(2012 – 2013)

Phase 2 (previously approved): Construction (2014– 2015)

The Phase 1 scope-of-work, including preliminary engineering, detailed design engineering and major equipment procurement, was completed in 2013. The Authority awarded a construction contract to OCE, the lowest-cost and technically acceptable bidder, to perform the construction work. Phase 2 construction commenced in October 2014 following the execution of a Facilities Agreement between the Authority and NYSEG and is expected to be completed by the end of October 2015.

DISCUSSION

This request for additional funding is attributed to construction delays due to late delivery of major equipment, inclement weather and schedule adjustments to accommodate NYSEG’s availability to support the Project.

The Trustees previously authorized Capital Expenditures in the amount of \$9.815 million for Phases 1 and 2 of the Project. This additional Capital Expenditure request will cover additional costs for NYSEG’s support and installation services provided by OCE for Phase 2 of the Project:

	Previous Estimate (\$000)	Current Total Estimate (\$000)	Requested Amount (\$000)
Preliminary Engineering/Licensing	100	100	
Engineering/Design	1,015	1,185	
Procurement	2,940	2,940	
Construction/Installation	4,685	7,840	
Authority Direct/Indirect	1,075	1,241	
	9,815	13,306	3,491

The requested revision to the OCE contract is attributed to the cost of additional work to accommodate NYSEG's standards, unknown at the time of award, as well as costs due to delays of the delivery of major equipment, inclement weather and schedule revisions to accommodate NYSEG's availability to support the Project. Based on current projections, the revised contract amount, a "not-to-exceed" value, will allow closeout of the Project. The Reactor was energized on July 31, 2015 and the completion of all outstanding Reactor work is scheduled for the end of September 2015.

OCE	Contract (\$000)	Requested Amount (\$000)
Original Contract Award	\$3,866,751.30	
Cumulative Change Orders to Date	\$1,068,280.28	
Pending Change Orders not to exceed	\$750,000.00	
Revised OCE Contract Amount	5,685,031.58	1,828
% above authorized	47.02%	

FISCAL INFORMATION

Payment associated with this project will be made from the Authority's Capital funds.

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, the Project Manager, and the Regional Manager – Central New York recommend that the Trustees approve additional Capital Expenditures in the amount of \$3.491 million for the Coopers Corners Shunt Reactor Project and an increase of \$1.828 million to the contract authorization for O'Connell Electric Company, Inc. ("OCE") of Victor, NY, for a total amount of \$5.685 million, for additional construction support for the Coopers Corners Shunt Reactor 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, additional Capital Expenditures in the amount of \$3.491 million are hereby authorized for additional engineering and construction support for the Coopers Corners Shunt Reactor Project;

<u>Capital</u>	<u>Additional Expenditure Authorization</u>
Coopers Corners Shunt Reactor Project	<u>\$3.491 million</u>

AND BE IT FURTHER RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, approval is hereby granted for an increase of \$1.828 million to the contract authorization for O’Connell Electric Company, Inc. (“OCE”) of Victor, NY for a total amount of \$5.685 million for additional construction support for the Coopers Corners Shunt Reactor Project.

<u>Contractor</u>	<u>Contract Approval</u>
Coopers Corners Shunt Reactor Project	<u>\$1.828 million</u>
O’Connell Electric Company, Inc.	
PO #4500244404	

AND BE IT FURTHER RESOLVED, That the 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.