

October 15, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Procurement (Services) Contract –
Niagara Power Project – Lewiston Pump Generating Plant –
Life Extension and Modernization Program –
Servomotor Design and Fabrication – Contract Extension**

SUMMARY

The Trustees are requested to extend the subject contract with Voith Hydro Inc. of York, PA (“Voith”) from July 31, 2017 to July 31, 2021, for the procurement of 12 sets of servomotors and associated items, as part of the Life Extension and Modernization (“LEM”) Program at the Lewiston Pump Generating Plant (“LPGP”). This contract extension will result in no cost increase for the procurement of the servomotors.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for any contract extension term in excess of one year.

At their June 29, 2010 meeting, the Trustees approved the LPGP LEM Program at the estimated cost of \$460 million. As of their July 29, 2014 meeting, the Trustees have authorized a capital expenditure amount of \$300 million for the LPGP LEM Program, and the value of this contract falls within that capital expenditure authorization.

The principal reason for the life extension work at LPGP is the aging condition of the generating equipment. Failure to maintain the LPGP would result in significant loss of peaking and firm capacity from the Niagara Power Project, impacting the ability of the Niagara Power Project to meet requirements under power contracts with the Authority’s customers.

Each of the 12 LPGP units has two servomotors located inside the turbine pit that regulate the water flow through the turbines by moving the wicket gates and these original equipment were placed in service in 1961. The servomotors are large oil pistons constructed of cast iron which have experienced cracking and have been temporarily repaired; permanent repair of the cast iron is not possible. Based on equipment condition assessment, it was determined that all of the servomotors should be replaced with servomotors constructed of steel in lieu of cast iron as was done for the individual unit refurbishment work.

DISCUSSION

At their meeting of June 26, 2012, the Trustees awarded a five-year contract to Voith in the amount of \$5,999,139, for the procurement of 12 sets of servomotors and associated items. The scope-of-work under this contract includes the design, manufacturing and delivery of 12 sets of servomotors. Initially, the Authority only released the first five sets of the servomotors due to the limited storage space. The first two new sets of servomotors have been installed in LPGP LEM Units #11 and #5, and have been operating successfully.

The Operational and Maintenance (“O&M”) manual for the new servomotors requires a pressure test prior to installation on units that are stored longer than six months before being placed in service so that the 10 year warranty can be maintained. These pressure tests were not included in the contract and are being performed at additional costs. In order to address the storage issue, mitigate the extra costs of testing, maintain the warranty and the LPGP LEM schedule, the Authority elected to accept delivery of the remaining seven sets of servomotors in three stages. The delivery would be staggered as follows: two sets in January 2016; two sets in March 2017 and last three sets in August 2018. Voith will continue to perform the pressure tests, prior to installation on servomotors stored more than six months.

In order to receive the remaining sets of the servomotor in stages as outlined above, a contract extension to July 2021 is required. The last set of servomotors is scheduled to be installed in the last unit in the September 2020 time frame, in accordance with the LPGP LEM schedule.

FISCAL INFORMATION

Payment associated with this project will be made from the Authority’s Capital Fund and is included in the 2014 approved Capital budget.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Acting Vice President – Project Management, the Vice President – Engineering, the Acting Vice President – Procurement, the Project Manager and the Regional Manager – Western New York recommend that the Trustees extend the Servomotor design and fabrication contract with Voith Hydro Inc. of York, PA from July 31, 2017 to July 31, 2021, for the procurement of 12 sets of servomotors and associated items, as part of the Life Extension and Modernization Program at the Lewiston Pump Generating Plant.

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 Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to extend the servomotor design and fabrication contract with Voith Hydro Inc. of York, PA from July 31, 2017 to July 31, 2021, for the procurement of 12 sets of servomotors and associated items, as part of the Life Extension and Modernization program to renovate and modernize the Lewiston Pump Generating Plant, as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chair, 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.