

October 15, 2014

MEMORANDUM TO THE TRUSTEES

FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER

**SUBJECT: Procurement (Services) Contract –
Transmission Life Extension and Modernization Program –
Clark Energy Center Switchyard – Capital Expenditure
Authorization Request and Contract Award**

SUMMARY

The Trustees are requested to authorize capital expenditures in the amount of \$41.009 million for the Clark Energy Center (“CEC”) Switchyard Life Extension and Modernization (“LEM”) (“Project”). The Project is part of the Transmission Life Extension and Modernization Program.

The Trustees are also requested to approve the award of a contract in the amount of \$6.28 million to ABB, Inc. of Mount Pleasant, PA to design, furnish and deliver six 765 kV three-pole circuit breakers and one 765 kV single-pole circuit breaker for the CEC Switchyard LEM.

The President and Chief Executive Officer, in accordance with the Authority’s Expenditure Authorization Procedures, approved the amount of \$309,000 for preliminary Project engineering.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustees’ approval for non-personal services contracts in excess of \$3 million and contracts involving services to be rendered for a period in excess of one year.

The Transmission 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 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
- Replacement of the submarine cable on PV-20
- Work along rights-of-way, including access roads

The CEC Switchyard consists of 765 kV and 345 kV substations. There are a total of six 765 kV three-pole and one 765 kV single-pole live-tank air blast SF6 circuit breakers at the substation which were put into service in 1978. The Project will replace:

- 765 kV Power Circuit Breakers
- 765 kV Potential Transformers
- 345 kV Circuit Breakers
- 13.8 kV Switchgear
- 13.8 kV/480V Station Service Transformers
- 480V Station Service Switchgear

The CEC Switchyard power circuit breakers are nearing the end of their useful life and have been identified for replacement as a result of internal and external assessments which have identified issues due to aging, increased maintenance and unavailability of spare parts. The existing circuit breakers are scheduled for replacement between 2016 – 2020.

DISCUSSION

The Project has been structured in a manner to prioritize the replacement of poor performing and aged equipment. Replacement of listed equipment will be sequenced in conjunction with planned equipment replacements, outages and internal resource availability during the Project’s duration, 2014 – 2020.

This capital expenditure authorization is comprised of the following:

Preliminary Engineering (Previously Approved)	\$ 294,300
Engineering and Design	\$ 4,089,100
Procurement	\$ 10,766,800
Construction/Installation	\$ 16,574,400
Authority Indirect and Direct Expenses	<u>\$ 9,284,600</u>
TOTAL	\$ 41,009,200

In response to the Authority’s Request for Proposal (Q14-5644RH) advertised in the New York State *Contract Reporter* on May 5, 2014, forty-one (41) firms downloaded the bid documents. The following five (5) proposals were received on June 25, 2014:

<u>Bidder</u>	<u>Base Price</u>	<u>Evaluated Price</u>
HICO America Sales & Technology Inc. Pittsburg, PA 15276	\$7,941,265.72	Disqualified

<u>Bidder</u>	<u>Base Price</u>	<u>Evaluated Price</u>
Mitsubishi Electric Warrendale, PA15086	\$9,321,514.00	\$9,321,514.00
Alstom Grid Charleroi, PA 15022	Did not submit proposal for 765 kV	
HVB AE Power Systems Suwanee, GA 30024	\$7,294,756.64	\$ 7,294,756.64
ABB Inc. Mount Pleasant, PA 15666	\$ 5,775,735.07	\$6,277,251.18

During the process of evaluation and as a consequence of the post-bid clarifications, ABB's revised pricing resulted in being higher than its base proposal and still remains the lowest evaluated bidder.

FISCAL INFORMATION

Payment 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 Acting Vice President – Project Management, the Vice President – Engineering, the Vice President – Transmission, the Acting Vice President – Procurement, and the Project Manager recommend that the Trustees authorize capital expenditures in the amount of \$41.009 million and approve the award of a \$6.28 million contract to ABB, Inc. of Mount Pleasant, PA for the Clark Energy Center 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 \$41.009 million are hereby authorized for the Clark Energy Center Switchyard Life Extension and Modernization Project as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to award a contract to ABB, Inc., in the amount of \$6.28 million to design, furnish and deliver six 765 kV three-pole and one 765 kV single-pole circuit breakers for use at the Clark Energy Center Switchyard, as recommended in the foregoing memorandum of the President and Chief Executive Officer:

Contractor

ABB, Inc.
Mount Pleasant, PA
(Q14-5644RH)

Contract Approval

\$6.28 million

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.