

POWER AUTHORITY OF THE STATE OF NEW YORK
2008 ANNUAL REPORT OF PROCUREMENT CONTRACTS

EXECUTIVE SUMMARY

The Power Authority of the State of New York (the "Authority") is a corporate municipal instrumentality and political subdivision of the State of New York. The Authority generates, transmits and sells electric power and energy principally at wholesale. The Authority's primary customers are municipal and investor-owned utilities and rural electric cooperatives located throughout New York State, high load factor industries and other businesses, various public corporations located within the metropolitan area of New York City, and certain out-of-state customers. The Authority does not use tax revenues or State funds or credit. It finances construction of its projects through bond and note sales to private investors and repays the debt holders with proceeds from operations.

In 2008 the Authority continued a major effort to implement energy services programs which include the installation of high efficiency lighting, motors and controls; conversion to more efficient chiller and boiler plants; and clean renewable distributed generation at customer sites statewide. Other efforts include an electric transportation program to promote the use of electric-drive vehicles (cars, pick-up trucks and buses) throughout the State.

The Authority requires the services of outside firms for accounting, engineering, legal, public relations, surveying and other work of a consulting, professional or technical nature to supplement its own staff, as well as to furnish varied goods and services and perform construction work. Many of these contracts are associated with the construction, maintenance and operation of the Authority's electric generating facilities and transmission lines, as well as with support of the energy efficiency projects noted above.

PROCUREMENT GUIDELINES (Exhibit "A-2")

In compliance with the applicable provisions of Section 2879 of the Public Authorities Law, as amended, the Authority has established comprehensive guidelines detailing its operative policy and instructions concerning the use, awarding, monitoring and reporting of procurement contracts.

The Guidelines describe the Authority's process for soliciting proposals and awarding contracts. Topics detailed in the Guidelines include solicitation requirements, evaluation criteria, contract award process, contract provisions, change orders, Minority/Women Business Enterprise

("M/WBE") requirements, employment of former officers and reporting requirements. The Guidelines have been designed to be self-explanatory.

These Guidelines, approved by the Authority's Trustees, were implemented on January 1, 1990, and have been reviewed and approved annually and amended as necessary since then. A redlined copy of the Guidelines, which will become effective March 31, 2009, is attached hereto with the following changes as highlighted below.

2. DEFINITIONS Pages 1-3, Article 2, Sections A, B, F and G

Non-substantive changes are made to this Article for purposes of organization.

Section A, the definition of a "Procurement Contracts" has been separated into A. "Procurement Contracts" and B. "Non-Procurement Contracts". Also the definitions for F. "Relative" and G. "Minority and Women-Owned Business" have been moved from Section 9.E.1 and Section 3.C respectively, to this Article 2 for consistency.

Section C. "Service Contracts" defines training (when specifically developed by consultant for the Authority) as a Personal Service.

3. SOLICITATION REQUIREMENTS Page 4, Subsection 3.E. 4

Insert Subsection 3.E.4 to further refer to Public Authorities Law §2879 as referenced in preceding Subsection 3.E.3

"For purposes of construction services, Foreign Business Enterprise is a business enterprise, including a sole proprietorship, partnership or corporation, which has its principal place of business outside New York State."

Section 3.F, the language requiring the Procurement Department to develop a stock item specification selection system was modified as such system is more appropriate for those actually drafting the technical specifications.

Section 3.I, the language has been modified to conform to New York State Department of Economic Development Contract Reporter website requirements.

6. AWARD OF CONTRACTS Page 12, Article 6, Sections F and G

Level of Signature Authority, add Chief Operating Officer or equivalent(s) or designee

- F. When the total estimated contract value or the value of the extension exceeds the monetary limits set forth in the EAP's, interim approval by the President and Chief Executive Officer or Chief Operating Officer or equivalent(s) or designee is required, subject to the Trustees' ratifying such action as soon as practicable.

- G. When time constraints or emergency conditions require immediate commencement of services to be performed for a period of more than one year, and when the contract value exceeds the monetary approval limit for the President and Chief Executive Officer or Chief Operating Officer or equivalent(s), as set forth in the EAP's, the President and Chief Executive Officer or Chief Operating Officer or equivalent(s) or designee, with the prior concurrence of the Vice President of Procurement or equivalent(s) or designee, may authorize the commencement of such services. The initial compensation limitation may not exceed the authorization level for the President and Chief Executive Officer or equivalent(s) or Chief Operating Officer or equivalent(s) as set forth in the EAP's. Such contracts will be subject to the Trustees' approval, which will be solicited at their next scheduled Trustee meeting.

7. **CONTRACT PROVISIONS** Page 14, Sections 7.B

Contract Attachments, add

- 8. *Appendix "F" (Computer Aided Drawing Requirements For New York Power Authority)"*

Page 14, Section 7.C.

Add Chief Operating Officer or equivalent(s) or designee to list of authorized approvers.

- C. *Any firm, person or entity retained by the Authority to provide conceptual studies, designs or specifications is prohibited from being awarded future phases of work, including implementation, related to the original work. If there is no qualified response to the solicitation for future phases of work, including implementation, the approval of the Vice President of Procurement and Real Estate or equivalent(s) or designee, applicable Business Unit Head or equivalent(s), Assistant General Counsel or equivalent(s) and President and Chief Executive Officer Chief Executive Officer or designee or Chief Operating Officer or equivalent(s) is required to waive this restriction on a case-by-case basis.*

9. CONTRACTING DECISIONS INVOLVING CURRENT OR FORMER EMPLOYEES
Page 15, Section A deleted in its entirety to resolve conflict with the Public Employees Ethics Reform Act.

11. REPORTING AND PROCUREMENT RECORD **Page 17, Subsection A.5, Section D**

Add name and address of awardees to list on contract information reported.

Add new Section 11.D

D. The Authority may be called upon periodically to submit information regarding the procurement of goods and/or services to organizations implementing the PAAA or other statutes regulating the procurement of goods and services, such as the Authority Budget Office through the Public Authorities Reporting Information System (“PARIS”).

Non-Substantive Changes have been made throughout the document as follows:

M/WBE Programs is relabeled “Supplier Diversity Program”

Certified M/WBE relabeled “NYS Certified M/WBE”

Vice-President of Procurement & Real Estate relabeled “Vice-President Procurement”

Headquarters relabeled “White Plains Office”

ACCOMPLISHMENTS

Major procurement efforts in 2008 include purchase of goods, services and construction work in support of the Authority's operating projects and headquarters facilities, Life Extension and Modernization ("LEM") Programs at Niagara and St. Lawrence, and the Energy Services and Technology ("EST") Programs as mentioned above. The Authority's Procurement Department is continuing efforts to optimize use of the Authority's credit card system for procurements under \$5,000 and the SAP procurement and materials management system, as well as supporting the requirements of our operating and capital projects and headquarters operations.

(1) Credit Card Procurement System ("CCPS")

The Credit Card Procurement System is used to procure goods and services valued under \$5,000. At the end of 2008, the Authority had approximately 150 cardholders in both headquarters and operating facilities. The average value of a single transaction was approximately \$357. The monthly average for the number of credit card transactions was 773 per month, with an average monthly value of \$357,000, totaling more than \$4,200,000 in the report year (compared to nearly \$4,500,000 in 2007).

(2) Negotiated Savings Program

The Authority's procurement staff established a goal of achieving 1.6% of non-fuel expenditures (for contracts exceeding \$50,000) in additional savings by negotiating improved pricing and other commercial terms with recommended low bidders and resolving back charges and claims with the Authority's outside vendors and contractors. Actual negotiated savings for 2008 by Corporate Procurement, White Plains Procurement Group exceeded \$7.4 million or 2.58% of non fuel expenditures for contracts exceeding \$50,000.

(3) Supplier Diversity Program ("SDP")

In 2008, the Authority continued to optimize the use of New York State Certified Minority and Women-Owned Businesses (M/WBEs) to provide goods and services in support of Authority business needs. As noted in Attachment I, in 2008, the Authority awarded over \$18.7 million for goods and services to NYS certified M/WBE firms. This included direct and indirect contracts and subcontracts, in support of NYPA operations including construction and energy efficiency related projects.

NYPA achieved 8.76% of total reportable procurement expenditures to NYS certified M/WBEs, still exceeding NYPA's 6% goal for 2008 as established with NY State's Economic Development Corporation of "Reportable Expenditures". Reportable Expenditures exclude specialty procurements (such as transformers, circuit breakers, turbine runners and other major electrical generating equipment, and commodities such as

natural gas where no M/WBE's are available to provide such goods or services).

The Authority includes subcontracting goals for M/WBE firms in non-construction procurements of more than \$25,000 and construction procurements of more than \$100,000. Staff will continue to pursue other direct and indirect procurement opportunities wherever possible.

The Authority continues an active outreach program with various M/WBE organizations and trade associations. The Authority will host its 19th Annual Purchasing Exchange on Thursday, June 18, 2009 in the White Plains Office main floor conference center (Jaguar Room). We anticipate over 250 M/WBE's to attend this event with representatives of over 30 governmental (including NYPA) and private companies.

Procurement representatives also worked closely with, and remain members of, the National Minority Business Council, the Association of Minority Enterprises of New York, the New York/New Jersey Minority Purchasing Council, the Long Island Hispanic Chamber of Commerce, Professional Women in Construction and the African American Chamber of Commerce for Westchester and Rockland Counties, to name a few.

NYPA continues to work with the Governors office in the re-energizing of the State's women and minority business programs .

ANNUAL REPORT - 2008 PROCUREMENT CONTRACTS (Exhibit "A-3")

The Annual Report includes specific details of procurements of \$5,000 or greater awarded since January 1, 1990 that were active in 2008. There were 2,244 such contracts with an estimated value of more than \$4 billion, which also includes fossil fuel and corporate finance expenditures.

Total procurement expenditures in 2008 exceeded \$926 million. This amount included more than \$631 million for the purchase of fossil fuels and related services.

Approximately 57% of the contracts active in 2008 were closed in 2008.

As noted in Attachment II:

- Approximately 7% of these contracts were for construction work;
- More than 47% were for the purchase of equipment and commodities;
- More than 13% were for consulting contracts (e.g., engineering, design, specialized analysis); and
- Other services, such as technician work and contracted personnel, accounted for 33%.

It should also be noted that while approximately 57% of the total number of 2008 non-fuel contracts covered by the Report exceeded \$25,000, the total value of those contracts was approximately 99% of the total non-fuel agreements.

Attachment III indicates that, based on the total value of the contracts included in the Annual Report, approximately 95% (including fuels and corporate finance) were for contracts that were competitively bid. In terms of the numbers of contracts processed (Attachment IV), approximately 70% were competitively bid and 30% were sole source awards. The major reasons for the high number of sole source awards in 2008 included the purchase of spare parts and services from original equipment manufacturers (OEM), particularly for the procurement of refurbished compressors at the 500MW Combined Cycle Plant and ongoing SENY maintenance/repair contracts, as well as procurement on an emergency basis and/or from proprietary sources.