

POWER AUTHORITY OF THE STATE OF NEW YORK
2012 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 2012, the Authority continued efforts to implement Energy Services and Technology ("ES&T") programs that 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.

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 for support of the energy efficiency projects noted above.

PROCUREMENT GUIDELINES (Exhibit "A-2")

In compliance with the applicable provisions of § 2879 of the Public Authorities Law ("PAL"), 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-owned Business Enterprise ("M/WBE") requirements, employment of former officers and reporting requirements. These Guidelines, approved by the Authority's Trustees, were initially implemented on January 1, 1990, and have been amended as deemed advisable and necessary, and reviewed and approved annually since that date, most recently on March 27, 2012.

Staff has reviewed the Procurement Guidelines and recommends additional changes to make them more consistent with the law or to clarify or improve the Authority's procurement process. The most significant of such changes are highlighted below:

- **RECORD OF LOBBYING CONTACT REQUIREMENTS**, as set forth below and in new paragraph 3.Q of the Procurement Guidelines, pursuant to Public Authorities Law § 2987 and as further set forth in the Authority's Corporate Policy regarding this matter:

In furtherance of the Authority's commitment to ensure transparency and accountability of its operations, every member, officer or employee of the Authority who is contacted by a lobbyist is required to make a contemporaneous record of such contact, pursuant to Public Authorities Law § 2987 and as further set forth in the Authority's Corporate Policy regarding this matter.

- **PROJECT SUNLIGHT RECORDING REQUIREMENTS**, as set forth below and in new paragraph 3.R of the Procurement Guidelines, pursuant to Chapter 399, Part A, Section 4 of the Laws of 2011:

Project Sunlight (Chapter 399, Part A, Section 4 of the Laws of 2011) requires the Authority to record in a database maintained by the New York State Office of General Services certain appearances between the Authority and individuals, firms or other entities (excluding elected officials and representatives of federal, state and local agencies and authorities) relating to the procurement of a contract, with a value of \$25,000 or more, for real property, goods or services. Appearances are defined as an interaction through an in-person meeting, a telephonic conversation or a video conference between covered individuals. Appearances related to emergency procurements and disposal of property through public auctions are excluded, as are appearances that take place during the formal "Restricted Period." Covered individuals at the Authority means an individual at the Authority who has the power to exercise discretion or advises someone who exercises discretion. A covered individual outside of the Authority means both "external" (e.g., lobbyist) and "internal" (e.g., sales representative) representatives of an entity, individuals appearing on behalf of him/herself, advocacy groups or organizations or entities representing the interests or concerns of the organization or entity or of its members. All such appearances must be promptly reported to the Authority's Ethics and Compliance Office for recording in the Project Sunlight database.

It may also be noted that non-substantive and stylistic changes have also been made throughout the document.

These amended Guidelines, as reviewed by the Governance Committee, will be presented to the full Board of Trustees for review and approval at the March 21, 2013 meeting. The approved Guidelines will become effective on March 31, 2013 and will be posted on the Authority's internet website. On or before the 31st day of March, such Guidelines will also be filed with the

Director of the Division of the Budget, the Department of Audit and Control, the Department of Economic Development, the Senate Finance Committee, the Assembly Ways and Means Committee and the Authorities Budget Office.

ACCOMPLISHMENTS

Major Procurement efforts in 2012 included 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 Lewiston Pump Generating Plant and St. Lawrence, and the Niagara Robert Moses Unit Standardization, Transmission LEM Assessment and Energy Services & Technology ("ES&T") Programs. The Authority's Procurement Department is continuing efforts to enhance the SAP procurement and materials management system, as well as supporting the requirements of the Authority's operations and maintenance work, capital projects, ES&T programs and Headquarters operations.

Supplier Diversity Program ("SDP")

In New York State's 3rd fiscal quarter, October – December 2012, NYPA awarded \$18.1 million or 24.4% of its reportable expenditures to New York State certified Minority and Women-Owned Business Enterprises (M/WBEs). For the calendar year January – December 2012, the Authority awarded \$65.8 million or 19.7% of its reportable expenditures to New York State certified M/WBEs. This figure includes both direct contracts and subcontract expenditures and represents an all-time high for M/WBE utilization for the Authority. Attachment I illustrates the dollars awarded by the Authority's Supplier Diversity program since 1992.

Reportable expenditures continue to exclude specialty procurements (such as transformers, circuit breakers, turbine runners, other major electrical generating and mechanical equipment, and commodities such as natural gas), where M/WBEs are not available to provide such goods or services.

It should also be noted that during calendar year 2012, Treasury's transactions with five (5) different NYS certified M/WBE financial dealers totaled over \$258.5 million in principal sales and purchases for the Authority.

The Authority continues to actively participate in outreach programs with various M/WBE organizations and trade associations. A significant part of its outreach efforts include the Annual Purchasing Exchange. The Authority's 22st exchange was held at its White Plains office in June 2012. Representatives from approximately 350 M/WBEs and approximately 40 New York State, New York City, local and corporate entities participated in the exchange. The exchange continues to be one of the most regarded M/WBE events in New York State.

ANNUAL REPORT – 2012 PROCUREMENT CONTRACTS (Exhibit “A-3”)

The Annual Report includes specific details for procurements of \$5,000 or greater awarded since January 1, 1990 that were active in 2012. There were 2,225 such contracts with an estimated value of more than \$6.3 billion, which also includes fossil fuel and corporate finance expenditures. Total procurement expenditures in 2012 exceeded \$648 million. This amount included more than \$219 million for the purchase of fossil fuels and related services.

As illustrated in Attachment II, the following is a breakdown of the total number of contracts including fuels and corporate finance by contract type:

- 12% of these contracts are for Construction Services;
- 48% are for the purchase of Equipment and Commodities;
- 1% are for Architectural and Engineering Services;
- 11% are for Personal Service contracts such as professional consulting services;
- 1% are for Legal Services;
- 27% are for Other Services, such as maintenance, technicians, contracted personnel, maintenance and repairs.

Attachment III indicates that, based on the total value of the contracts included in the Annual Report, approximately 97% (including fuels and corporate finance) were for competitively bid contracts. Sole/Single-source awards in 2012 included the purchase of spare parts and services from original equipment manufacturers (OEM), procurements from proprietary sources and procurements required on an emergency basis.