

**POWER AUTHORITY OF THE STATE OF NEW YORK
2014 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.

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 and transmission facilities, transmission lines, as well as for support of Energy Efficiency ("EE") Programs.

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- and Women-owned Business Enterprise ("MWBE") 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 by the Board annually since that date, most recently on March 25, 2014.

Staff has reviewed the Procurement Guidelines and recommends several changes to make them more consistent with the law or to improve or clarify the Authority's procurement process. The most significant of such changes pertain to **Solicitation Requirements**, as well as the **Service-Disabled Veteran-Owned Business ("SDVOB") program**, which are highlighted below:

- **NEW YORK STATE CONTRACT REPORTER → INCREASED THE ADVERTISING THRESHOLD from \$15,000 to \$50,000**, as summarized below and more fully set forth in § 3.H of the Procurement Guidelines, pursuant to Article 4-C of the Economic Development Law and § 163 of the State Finance Law:

For all Procurement Contracts with a value equal to or greater than \$50,000....., the Authority will, prior to soliciting proposals, submit the following information to the Commissioner of the DED to be included on the New York State Contract Reporter website.....

..... submittal of a notice / announcement of award for inclusion on the Contract Reporter website is required for Procurement Contracts with a value of \$50,000 or more awarded on a sole source or single source basis, including such contracts not exceeding \$200,000 awarded to Small Businesses or NYS-certified MWBE firms, or for the purchase of goods and/or technology that are recycled or remanufactured, or for the purchase of food, including milk and milk products that are grown, produced or harvested in New York State, and certain other Procurement Contracts exempt from the general advertising requirement for procurement contract bidding opportunities, in accordance with the afore-referenced law. Such notice shall specify the name of the awardee.

- **VALUE OF PURCHASES REQUIRING SOLICITATION from at least 3 PROVIDERS → INCREASED to under \$50,000 – and -- VALUE OF PURCHASES REQUIRING SOLICITATION from at least 5 PROVIDERS → INCREASED to \$50,000 or more**, as summarized below and more fully set forth in § 3.A of the Procurement Guidelines:

..... a Request for Proposals (“RFP”) or Request for Quotations (“RFQ”) will be made available to a minimum of three providers and/or firms (if available) for purchases valued under \$50,000 and a minimum of five providers and/or firms (if available) for purchases valued at \$50,000 and greater, commensurate with the magnitude and nature of the goods and/or services, and the schedule for performance.....

- **TELEPHONE SOLICITATION LIMIT → INCREASED to under \$50,000; also, all such solicitations shall be documented and made part of the Procurement Record**, as summarized below and more fully set forth in § 3.G of the Procurement Guidelines:

..... Telephone solicitation, usually for procurements valued at less than \$50,000, may be used where time constraints do not permit issuance of an RFP, where issuance of an RFP is otherwise impracticable or for goods that are catalog items or do not require a detailed bill of materials or specification. All solicitations made by telephone shall be documented and made part of the Procurement Record.

- **SERVICE-DISABLED VETERAN-OWNED BUSINESS (“SDVOB”) PROGRAM – NEW STATUTORY REQUIREMENT**, as summarized below and more fully set forth in § 3.I of the Procurement Guidelines, pursuant to the SDVOB Act:

In order to further increase participation of service-disabled veterans in New York State’s contracting opportunities, the Service-Disabled Veteran-Owned Business (“SDVOB”) Act was signed into law on May 12, 2014. The SDVOB program provides for eligible Veteran business owners to become certified as a New York State Service-Disabled Veteran-Owned Business. The Division of Service-Disabled Veterans’ Business Development within the New York State Office of General Services (“OGS”) is responsible for certifying eligible SDVOBs, assisting agencies and authorities in complying with the law, and promoting SDVOB participation in the state’s procurement activities. The program is in development; the Authority has been selected to participate in a pilot SDVOB program and is complying with OGS-promulgated procedures and requirements.

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 on March 26, 2015, are now presented to the full Board of Trustees for review and approval at their meeting of the same date. The approved Guidelines will become effective on March 31, 2015 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 2014 included purchase of goods, services and construction work in support of the Authority's operating projects and Headquarters facilities, Life Extension and Modernization (“LEM”) Program at Lewiston Pump Generating Plant, Transmission LEM and EE 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, EE Programs and Headquarters operations.

On November 6, 2014 the Procurement Department conducted its first Kaizen event under the direction of the NYS Lean Office to focus on improving business processes. From the event four initiatives were identified for streamlining the procurement bidding process. The outcomes of these initiatives are being tracked by NYPA’s Process Excellence team and reported back to NYS. Procurement will continue to evaluate and monitor its bidding process to identify areas of improvement.

A pilot program was instituted at the Niagara Warehouse to implement a barcoding system for the more than 17,000 inventory items at the facility. The program is in its infant stages but is intended to increase inventory controls and efficiencies.

In an effort to improve efficiency and in response to an OSC Audit recommendation, the Real Estate Department designed, tested and implemented an electronic process tracking and recordkeeping system in 2014. The system will significantly enhance the Authority's ability to accurately document its real estate holdings and enhance the department's responsiveness to customers' needs.

Supplier Diversity Program ("SDP")

In New York State's 3rd fiscal quarter, October – December 2014, NYPA awarded \$17.4 million or 20.37% of its reportable expenditures to New York State-certified MWBEs. For the calendar year January – December 2014, the Authority awarded \$72.2 million or 21.87% of its reportable expenditures to New York State-certified MWBEs. This figure includes both direct contracts and subcontract expenditures and represents another all-time high for MWBE utilization for the Authority. Attachment I illustrates the dollars awarded by the Authority's Supplier Diversity program since 1996.

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

It should also be noted that during calendar year 2014, Treasury's transactions with four (4) different New York State-certified MWBE financial dealers totaled over \$302 million in principal sales and purchases for the Authority.

The Service-Disabled Veteran-Owned Business Act, signed into law by Governor Andrew M. Cuomo on May 12, 2014, allows eligible Veteran business owners to become certified as a New York State SDVOB in order to increase participation in New York State's contracting opportunities. The Authority has been selected to participate in this initiative for New York State. Six percent (6%) SDVOB participation goals are sought annually from those participating in the pilot program.

Credit Card Procurement System

The Credit Card Procurement System (CCPS) is utilized to procure goods and services valued under \$5,000. At the end of 2014, the Authority had approximately 125 cardholders in both headquarters and operating facilities. The average value of a single transaction was approximately \$605. The average number of credit card transactions was 759 per month, with an average monthly value of \$459,257, totaling more than \$5.5 million in the report year. The total amount of the rebate received back from JP Morgan Chase based on credit card activity for the year 2014 was \$49,518.

2014 ANNUAL REPORT OF 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 2014. There were 2,257 such contracts with an estimated value of more than \$7.5 billion, which also includes fossil fuel and corporate finance expenditures. Total procurement expenditures in 2014 exceeded \$873 million. This amount included more than \$385 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 active contracts including fuels and corporate finance by contract type:

- 10% of these contracts are for Construction Services;
- 43% are for the purchase of Equipment and Commodities;
- 2% are for Architectural and Engineering Services;
- 1% are for Legal Services;
- 13% are for Personal Service contracts such as professional consulting services;
- 28% are for Non-Personal Service contracts such as maintenance, technicians, contracted personnel, maintenance and repairs;
- 3% are for Fuels.

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. In 2014, approximately 3% of contracts were sole/single-source awards which included the purchase of spare parts and services from original equipment manufacturers (OEM), procurements from proprietary sources and procurements required on an emergency basis.