

February 26, 2015

**MEMORANDUM TO THE TRUSTEES**

**FROM THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**SUBJECT: NERC CIP Version 5 Physical and  
Cyber Security Upgrades –  
Capital Expenditure Authorization  
Request and Contract Award**

**SUMMARY**

The Trustees are requested to authorize capital expenditures in the amount of \$42,485,000 for Physical and Cyber Security Upgrades associated with the North American Electric Reliability Corporation's Critical Infrastructure Protection ("NERC CIP"), Version 5 Standards.

The Capital Expenditure Request includes, and the Trustees are requested to approve the award of a contract in the amount of \$21,440,070 to Johnson Controls, Inc. ("JCI") of Amherst, NY for a term of up to two years to engineer, procure and construct systems associated with the NERC CIP Version 5 Physical and Cyber Security Upgrades. Interim approval in the amount of \$250,000 to JCI for commencement of engineering activities in order to meet the compliance date of April 2016 has previously been approved by the Chief Operating Officer.

The President and Chief Executive Officer have, in accordance with the Authority's Expenditure Authorization Procedures, previously approved the amount of \$750,000 for preliminary engineering.

**BACKGROUND**

Section 2879 of the New York State Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustee 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 NERC CIP Standards provide compliance regulations that stretch across the electric industry. The Authority, as a registered Generator Owner, Generator Operator, Transmission Owner, Purchasing and Selling Entity and Load Serving Entity must comply with all applicable regulatory standards.

A new version (Version 5) of the NERC CIP standards will be in effect as of April 2016 and will influence the compliance process for critical assets under the NERC CIP umbrella. The Authority's program for ensuring compliance with the NERC CIP standards is managed by the Authority's Reliability Standards and Compliance group ("RSC"). Upgrades for ensuring that

the Authority’s compliance program meets all the requirements of the Version 5 standards will be addressed by this project. Upgrades will include:

- Physical security enhancements, including cameras, access controls and methods of preventing and detecting intrusion in Authority substations
- Programmatic enhancements to the Authority’s Reliability Standards and Compliance Program
- Modifications to the Authority’s internal control tools – Maximo, CIMS, AIMS
- IT infrastructure enhancements

The project will include work at the Authority’s Generation and Transmission Facilities including Niagara, St. Lawrence, Blenheim-Gilboa, Marcy South East and West Transition Stations, Astoria, Sprain Brook and the Remote Substations (Plattsburgh, Willis, Saranac, Adirondack, Patnode, Duley, Ryan).

**DISCUSSION**

In order to meet the North American Electric Reliability Corporation’s Critical Infrastructure Protection, Version 5 compliance date of April 2016, the project has been structured so that work will be performed simultaneously at the various facilities.

This capital expenditure authorization is comprised of the following:

|   |                      |
|---|----------------------|
| Preliminary Engineering (Previously Approved) | \$ 750,000           |
| Engineering and Design                        | \$ 1,897,500         |
| Procurement                                   | \$ 2,990,000         |
| Construction/Installation                     | \$ 27,179,400*       |
| Authority Direct and Indirect Expenses        | <u>\$ 10,418,200</u> |
| <b>TOTAL</b>                                  | <b>\$ 43,235,100</b> |

*\*This amount includes the contract award to JCI*

In response to the Authority’s Request for Proposal (Q14-5730RH) advertised in the New York State *Contract Reporter* on September 15, 2014, one hundred and forty seven (147) firms downloaded the bid documents. The following proposal was received on November 5, 2014 as noted below:

| <b><u>Bidder</u></b>                 | <b><u>Base Price</u></b> | <b><u>Evaluated Price</u></b> |
|--------------------------------------|--------------------------|-------------------------------|
| Johnson Controls, Inc.<br>Amherst NY | \$17,732,618             | \$21,440,070                  |

Post-bid clarifications were issued clarifying required quantities and system requirements which resulted in the revised pricing.

### EVALUATION SUMMARY

- JCI was the only bidder for this RFP.
- JCI is technically qualified to perform this work and has performed similar installations at various NYPA facilities.
- 20% of the value of the base price will be subcontracted to MBE (10%) and WBE(10%) businesses, respectively, in NYS.
- All commercial exceptions taken by JCI to the Authority's standard commercial terms and conditions have been resolved.
- The Fair Cost Estimate for the Base Price RFP was \$15,000,000.

### 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 – Technical Compliance, 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 \$42,485,000 and approve the award of a \$21,440,070 contract to Johnson Controls, Inc. of Amherst, NY for the North American Electric Reliability Corporation's Critical Infrastructure Protection Version 5 Physical and Cyber Security Upgrades.

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 \$42,485,000 are hereby authorized for the North American Electric Reliability Corporation’s Critical Infrastructure Protection (“NERC CIP”) Version 5 Physical and Cyber Security Upgrades 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 Johnson Controls, Inc., in the amount of \$21,440,070 for a term of up to two years to engineer, procure and construct all systems for the NERC CIP Version 5 Physical and Cyber Security Upgrades, as recommended in the foregoing memorandum of the President and Chief Executive Officer:

| <b><u>Contractor</u></b>                            | <b><u>Contract Approval</u></b> |
|---|---------------------------------|
| Johnson Control Inc.<br>Amherst, NY<br>(Q14-5730RH) | <u>\$21,440,070</u>             |

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.