



Date: September 27, 2016

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Procurement (Services) Contracts – Professional Services – Reliability Standards and Compliance Group – Additional Funding Request

SUMMARY

The Trustees are requested to approve an increase in the spending authorization limit for the current contracts (Navigant Consulting, Inc. - 4600002980, KEMA, Inc. - 4600002981, and Quanta Technology - 4600002982) to provide professional services to the Authority's Reliability Standards and Compliance ('RSC') Group. The current spending authorization limit for these contracts is in the aggregate amount of \$5.5 million. The Trustees are requested to authorize an increase in the spending authorization limit by \$4.0 million for an aggregate amount of \$9.5 million.

BACKGROUND

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

The Authority's Expenditure Authorization Procedures ('EAPs') require the Trustees' approval when the cumulative change-order value of a personal services contract exceeds \$500,000.

At the May 19, 2015 meeting of the Board of Trustees, the Trustees approved the award of procurement contracts for a term of up to five years, in an aggregate amount of \$5 million, to Navigant Consulting, Inc., KEMA, Inc., and Quanta Technology to provide professional services to the Authority's RSC Group.

Subsequent to this initial 2015 award, in July 2016 the Vice President of Technical Compliance requested an initial change-order for the amount of \$500,000. In accordance with the Authority's EAPs, this request was reviewed by the Vice President of Procurement and approved by the Chief Operating Officer on August 1, 2016.

DISCUSSION

These contracts are approaching the funding ceiling approved with approximately 3.5 years remaining in the terms of the contracts. At the time these contracts were awarded, the scope and extent of consulting services required to support the RSC Group in transitioning the Authority's Reliability Standards Compliance Program from Version 3 to Version 5 of the North American Electric Reliability Corporation ("NERC") Critical Infrastructure Protection ("CIP") Reliability Standards, was not distinct or evident due to significant changes imposed on NYPA

by NERC CIP Version 5 and the fact that NERC was continuing to make substantive changes to these Reliability Standards.

In addition to the services provided to successfully support the Authority's Reliability Standards Compliance Program in its transition to NERC CIP Version 5 prior to its enforcement date of July 1, 2016, these contracts have been essential to the success of the Authority's program as they provide the necessary resources and subject matter expertise for the management and completion of several critical overlapping compliance management activities such as, but not limited to:

1. The implementation of the required changes to comply with the NERC CIP-014 Physical Security Reliability Standard;
2. The management consultation required for the NERC Functional Registration matters associated with the Bulk Electric System ("BES") Exclusion Exception Requests;
3. The updates to the Operations Technology Disaster Recovery business processes and governance;
4. The support required for a successful participation in NERC 2016 GridEx III Exercise; and
5. The completion of the assessments for Blackstart and Systems Restoration.

The continued support from these professional service contracts is imperative to ensure that the Authority maintains its strong NERC Reliability Standards compliance posture and is well-positioned to prepare for external regulatory audits in 2017 and to manage existing and new NERC Reliability Standards obligations over the next 3.5 years.

FISCAL INFORMATION

Funds required to support contract services, where applicable, will be included in the budget submittals for the remaining years of these contracts. Payments will be made from the Operating Fund.

RECOMMENDATION

The Vice President – Technical Compliance and the Vice President – Procurement recommend the Trustees' approval to increase the spending authorization limit for the aforementioned contracts by \$4.0 million for an aggregate amount of \$9.5 million to provide professional services to the Authority's RSC Group.

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 Office

RESOLUTION

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is hereby granted for a \$4.0 million increase in funding up to an aggregate amount of \$9.5 million for the procurement (services) contracts to provide professional services to the Authority's Reliability Standards and Compliance Group, as recommended in the foregoing memorandum of the President and Chief Executive Officer;

<u>Contractors</u>	<u>Contract Approval</u>
Navigant Consulting, Inc. 4600002980	Original approval: \$ 5,000,000
KEMA, Inc. 4600002981	Initial change order: \$ 500,000
	Present change order: <u>\$ 4,000,000</u>
Quanta Technology 4600002982	Total contract approval: \$ 9,500,000

AND BE IT FURTHER RESOLVED, That the Chairman, the Vice Chairman, 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, 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.