

Item Number: 1

Vendor Name (Location)	Contact Number	Renewal?
Mitsubishi Electric Power Products, Inc. (Warrendale, Pennsylvania)	0000015994	☐ Yes  ⊠ No
Description		
M7 Propulsion System Equipment Upgrade Overhaul	Total Amount:	\$589,651,280 (Est.)
Contract Term (including Options, if any)		
10 Years (March 1, 2024–March 1, 2034)	Funding Source	
Option(s) included in Total Amount?   ☐ Yes ☐ No	☐ Operating ☐ Capital ☐ Federal ☐ Other:	
Procurement Type	Requesting Department:	
☐ Competitive ☐ Noncompetitive	Maintenance of Equipment, Brad Jenkins	
Solicitation Type	Contract Manager:	
☐ RFP ☐ Bid ☐ Other: OEM Sole Source	Marlon Torres	
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#### **Discussion:**

As a result of a multiagency Joint Procurement, Long Island Rail Road ("LIRR"), on behalf of itself and Metro-North Railroad ("MNR") (collectively the "Railroads"), requests Board approval to award an Original Equipment Manufacturers ("OEMs") purchase agreement for M7 Propulsion System Equipment Upgrade Overhaul and Bench Test Equipment ("BTE") to Mitsubishi Electric Power Products, Inc. ("MEPPI") in the estimated value of \$589,651,280. Installation of the propulsion system equipment will be performed by MNR and LIRR staff.

In accordance with MTA All-Agency Procurement Guideline requirements, the Agencies advertised their intent to procure the items under these agreements on a sole-source basis in the *New York State Contract Reporter*, *NY Post*, and on the internet. No other firms expressed interest in participating in these procurements.

MEPPI is the sole responsible source for the M7 Propulsion System Equipment and BTE's provided under this contract. No other vendors have access to the proprietary designs, specifications, and drawings for the system and therefore cannot readily provide these components. The propulsion system equipment is a critical component to 843 LIRR M-7 railcars and 222 MNR M-7 railcars. Any failures to the system will result in major delays, canceled trains, and railcars to be taken out of service. This contract has an initial term of five years with one option for an additional five-year term. This will provide the Railroads the necessary propulsion system equipment to upgrade the Railroads' existing fleet.

The M7 railcars were originally put into service in 2002 with an expected useful life of 40 years. The Propulsion Inverter Box and High Voltage Distribution Box are at the end of their useful life threshold of 15 years. The propulsion system equipment upgrade will allow the Railroads to maintain the fleet in a State of Good Repair.

The purchase of this material supports a scheduled maintenance/production plan by the Railroads workforce for installing the propulsion system equipment on the M7 Fleet. The negotiated prices are held firm for the base contract for five years with no escalation. Subsequently, a Producer Price Index ("PPI") adjustment by the U.S. Department of Labor, Bureau of Labor Statistics will be applied once the option is exercised.

MEPPI initially proposed and identified a cost of \$600,000 per propulsion kit for a total contract cost of \$681,404,003. In technical discussions, it was identified that a critical component of the propulsion system Insulated Gate Bipolar Transistor ("IGBT") and High Voltage Distribution Box ("HVDB") Diode to each kit was available in 2024 as a last-time purchase. The Railroads evaluated and pursued this last-time purchase as this would ensure availability and lower costs, thus avoiding the manufacturer's need to reengineer and re-source these major components (IGBT and HVDB). MEPPI submitted its Best and Final Offer of \$518,107 per kit for a total contract cost of \$589,651,280, which is \$91,752,723 or 13 percent reduction or cost savings.

The MTA reviewed and evaluated the pricing to determine cost reasonableness against comparative data from supporting documentation and historical data from past MEPPI purchases. In conducting this cost / price analysis, the Railroads evaluated past historical purchases offered by MEPPI. In 2015, MNR purchased a Propulsion System Equipment Invertor Box at a cost of \$447,000 per kit. Utilizing the PPI published by the U.S. Department of Labor, Bureau of Labor Statistics. The PPI shows an adjusted cost increase of \$130,161 or 22 percent higher, making the total cost per unit \$577,161 per kit. MEPPI's cost of \$518,107 is \$59,053 or 10 percent lower than the adjusted cost increase of \$577,161. If the five-year Option is exercised, the Railroads would achieve an estimated total savings of \$62,891,785 over the 10-year contract. Therefore, Procurement has determined this price to be fair and reasonable.



The estimated amount anticipated to be expended over the 10-year purchase agreements term by LIRR is \$462,836,036, and MNR is \$126,815,244.

In connection with a previous contract awarded to MEPPI, MEPPI was found to be responsible notwithstanding significant adverse information ("SAI") pursuant to the All-Agency Responsibility Guidelines and such responsibility finding was approved by the MTA Managing Director in consultation with the MTA General Counsel in February 2019. No new SAI has been found relating to MEPPI and MEPPI has been found to be responsible.

The contract resulting from this procurement has been evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law and regulations. Any applicable cybersecurity requirements, to the extent required, have been included in the contract terms and conditions.

MEPPI has certified that pursuant to EO 16, it is not doing business in Russia.

This contract is subject to review and approval of the Office of the New York State Comptroller ("OSC") and award will not be made prior to OSC approval.

#### M/W/SVDOB Information

MTA Department of Diversity and Civil Rights assigned zero goals for this procurement.

#### **Impact on Funding**

This contract is funded by the MTA-Maintenance of Equipment Department's Operating Budget.



Item Number: 2

Vendor Name (Location)	Contact Number	Renewal?
Mitsubishi Electric Power Products, Inc.	0000016001	⊠ Yes □ No
(Warrendale, Pennsylvania)	000010001	
Description		
OEM Purchase Agreements for Replacement Parts	Total Amount:	\$142,325,007 (Est.)
Contract Term (including Options, if any)		
Five Years (March 1, 2024–March 1, 2029)	Funding Source	
Option(s) included in Total Amount? ☐ Yes ☒ No	☑ Operating ☐ Capital ☐ Federal ☐ Other:	
Procurement Type	Requesting Department:	
☐ Competitive ☐ Noncompetitive	Maintenance of Equipment, Brad Jenkins	
Solicitation Type	Contract Manager:	
☐ RFP ☐ Bid ☐ Other: OEM Sole Source	Marlon Torres	
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#### **Discussion:**

As a result of a multiagency Joint Procurement, Long Island Rail Road ("LIRR"), on behalf of itself, Metro-North Railroad ("MNR") (collectively the "Railroads"), and NYC Transit requests Board approval to award a five-year contract for replacement parts to Mitsubishi Electric Power Products, Inc. ("MEPPI") in the estimated value of \$142,325,007. MEPPI is the Original Equipment Manufacturer ("OEM") of these replacement parts and these agreements are for LIRR, MNR, and NYC Transit. MEPPI is the supplier for HVAC and propulsion replacement parts utilized on the LIRR's M-7 electric railcars, MNR's M-7 and M-8 electric railcars, and NYC Transit subway cars.

MEPPI is the sole responsible source for the components that will be provided under this contract. No other vendors have access to the proprietary designs, specifications, and drawings for the Propulsion System or materials and therefore cannot readily provide these parts and services. Under this new agreement, the Railroads and NYC Transit will continue to support its Life Cycle Maintenance and Reliability Centered Maintenance programs, which maintain high car reliability, improve customer service through on-time performance, and provide replacement parts at prescribed intervals. Additionally, parts required to perform unscheduled maintenance and repairs on rail and subway cars are needed to ensure safe, reliable, and maintainable operation.

This is the first time requirements to be provided by MEPPI are based on not only the needs for LIRR and MNR, but also those of NYC Transit. Utilizing a joint procurement approach for this contract combines the buying power of the Railroads and NYC Transit to achieve most-favorable uniform pricing and better supply chain management. Additional benefits are the process efficiencies that reduce the number and frequency of small purchase activities. This contract assures the Railroads and NYC Transit that the OEM will continue to maintain its tooling and manufacturing capabilities necessary to produce the parts, which are not available from any other sources.

MEPPI submitted its proposal of \$151,936,550 on October 12, 2023. During negotiations, the MTA was able to achieve an estimated cost savings of \$9,611,543, which is 7 percent lower than the proposed pricing of \$151,936,550 and negotiated a final price of \$142,325,007. Each Railroad's original proposal pricing decreased as follows: LIRR \$51,231,468 to \$48,615,000, MNR from \$97,958,449 to \$90,974,160, and NYC Transit from \$2,746,633 to \$2,735,847. LIRR was able to obtain one-year fixed base pricing and annual adjustments in Years 2, 3, 4, and 5 of the contracts. A Producer Price Index adjustment will be applied on each consequent anniversary for each year of the contract thereafter.

Any additional items not identified and /or additions will be established on an as-required basis, and each item will be subject to a cost and/or price analysis as well as the most-favored customer pricing clause. Where applicable, MEPPI will provide redacted invoices from other customers' purchases to support fair and reasonable pricing. For the fixed price items, the MTA Cost Price Analysis Unit has reviewed a compilation of various metrics and based on those metrics, determined the pricing to be fair and reasonable.

In accordance with MTA All-Agency Procurement Guideline requirements, the Agencies advertised their intent to procure the items under these agreements on a sole-source basis in the *New York State Contract Reporter*, *NY Post*, and on the internet. No other firms expressed interest in participating in these procurements.



In connection with a previous contract awarded to MEPPI, MEPPI was found to be responsible notwithstanding significant adverse information (SAI) pursuant to the All-Agency Responsibility Guidelines and such responsibility finding was approved by the MTA Managing Director in consultation with the MTA General Counsel in February 2019. No new SAI has been found relating to MEPPI and MEPPI has been found to be responsible.

The contract resulting from this procurement has been evaluated to determine the necessity and appropriate scope, if any, of cybersecurity requirements, including any requirements under federal, state, and local law and regulations. Any applicable cybersecurity requirements, to the extent required, have been included in the contract terms and conditions.

MEPPI has certified that pursuant to EO 16, it is not doing business in Russia.

This contract is subject to review and approval of the Office of the New York State Comptroller ("OSC") and award will not be made prior to OSC approval.

### M/W/SVDOB Information

MTA Department of Diversity and Civil Rights assigned zero goals for this procurement.

#### **Impact on Funding**

This contract is funded by the MTA Maintenance of Equipment Department's Operating Budget.