

FOR CONSIDERATION

December 17, 2014

TO: The Trustees

FROM: John D. McMahon

RE: Request for Proposals for 280 MW of New, On-Island, Renewable Capacity and Energy (“280 MW RFP”) issued by the Long Island Power Authority (“LIPA”)

REQUEST: Authorization to 1) Conduct Negotiations for eleven individual Power Purchase Agreements for the Purchase of Renewable Energy including all associated Capacity and Environmental Attributes and 2) Take Other Actions in Furtherance of Diversifying LIPA’s Energy Portfolio

Requested Action

The Trustees are being requested to adopt a resolution authorizing the Chief Executive Officer, the Chief Financial Officer or their respective designees to conduct negotiations for individual 20-year Power Purchase Agreements (“PPA”) with each of the following eleven solar developers who proposed projects in response to the 280 MW RFP: 1) Hecate Energy (Calverton); 2) Community Energy Solar (Calverton); 3) Community Energy Solar (Eastport); 4) Invenergy (East Shoreham); 5) American Capital Energy (Medford); 6) Sybac Solar (Upton); 7) Sybac Solar (Calverton); 8) Sybac Solar (Yaphank); 9) BQ Energy 1 (Kings Park); 10) BQ Energy II (Kings Park); and, 11) sPower (Calverton). The Trustees are also being requested to direct Authority and PSEG Long Island Staff to undertake additional actions to further diversify LIPA’s energy portfolio through the solicitation of additional renewable resources.

Background

LIPA’s 2010-2020 Electric Resource Plan (the “Resource Plan”) was approved by the Trustees in February 2010.

By resolution dated October 25, 2012, the Trustees set forth the strategy for LIPA to execute on its Resource Plan, which provided, among other things, a pathway to further diversify the supply portfolio available to its customers, and includes: continued efforts to enhance existing renewable energy programs; future renewable energy procurements; replacing inefficient peaking units and other actions and investments that might be necessary and/or feasible to meet future load reliably and economically. The resolution also directed LIPA staff to issue a competitive procurement for additional renewable energy resources of up to 280 MW of capacity to be in-service by 2018, and asked that a second competitive procurement be considered for renewable resources between 2018 and 2022 in the update of LIPA’s Electric Resource Plan.

At the July 25, 2013 meeting of the Trustees, LIPA set forth its plan to, among other things, seek to add 400 MW of new renewable energy generation to LIPA’s resource portfolio by 2018 through an expanded feed-in tariff and a competitive procurement and to consider an additional 300 MW of new renewable resources in the 2018 to 2022 timeframe. While LIPA does not fall under the jurisdiction of New York State’s renewable portfolio standard (“RPS”), LIPA has

stated a goal to strive toward incorporating a larger percentage of renewable resources in its resource portfolio.

Issuance of the RFP

On October 18, 2013, LIPA issued the 280 MW RFP for the addition of up to 280 MW of renewable energy, including all associated capacity and environmental attributes. Proposers were required to submit proposals on or before March 31, 2014. The RFP schedule contemplated Trustee selections of proposals in December 2014.

Each proposal submitted was required to propose a commercial operation date (“COD”) of no later than December 31, 2018 and include prices, terms, and conditions.

The RFP was distributed to 59 firms; advertised in the New York State Contract Reporter; and posted on both LIPA’s Web site and a Web site set up specifically for the RFP. Prior to proposal submittal, LIPA provided prospective Proposers the opportunity to submit written questions to which LIPA responded in writing via the RFP Web site.

The Evaluation Process

Prior to receipt of proposals, a Selection Committee, consisting of an interdisciplinary group of experts from LIPA’s Staff was designated to conduct the evaluation. Prior to the receipt of proposals, the Selection Committee designed a multi-phase evaluation process that focused on selecting those proposals that would provide the best value to LIPA’s customers based on the quantitative and qualitative merits of each proposal.

LIPA received 38 proposals from 18 entities on March 31, 2014. The Selection Committee first reviewed the proposals for compliance with the submittal requirements of the RFP and then evaluated the responsive proposals based on criteria set forth in the RFP, including, among other things: qualitative aspects of each proposal; prices for renewable energy, including associated capacity and environmental attributes; cost of fuel (gas), where applicable; costs of any required or avoided/deferred transmission system upgrades; and the cost impact on LIPA’s generation, purchases and sales of power on behalf of its customers. The evaluation considered the unique technical attributes of each proposal, including operational flexibility, environmental impacts, the interaction with LIPA’s other power supply resources, and the ability to get the projects developed on time. In light of the breadth of the proposals, which included a variety of technologies, project sizes and locations, the financial impact of each proposal selected as a semi-finalist was calculated based on each semi-finalist’s best and final offer as submitted on December 5, 2014. When measured against a base case, the financial impact of each of the various proposals ranged from millions of dollars to several billion dollars in additional (incremental) costs or a “premium” when measured over the 20 year PPA term of each proposal. Based upon the above described analysis, selection was limited to the solar proposals only which in aggregate represent a total of 122.1 MW of installed capacity. The wind projects were not selected primarily because of their total cost relative to other alternatives, including financial risks inherent in those proposals. Similarly, none of the fuel cell proposals, which would all be fueled by natural gas, were selected due to price risks inherent in those proposals.

The following eleven solar projects, totaling 122.1 MW were selected for contract negotiations. Once satisfactory terms and conditions have been negotiated and the project has completed its State Environmental Quality Review Act process, each contract shall be brought to the LIPA Board of Trustees for approval.

Hecate Energy (7.5 MW)

Hecate Energy, LLC (a privately held entity) proposed to develop, operate, and own a new 7.5 MW solar facility (Riverhead Solar) located between the south end of the southwest runway at the Calverton Airport and Grumman Boulevard located in Calverton, New York. Hecate Energy proposes to use approximately 25,000 single-axis panels which on an annual basis would operate at an approximate capacity factor of 20%.

Hecate Energy proposes to achieve an October 19, 2016 COD.

Community Energy Solar (10.0 MW - Calverton)

Community Energy Solar, LLC (a wholly owned subsidiary of Community Energy Holdings, Inc.) proposed to develop, operate, and own a new 10.0 MW solar facility (Calverton) located between 4300-4400 Middle Country Road on the southern side of the road in Calverton, New York. Community Energy Solar proposes to use approximately 41,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Community Energy Solar proposes to achieve a September 12, 2016 COD.

Community Energy Solar (16.0 MW - Manorville)

Community Energy Solar, LLC (a wholly owned subsidiary of Community Energy Holdings, Inc.) proposed to develop, operate, and own a new 16.0 MW solar facility (Manorville) located along the northeast side of Captain Daniel Roe Highway between Moriches Riverhead Road and Sunrise Highway in Eastport, New York. Community Energy Solar proposes to use approximately 67,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Community Energy Solar proposes to achieve a November 10, 2016 COD.

Invenergy (24.99 MW)

Invenergy, LLC (a privately held entity) proposed to develop, operate, and own a new 24.99 MW solar facility (Tallgrass Solar) located between 5-50 Cooper Street on the southern side of the road in East Shoreham, New York. Invenergy Solar proposes to use approximately 108,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Invenergy proposes to achieve a June 24, 2016 COD.

American Capital Energy (10.0)

American Capital Energy, Inc. (a privately held entity) proposed to develop, operate, and own a new 10.0 MW solar facility (Brookhaven) located between 10-100 Fairmont Avenue along the west side of the road in Medford, New York. American Capital Energy proposes to use approximately 42,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

American Capital Energy proposes to achieve a December 19, 2016 COD.

Sybac Solar (9.8 MW – Yaphank)

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 9.8 MW solar facility (Yaphank) located between 0-5 Ramsey Road along the southeast side of the road in Upton, New York. Sybac Solar proposes to use approximately 45,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

Sybac Solar (9.9 MW – Riverhead)

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 9.9 MW solar facility (Riverhead) located between 450-500 Edwards Avenue on the western side of the road in Calverton, New York. Sybac Solar proposes to use approximately 44,500 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

Sybac Solar (10.0 MW – Horseblock)

Sybac Solar, LLC (a privately held entity) proposed to develop, operate, and own a new 10.0 MW solar facility (Horseblock) located between 300-450 Horseblock Road on the north side of the road in Yaphank, New York. Sybac Solar proposes to use approximately 44,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

Sybac Solar proposes to achieve a July 25, 2016 COD.

BQ Energy (2.0 MW – Indian Solar I)

BQ Energy Development, LLC (a privately held entity) proposed to develop, operate, and own a new 2.0 MW solar facility located between 140-160 Old Northport Road on the north side of the road in Kings Park, New York. BQ Energy proposes to use approximately 9,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

BQ Energy proposes to achieve a September 21, 2015 COD.

BQ Energy (2.0 MW – Indian Solar II)

BQ Energy Development, LLC (a privately held entity) proposed to develop, operate, and own a new 2.0 MW solar facility located between 140-160 Old Northport Road on the north side of the road in Kings Park, New York. BQ Energy proposes to use approximately 9,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

BQ Energy proposes to achieve a September 21, 2015 COD.

sPower (20.0 MW - Riverhead)

sPower (privately held firm owned by Fir Tree Partners, Sustainable Power Group, Silverado Power and Martifer Solar) proposed to develop, operate, and own a new 20.0 MW solar facility (Riverhead) located on two plots, one plot is located between 100-200 Edwards Avenue on the western side of the road and the other plot is between 400-500 Edwards Avenue on the eastern side of the road in Calverton, New York, sPower proposes to use approximately 93,000 fixed tilt panels which on an annual basis would operate at an approximate capacity factor of 20%.

sPower proposes to achieve a December 31, 2016 COD.

Other Resource Plans

As previously stated, the 280 megawatt target was adopted in 2012 as part of an overall target totaling 400 megawatts of renewable energy for Long Island. This program was in furtherance of the Authority Board's sense that Long Island should, along with the State's other utilities, support the State's goal of obtaining 30 percent of its energy from renewable sources by 2015. Specifically, Authority Staff recommends that the Board authorize commencement of a supplemental solicitation to secure an additional 160 megawatts of renewable energy in order to achieve the target of up to 280 megawatts of renewable energy. Authority Staff believes that the new solicitation can be coordinated with the Integrated Resource Plan process being conducted by PSEG-Long Island so that new renewable resources can be developed in a manner that will minimize costs to the Long Island ratepayer. Authority Staff believes it is important to proceed with the additional solicitation as soon as practicable so as to achieve the full objectives of the 280 MW RFP.

The Authority also plans to continue to diversify the supply portfolio available for its customers, and includes continued efforts and investments to improve energy efficiency through the Efficiency Long Island Program; enhancements to existing renewable energy programs; future renewable energy procurements; replacing inefficient peaking units; and other actions and investments that might be necessary and/or feasible to reliably and economically meet future load. Evaluation of the options will be done by PSEG Long Island in the 2015 Integrated Resource Plan (IRP). The Board should authorize PSEG Long Island working with the Authority Staff and other stakeholders to develop an additional program, coordinated with the IRP, to develop renewable energy beyond the 280 megawatt target we are now implementing.

Recommendation

For the foregoing reasons, I recommend that the Trustees adopt a resolution in the form of the resolution attached hereto.

Attachment
Resolution