



Proposer's Conference

**Fuel Management Services for the
Caithness Long Island Energy Center
on behalf of the Long Island Power Authority**

June 3, 2009

www.lipower.org

Agenda

- Background
- Scope of Services – Overview
- Fuel Invoices and Credit Support
- Proposal Submittal Requirements
- Caithness Fuel Management Agreement
- Evaluation Process & Criteria
- Communications During RFP Process
- Schedule
- Submission of Proposals
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Background

- The Authority is responsible for providing electric service to over 1.1 million electric customers on Long Island and a portion of Queens known as the Rockaways.
- Beginning in Summer 2009, LIPA will purchase approximately 286 MW from the Caithness Long Island Energy Center (Caithness), a 326-MW Combined Cycle Gas Turbine facility located in Yaphank, NY.
- Under the Power Purchase Agreement (PPA), LIPA is required to provide fuel (natural gas and distillate oil) for its share of the plant's output.
- LIPA's current arrangement for fuel management services (FMS) for Caithness expires on 12/31/09.
- LIPA is procuring a firm supply of gas from a Natural Gas Supplier through a separate solicitation – *RFP for Natural Gas Supply to the Long Island Power Authority*.

Scope of Services – Overview

- Caithness FMS Services provider shall manage all aspects of the Caithness fuel supply for the LIPA Share from 1/1/2010 through 5/28/2013
- Natural gas services
 - ▶ Daily natural gas nominations
 - ▶ Manage the gas portfolio for Caithness
 - ▶ Negotiate and execute interruptible natural gas fuel contracts as agent for LIPA
 - ▶ Purchase and/or resell natural gas to meet dispatch requirements and minimize LIPA's fuel costs, including imbalance charges
- Distillate oil services
 - ▶ Negotiate and execute distillate oil contracts as LIPA's agent
 - ▶ Procure distillate oils meeting PPA specifications to supplement gas*
 - ▶ Monitor and verify the quantity and quality of distillate oil stored at Caithness, maintain records of the quantity and quality, and average price of distillate oil in inventory and report such inventory information to LIPA each month

* Based on economics and/or gas service interruptions, subject to air permit limitations

Fuel Invoices and Credit Support

- Review and verify all charges on each fuel supplier's invoice
 - ▶ Firm gas supply procured by LIPA for Caithness
 - ▶ Interruptible gas supply procured by Caithness FMS Provider
 - ▶ Distillate fuel supply procured by Caithness FMS Provider
- Pay interruptible gas and distillate fuel suppliers directly -- LIPA will reimburse such payments plus reasonable financing costs
- Credit support for purchases of interruptible gas and distillate fuel – Respondents may elect to include either or both of the options below in their proposals:
 - ▶ Option 1: Caithness FMS Provider shall be responsible for providing any required credit support
 - ▶ Option 2: LIPA will provide any required credit support

Proposal Submittal Requirements

Section III of the RFP covers the proposal requirements. The following is a brief summary to facilitate discussion of these requirements which is not intended to cover all requirements set forth in the RFP:

- **General Information**
- **Respondent's Professional Experience**
- **Financial Condition**
- **Caithness Fuel Management Agreement**
- **Conflicts of Interest**
- **Other Submittal Requirements:**
 - ▶ **Identify all confidential material**
 - ▶ **Disclosures.**
 - ▶ **CD-ROM**
 - ▶ **Required Forms**
- **Pricing of Services: Attachment B – Caithness FM Cost Proposal**

Caithness Fuel Management Agreement



- LIPA's proposed Caithness Fuel Management Agreement ("CFMA") is posted on the LIPA RFP website.
- Proposals should state whether pricing is based on acceptance of or exceptions to LIPA's proposed CFMA. Any exceptions should be set forth clearly in writing, with alternative suggested contract language provided for each exception taken.
- The CFMA shall not be valid, effective or binding and nor shall any payment be made under the CFMA until approval from LIPA's Board of Trustees and NYS Comptroller is obtained.
- Questions about provisions in LIPA's CFMA can be asked via the RFP website through June 19, 2009.

Evaluation Process & Criteria

- Each responsive proposal will be subject to a qualitative and quantitative evaluation by LIPA based upon an overall assessment of its merits using the following criteria (not necessarily listed in the order of importance):
 - ▶ **Pricing and Risk:** respondent's fixed price for providing the scope of services including the risk of price increases to LIPA as the result of proposed contract or other provisions contained in the proposal.
 - ▶ **Conflicts of Interest:** respondent's demonstration that it does not and will not have a conflict of interest in providing the scope of services for the Term.
 - ▶ **Service Provider Ability, Experience and Strength:** respondent's experience, past performance, and ability to perform the entire scope of services and the expertise, experience and availability of its management and project team.
 - ▶ **Financial Strength:** respondent's financial strength to provide the scope of services for the Term.
 - ▶ **Proposed Staffing:** respondent's proposed staffing plan, and commitment to retain experienced staff for the duration of the Term.
 - ▶ **Contract:** acceptance of the terms and conditions of the CFMA, with minimal or no changes.

Communications During RFP Process

- Communications during RFP will be via LIPA's website
- The RFP website home page is accessible without registration
- The website has two password protected sections, accessible from the home page: Documents and Q&A
 - ▶ Instructions for obtaining a user name and password are posted on the website home page (in the section entitled "RFP Website")
 - ▶ Documents distributed throughout the RFP process will be maintained in the Documents section of the website
 - ▶ Respondents may ask questions as indicated in the RFP using the Q&A section of the RFP web site. LIPA will post answers in the Q&A section of the RFP web site
- Mr. Michael Standridge, Director of Corporate Contracts & Procurement, Mr. Bill Funk, Contract Specialist and Mr. Rick Shansky, Manager of Power Markets Contracts, will serve as LIPA's points of contact for the RFP

No other contact with LIPA Trustees, staff, or consultants during the RFP process will be allowed. Violation of this requirement may be grounds for disqualification from the RFP.

Target Schedule

<u>Event</u>	<u>Date</u>
■ RFP Issuance	May 19, 2009
■ Proposers' Conference	June 3, 2009
■ Deadline for Submission of Questions	June 19, 2009
■ Notice of Intent to Submit Proposal Due	June 26, 2009
■ Proposals Due	July 7, 2009 by 3:00 PM
■ Proposal Selection	Sept 2009 Board of Trustees Meeting
■ Commencement of Service	January 1, 2010

Submission of Proposals

- Five bound copies and one CD of the Respondent's proposal must be mailed, sent by courier, or hand-delivered so that it is received by 3:00 p.m. Eastern Time on July 7, 2009 at the following address:

Long Island Power Authority

Attn: Rick Shansky, Manager of Power Markets Contracts

Caithness Fuel Management Services RFP

333 Earle Ovington Blvd., Suite 403

Uniondale, New York 11553

- Five copies and one CD of the Respondent's proposal shall also be mailed, sent by courier, or hand-delivered so that it is received by 3:00 p.m. Eastern Time on July 7, 2009 at the following address:

Long Island Power Authority

c/o Navigant Consulting, Inc.

Attn: Robert Kendall

Caithness Fuel Management Services RFP

1400 Old Country Road, Suite 402

Westbury, New York 11590-5156

Proposals received after the above stated due date and time will not be considered, nor will e-mailed or faxed proposals, whenever received.

Q&A