

**REQUEST FOR INFORMATION**  
**FOR**  
**Natural Gas and Electricity Prepayment Suppliers**

**Long Island Power Authority**  
**333 Earle Ovington Boulevard**  
**Uniondale, New York 11553**



September 13, 2019

**TABLE OF CONTENTS**

I. CALENDAR OF EVENTS ..... 2

II. CONTACTS and Q&A..... 4

III. SCOPE .....4

IV. REQUESTED INFO .....5

V. RESPONSE  
REQUIREMENTS.....5

    A. Firm’s Organization.....5

    B. Prepayment Experience/Approach.....5

    C. Supplier’s Experience/Approach.....6

    D. Compensation, Fees, Costs, Terms.....7

    E. Other .....8

The Long Island Power Authority (The Authority or LIPA) is exploring the possibility of participating in one or more natural gas and/or electricity (collectively referred to as “energy”) prepayment transactions. LIPA understands that their participation is likely to be as a purchaser from one or more energy prepayment aggregators or conduit issuers. LIPA would like to obtain information from various potential energy suppliers that may supply energy to LIPA through various aggregator/conduits that LIPA expects to select through a separate process.

The Authority currently uses between 35,000 – 500,000 MMBtus per day of natural gas and supplies between 1400 – 5300 MWs per hour of electricity to its customers. As with most electric utilities, there can be daily variability due to customer consumption, weather, availability of generation, transmission capability and fuel prices. The Authority is considering gas prepayments for up to roughly 40,000 MMBtu per day or electricity prepayments for up to 500 MW per hour in its initial prepayment transaction(s). The Authority is interested in taking delivery of the prepaid natural gas at National Grid / KEDLI city gate for Transco Zone 6 NY or Iroquois Zone 2 and electricity delivery at NYISO Zone K. Physical natural gas is currently purchased over various timeframes including seasonally fixed / indexed, monthly fixed / indexed, daily and intraday. The Authority currently has contracts associated with natural gas fired generators through 2029; these contracts may be extended based upon future conditions. However, the Authority cannot predict how legislative mandates (at the state or federal level), Board actions/policies or ratepayer preferences might influence gas-fired generation or electricity consumption over the long run.

## I. CALENDAR OF EVENTS

Issuance of RFI	September 13, 2019
Deadline for Questions	September 18, 2019
Answers posted to LIPA’s website	September 24, 2019
<b>Response Due Date</b>	<b>October 4, 2019, 3PM</b>

## **II. CONTACTS, Q&A AND RESPONSE**

Questions regarding this RFI should be sent to [Procurement1@lipower.org](mailto:Procurement1@lipower.org), on or before the Deadline for Questions noted in Article I above. Responses to any questions received will be posted on LIPA's web site at <http://www.lipower.org/responses/> no later than the Deadline for Posting Answers noted in Article I above. No other communication of questions and answers will be made.

Responses can be emailed to [Procurement1@lipower.org](mailto:Procurement1@lipower.org) by the Due Date/Time indicated above.

Responses received after the Response Due Date will not be considered.

## **III. SCOPE**

A Supplier will be expected to provide a long-term supply of natural gas and/or electricity to an aggregator/conduit of LIPA's choosing, if the Supplier is able to enter a contract with LIPA's preferred aggregator/conduit. The Supplier may also be required, pursuant to a contract with an aggregator/conduit, to remarket natural gas or electricity that is not required for use by LIPA.

## **IV. REQUESTED INFORMATION**

The following is a list of the information requested of the respondents:

### **A. Organization of Firm(s)/Contacts**

1. Provide the name, address, telephone number and email of the principal contact(s) from your firm(s). (Resumes may be included as an appendix.) List the other members of your prepay team. Briefly describe their proposed role in serving the Authority and their relevant energy prepayment experience.

### **B. Prepayment Experience/Approach**

1. Describe your firm's public power and gas utility finance presence both nationally and within New York State specifically. Please highlight recent experiences in financing energy prepayment programs.
2. Provide a list of all completed energy prepayment transactions for your proposed team over the past three years. Provide the net savings in terms of cents per MMBtu or \$ per MWH, and total par amount for each transaction and describe any unique features that either enhanced or may have limited savings. Also provide one or two case study(s) that demonstrates your firm's ability to act as an energy supplier in a transaction that could serve the Authority. What aspects of these case studies are most relevant to the Authority?
3. Describe your proposed structure(s) for an energy prepayment program for the Authority. Summarize why your structure(s) are best suited to the Authority's objectives and the

Authority's strong preference to limit prepayment transaction risks. Discuss considerations, including timing, structure, tax and/or policy issues. Please discuss the prepayment transaction risks, and how your structure mitigates such risks. The Authority's preference is to use a conduit issuer for the prepayment financing, as opposed to issuing Authority bonds. Provide your thoughts on the Authority's conduit issuer alternatives as well as other possible issuer-partners given the Authority's desire to execute a transaction as soon as possible. If you are proposing a conduit out of New York State, please detail the economic and other trade-offs. Discuss your firm's historical relationship with these conduit issuers and whether you expect these entities will be willing to work with your firm as an energy supplier.

4. Discuss current industry considerations specific to an energy prepayment program (e.g., level of natural gas prices, carbon tax, renewable portfolio standards, etc.) and how these issues have shaped your proposed approach. Note any market dynamics that may affect the savings available on an energy prepayment transaction.
5. Detail how your structure might address the possible risk that the Authority is not able to use the prepaid natural gas in the future, for either: (a) a limited period due unexpected reduction in demand, transmission/transportation curtailments, unit outages, etc., or (b) an extended period of time due to regulations or policies that may limit the Authority's use of natural gas. Discuss the details of remarketing, remediation, fees, penalties as well as other options that may be available to address these conditions. For a transaction that begins as a natural gas prepayment, the Authority may seek the ability to substitute electric or renewable energy for natural gas. Describe considerations around such a structure. Indicate whether your firm has executed transactions that have provisions for switching from natural gas to electricity. Also describe your expectations for any conduit issuer's ability to accommodate conversion from natural gas to electricity, including whether the conduit has, or expects to have, the authority to transact in both natural gas and electricity.
6. Discuss considerations around the selection of an appropriate index price and index savings for both natural gas and electricity.
7. What do you anticipate will be the important credit considerations related to your proposed structure? The Authority desires to limit its credit exposure only to highly rated entities and/or structures. Are there any exposures beyond the supplier (and guarantor) and commodity swap provider? How does your approach impact the Authority? How does your approach impact the creditworthiness of the bonds to be sold?
8. Describe your approach to marketing debt issued for your proposed structure, including any considerations specific to your structure. Where do you expect the prepay bonds to price relative to MMD? Do you believe that the trading value of New York tax-exempt bonds will produce higher savings levels for the Authority transaction? Would the size or structure of a transaction influence the degree of New York State trading advantage the Authority might expect? Provide an estimate of any benefits.
9. Describe timing considerations for this transaction if the Authority would like to complete this effort as soon as possible. Detail your firm's perspective of what timing would be best suited for pricing the transaction in late 2019 or early 2020.

10. If your firm knows of other potential energy off-takers or suppliers that can participate in a transaction for/with the Authority, detail this expected demand/supply and define how the inclusion would influence the economics to the Authority. Define your firm's expectation of additional administrative burdens or timing delays that could be associated with additional off-takers/suppliers.

C. **Supplier's Experience/Approach**

1. Describe your firm's municipal utility presence, both nationally and within New York State, with respect to physical energy supply and trading.
2. Detail your recent experience, if any, in supplying or trading physical energy in lower New York State and the northeast region.
3. If the Authority elects to proceed with this transaction, the Authority's objective is to close this transaction as soon as possible. The Authority is concerned that it could expend significant time, effort and financial resources, yet not be able to close a transaction due to market conditions or other circumstances. What comfort can your firm provide that your structure is feasible and can be implemented quickly and successfully? Describe any features of your recommended structures that are yet untested from a legal, tax or market perspective. Describe any other attributes that distinguish your firm from others offering similar services, that you believe would be helpful to the Authority in the selection process.

D. **Compensation, Fees, Costs, Terms, etc.**

1. Provide a discussion of how your firm would determine its supplier discount rate or funding cost for prepaid energy. Indicate whether you link the initial discount rate to any interest rate indices or to market-based measures of your firm's funding cost. To the extent you are proposing an initial pricing period that is less than the full term of the prepayment, discuss how your firm would approach resetting its funding cost at the time of subsequent bond repricings/remarketings. The Authority is looking to establish some level of expectations on future energy savings for transactions with initial pricing terms that are shorter than the full prepayment term. To the extent the funding rate changes on future repricings, how would this affect the size of the prepayment transaction? For example, will a significant increase in future resets of the supplier discount rate lead to a reduction in the par amount of the bonds? Conversely, how might a decline in rates affect the cash flows, energy deliveries and savings?
2. Discuss your firm's expectation for reservation fees, delivery charges, potential delivery point premiums, or other fees and charges associated with the delivery of energy. Detail your firm's preference(s) or restrictions for delivery point(s) and what the economic impact could be to the Authority if the delivery point changes in the future.
3. Provide suggestions for potential commodity swap counterparties and your expectations for fees related to the commodity swap.
4. How would you suggest prioritizing the delivery and use of any new or future prepaid energy relative to the Authority's other gas supply?

5. If you are proposing a structure that has an initial pricing period that is shorter than the full transaction term, provide a discussion of how you would structure the bond amortization to establish the targeted savings level for the initial term, and how you would approach market assumptions, amortizations and savings targets for subsequent periods. Indicate your willingness to allow the Authority to terminate its involvement in the transaction to the extent future available savings for a repricing are below targeted minimum savings levels. For future repricings, is it possible that savings could exceed the minimum target, or does the repricing agreement contemplate that any excess cash flow be directed toward debt retirement?
6. To the extent that your proposed structure includes interest rate swaps provide a discussion of how you would expect to price those interest rate swaps relative to any established market indices or actual prepayment bond variable interest rates.
7. Discuss your proposed structure's use of reserve accounts, funding agreements, or any other forms of credit support. If you are proposing the use of funding agreements or credit support to reduce the amount of required debt service or operating reserves, provide a discussion of the expected pricing of the credit support.
8. Discuss how you would determine the forward fixed price of natural gas and/or electricity to be used for the transaction, and whether the Authority or other parties may be required to provide opinions or certifications relative to the price curves.
9. What other certifications or opinions may be required of the Authority or its consultants relative to energy volumes, energy prices, interest rates, future potential interest rates, future transaction economics, etc.?
10. Detail your firm's credit approval process and timing for this transaction.

**E. Other**

1. Proposers shall indicate in their responses what information, if any, they consider to be proprietary and confidential. Proposers are hereby advised that LIPA is subject to the New York State Freedom of Information Law ("FOIL"). Material marked "Confidential and Proprietary" will be treated as such to the extent consistent with LIPA's obligations under FOIL, other applicable law, regulation or legal process, and will not be disclosed by LIPA except as necessary for the evaluation of responses or as may be required pursuant to applicable law, including FOIL.

**V. RFI RESPONSE INSTRUCTIONS AND CONDITIONS**

**A. Limitations**

1. This RFI does not commit LIPA to award a contract, pay any costs incurred in the preparation of a response, or procure or contract for services of any kind whatsoever. LIPA reserves the right, in its sole discretion, to accept or reject any or all responses as a result of the RFI. LIPA reserves the right to request additional information from all Respondents.

2. All material submitted in a response to this RFI will become the sole property of LIPA, except as noted in Section II above.

**B. Response Submission**

1. Responses shall be limited to twenty **(20) single-sided pages** (not including the table of contents or resumes) and shall be prepared on 8 ½ x 11-inch paper using at least 12-point type with standard margins. Resumes may be provided in brief summary form in the body of the response. This appendix will not count against the page limit restriction.
2. Responses must include a cover letter indicating the mailing address of the office from which the response is submitted, the name and email address of the individual who will represent the firm as the primary contact person, and the telephone and facsimile numbers of the primary contact person.