



Massachusetts Green Power Partnership
Bidders' Conference

MTC
Westborough, MA
January 28, 2005


1



Agenda

- I. Meeting Guidelines
- II. Background - Mass. Green Power Partnership
- III. How MGPP Works
- IV. Key RFP Topics
- V. Standard Contracts and Escrow Agreement
- VI. Massachusetts Public Records Law
- VII. RFP Process
- VIII. Future Communications (Bidders/MTC)

2



I.
Meeting Guidelines

- Please hold questions until designated points in the presentation
 - Agenda topic breaks
 - Or as indicated
- Any verbal MTC responses to questions are not official.

3



Official MTC responses

- Submit questions in writing by February 11, 2005
- Only written MTC responses are official
- MTC responses posted on RFP web page

4



II. Background - MGPP

5

Project Financing is Difficult to Secure in New England

- Projects need revenues from REC and energy sales
- REC revenue is subject to regulatory/political risk
- Financiers unwilling to take REC revenue risk on merchant plants
- Long-term REC contracts with creditworthy buyers are needed, but . . .
 - Retail suppliers serving load in restructured utility territories cannot count on having load in 10 years
 - Few creditworthy purchasers have emerged in the REC market
 - Few entities willing to make even 5 year commitments for energy or RECs

6

MGPP Purpose and Objective

- Purpose . . .
 - to provide a vehicle for Generators and/or Purchasers to obtain market price risk protection for RECs
 - and therefore incentivize long-term contracts for Commodity Energy and/or RECS
- Objective - to secure benefits for RET contributors by facilitating the financing and construction of new renewable generators in Massachusetts and New England

7

Round 1 Summary

- Solicitation issued May 2003
- 11 Proposals received September 2003
 - Biomass 1
 - Hydro 2
 - LFG 2
 - PV 1
 - Wind – small 2
 - Wind – large 3
- 5 Awards - November 2003
 - 1 award February 2004
- Contracts executed: Feb. - Nov. 2004 (one pending)

8

MGPP Round 1 Projects (2003)

Project	Tech.	Location	Form	MW	Present Value Exposure
Berkshire Wind, LLC	Wind	Hancock, MA	Purch.	15	5,491,000
Brockton Brightfields (City of Brockton)	PV	Brockton, MA	Option	< 1	644,000
CommonWealth New Bedford Energy, LLC	LFG	Dartmouth, MA	Option	3 +	2,019,000
Hoosac Wind, LLC	Wind	Florida, MA Monroe, MA	Option	30	9,943,000
Pepperell Hydro, LLC	Hydro	Pepperell, MA	Purch.	1 +	611,000
Northern Wood Power - Schiller (Public Service Co. of NH)	Bio.	Portsmouth, NH	Option	50	2,379,000
Totals				100	21,087,000
MTC Nominal Exposure					33,455,000

III. How MGPP Works

10



REC Contracts and MTC Security

- MTC is offering long-term REC contracts:
 - REC Purchase Contracts
 - Put/Collar Option Contracts
- MTC deposits funds into escrow account
 - Up to 100% of MTC present value exposure (minus premium income)
 - Three-way escrow agreement: MTC - JP Morgan Trust - Seller

11



Security from Proposers

- Proposer security supports their commitment to achieve milestones
- Preferred method:
 - Paid at Contract execution
 - Nameplate kW x CF x MTC % RECs x \$7.50
- Less preferred method:
 - Paid when milestone is missed
 - Nameplate kW x CF x MTC % RECs x \$5.00
 - Possible multiple postings of security (3 max.)

12



Ratepayer Benefit Requirement

- RET Ratepayers provide the funding; they must benefit
- Benefit should be commensurate with MTC's commitment to purchase RECs
- Damages provision
 - Substantial
 - Function of REC sale price outside Massachusetts

13

Ratepayer Benefit Requirement - 2

- How to comply:
 - Sell RECs to MTC
 - For RECs covered by an Option Contract, but not sold to MTC . . .
 - Sell or use RECs to comply with the Mass. RPS; or
 - Sell or allocate RECs to end-use customers in areas where retail customers pay into the Renewable Energy Trust

14

Consulting and Legal Fees

- Objective: minimize exceptions and protracted negotiation of MGPP contracts
- Awardee pays a share of fees
 - Up to \$5,000 MTC pays
 - Up to \$50,000 Awardee pays 50%
 - Over \$50,000 Awardee pays 100% of amount over \$50k
- Awardee payment due at contract execution (*new for 2005*)

15

(New for 2005)

Potential Commodity Energy Conditions

- End-use customers can benefit from the fixed-price aspect of certain renewables
- MTC is working with end-users in Mass. to stimulate and gauge interest in options for long-term power purchase contracts
- MTC is reserving the right to require, as a condition of MGPP award, that Proposer execute separate power sales agreements
- Potential benefits for Generators (long-term credit-worthy power contracts) and for end-users

16

IV Key RFP Topics

17

MGPP Round 2 Overview

- Funding
 - Up to \$15 million MTC present value exposure
 - Up to \$25 million MTC nominal exposure
 - May support 25 - 50 MW
- Schedule
 - Questions due February 11, 2005
 - MTC responses February 25, 2005
 - Proposals due March 18, 2005
 - Awards (tentative) June 2005

18

What's new for round 2?

- Target date for commercial operation - 12/31/07
- Put Options
 - Minimum premium
 - Limitation on total present value
- Reserving some rights related to Commodity Energy
- Legal fees due at closing

19

Eligible Proposers

- Generator - the developer of an Eligible Facility
- Purchaser
 - Will have a contract to purchase RECs from a Generator
 - Generator must be a co-proposer
 - Could be an "end-user"
- Corporation, Partnership, LLC, non-profit organization, government entity

20

Eligible Facilities - 1

- Must demonstrate to MTC satisfaction a likelihood of achieving commercial operation by 12/31/07
- Must not be in construction
- Must need the type of support offered by MGPP
- Repowering or expansion allowed

21

Eligible Facilities - 2

- New Renewable Generating Unit
 - biomass, landfill gas, solar, wind, etc.
 - must be . . .
 - located in New England, or
 - must meet 225 CMR 14.05(5) if outside ISO-NE control area
 - must obtain Statement of Qualification per 225 CMR 14.06 (RPS)

22

Eligible Facilities - 3

- Qualifying Hydroelectric Facility
 - Must be located in ISO-NE control area
 - No new dams
 - Expansions
 - Capital costs must exceed \$250/kW
 - Select energy or capacity basis for calculating incremental output

23

Questions?

24

MGPP Contracts: How they work

- Proposer bids Contract Type, Price and Term
 - Term does not need to start in year 1 of operation
- MTC and Proposer enter into contract
- MTC escrows funds sufficient to cover its obligation (facility gets financed and built!)
- MTC might sell or assign contracts to third party

25

1. REC Purchase

- MTC has right and obligation to purchase RECs . . .
 - proposer has right and obligation to sell RECs,
 - all at a set price (bid by Proposer)
- REC price risk/benefit allocation
 - Downside - MTC
 - Upside – MTC

26

2. Put Option Contract

- Proposer has a right, but not obligation, to sell RECs to MTC
- “Put Option Strike Price” bid by Proposer
- REC price risk/benefit allocation
 - Downside risk - MTC
 - Upside benefit - Proposer
- Option premium (bid by proposer)
 - Minimum = 5% x nominal exposure

27

2. Put Option Limitations

- For any third-party sale of RECs that are covered by a Contract . . .
 - Seller waives the Put Option for those RECs
 - MTC may refund a portion of the premium (pro rata)
- Proposals limited to the highest of . . .
 - 30% of MTC nominal exposure, or
 - \$750,000 in MTC nominal exposure

(new for 2005)

28

3. Put-Back Option Contract

- Put Option, plus . . . Put-Back for MTC
- MTC can sell the RECs back to the Proposer at the “Put-Back Strike Price”
- REC price risk/benefit allocation
 - Downside risk
 - MTC - Put Option Strike minus Put-Back Strike
 - Proposer - Put-Back Strike minus zero
 - Upside benefit - Proposer

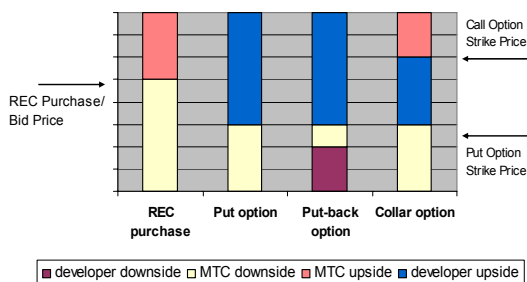
29

4. Price Collar Contract

- Put Option, plus . . . Call Option for MTC
 - MTC right to purchase RECs
 - Call Option Strike Price is higher than Put Strike Price
- No premium required
- REC price risk/benefit allocation
 - Downside risk - MTC
 - Proposer - Call minus Put
 - Upside benefit
 - MTC - Resale price minus Call Price

30

Risk/Benefit Allocation in Detail



31

5. Alternative Proposals

- Allowed . . .
 - Base Commercial Proposal
 - Two alternative Commercial Proposals
 - Combine two Contract Types within a single Commercial Proposal

32

Limitations on Proposals

- Maximum Term
 - REC Purchase - 10 years
 - Options - 10 years
- No RECs for energy produced after 12/31/2023 (even if schedule slips)
- Demonstrate ability to achieve commercial operation by 12/31/07 at the latest

33

Maximum Quantity of RECs purchased by MTC

	Intermittent Facility	Non-Intermittent Facility
Life-of-Contract	Average annual RECs (to be sold to MTC) x # years	
Annual	125% of annual projected	110% of annual projected
Mid-Term of Contract	50% of Life-of-Contract amount	

34


V. Standard Contracts and Escrow Agreement

35

Standard Contracts and Escrow Agreement


- Contracts posted on RFP web page
- Proposers should review contract terms prior to submitting bid
- Proposers must specify any exceptions to contract terms with their proposal
 - Suggest alternative language
- MTC prefers proposals w/ minimal or no exceptions

36



VI.
Massachusetts Public Records Law


37



Confidentiality of Submittals

- MTC is a public entity
- We are subject to the Massachusetts Public Records Law
- Documents received by MTC or employees are subject to public disclosure, except as provided in Form D
- Consider: proforma, pricing information, company financials, development schedule

38



How to assert exemption from public disclosure . . .

- Submit letter to MTC General Counsel
- Identify sensitive material, reason, period over which the information is sensitive
- No electronic submission of sensitive information (email or fax)
- Consider providing sensitive information separate from main proposal

39



VII.
RFP Process

40

Proposal Submittal Requirements

- Notice of Intent to Bid - due 2/11/05
- Bids due 3:00 p.m. EDT on 3/18/05
- Include \$250 application fee per project
 - Projects defined by individual sites and technologies
- Number/type of copies
- Please number sections as they are in Form C
- Pay attention to sensitive information policy!

41

Evaluation Process

- Stage 1 - does it satisfy the submittal and proposal content requirements?
- Stage 2 - evaluate against other proposals
 - Economic evaluation
 - Non-Economic evaluation
- Stage 3 - apply programmatic criteria to determine award group

42

Economic Evaluation Criteria


1. NPV of economic benefit/cost to MTC
2. PV Total Exposure to MTC
3. Relative ease for MTC to sell/assign the contract
4. Net present value benefit to MTC relative to creation of new renewable energy production
5. MTC present value exposure per total RECs that will be produced by the Eligible Facility

43

Non-Economic (Technical) Evaluation Criteria

1. Site control
2. Interconnection plan
3. Financial strength and
financiability of the Project
4. Marketing plan
5. Proposer experience
6. Development plan and
schedule
7. Community acceptance
8. Permitting, licensing and
environmental impact
9. Energy resource & fuel
supply plan
10. Reliability of the
technology
11. O&M plan
12. Credit security from
Proposer
13. Collateral requested from
MTC
14. Exceptions to standard
contract


44



Additional Benefits to RET Ratepayers

- REC-based benefits
 - Sell RECs to MTC in early years
 - Subject additional RECs to Ratepayer Benefit Requirement
 - Additional commitment to sell RECs to RET Ratepayers beyond the MGPP requirement
- Direct economic benefits
 - Price hedge benefits
 - Taxes, jobs, lease payments

45



Programmatic Criteria

- MTC will also use the following programmatic criteria to establish a proposed award group:
 - Preferable to make multiple awards
 - Technology diversity
 - Prefer a mix of large and small projects
 - Geographic balance for projects within Massachusetts
 - Earlier commercial operation
 - Leverage MTC funds
 - Ability to offload contracts

46



VII. Future Communications

- Potential teleconference, at MTC discretion
- Question schedule
 - Questions due February 11, 2005
 - MTC responses February 25, 2005
- Telephone conversations are not official responses

47



Additional information . . .

RFP Web Page:

http://www.masstech.org/Grants_and_Awards/CE/mgpp_round2_rfp.htm

Questions in writing to:

Nils Bolgen
bolgen@masstech.org

MTC
75 North Drive
Westborough, MA 01581
508-870-0312 x402
508-898-9226 fax

48