

1. Background

- a. Key recommendation of the **Assessment of Renewable Resource Options dated December 14 as revised on 12/19/2016** (the Assessment) was to undertake a formal RFP process to solicit proposals from potential sellers of energy from 3 categories of renewable resources. (See Slides 30 and 31 from the Assessment)
- b. Key related conclusions from Slide 27 of the Assessment were:
 1. *Of the renewable resource types studied, purchases of energy produced from wind resources in Indiana or from a solar project in MISO owned by a taxable entity are the closest to being competitive with conventional resources.*
 2. ...
 3. ...
 4. *There are significant economies of scale involved in solar resources. Solar resources can be implemented on a very small scale (~1,000 kW or less) that may be appropriate for a community solar project or on a utility scale level (~1,000 kW or more) that can be expected to provide significantly lower costs per unit of energy produced as compared to small scale projects.*
- c. KyMEA's AR Contract and PPAs provide flexibility to:
 - ii. Integrate into KyMEA's portfolio some level of renewable resources; and
 - iii. Implement or facilitate the implementation of a renewable resource only for certain Members that choose to use and pay for that resource.
- d. The Assessment indicated that, if cost effective wind or solar resources could be identified, the initial maximum level may be in the range of 25 MW to 50 MWs of installed capacity. Further analysis of specific proposals should allow KyMEA to better assess the impact of renewable resources on KyMEA's risk profile and, therefore, the amount of any renewable resource capacity that could be incorporated at this time without increasing the risk that KyMEA could become non-competitive with KU.
- e. Other considerations that factored into this recommendation included the potential that the RFP would:
 - i. Provide greater cost certainty as to the availability and price for renewable resources accessible to KyMEA on a regional or local community basis.
 - ii. Provide useful information contrasting the costs and economies of scale of utility scale solar projects with smaller projects appropriate in size for a subscription based community solar program; and
 - iii. Provide more information as to how tax incentives would impact prices from developers in comparison to the cost to the Agency or its Members of undertaking solar projects of various sizes (since municipalities are not eligible for tax incentives).

2. Overview of the RFP

- a. This RFP will be conducted under the provisions of the Kentucky Model Procurement Code, specifically Kentucky Revised Statutes 45A.370 titled Competitive Negotiation.
- b. The RFP would solicit offers to sell output from three categories of projects:
 - i. Category 1 - Large utility-scale solar and wind projects
 1. Would indicate an interest in KyMEA considering purchase of an entitlement to 10,000 kW to 50,000 kW of installed nameplate AC capacity and associated energy
 2. Connected to the MISO or LGE/KU Transmission Systems
 - ii. Category 2 - Small utility-scale solar projects
 1. Would indicate an interest in KyMEA considering 1,000 kW to 10,000 kW projects
 2. Connected to LGE/KU Transmission System or one of more of the KyMEA Members' distribution level systems
 - iii. Category 3 - Community solar projects
 1. Would indicate an interest in KyMEA considering 100 kW to 1,000 kW projects
 2. Connected to one of more of the KyMEA Members' distribution level systems
- c. Respondents would be advised that KyMEA may select or reject projects from any or all categories --- i.e. select proposals in Categories 2 or 3 even if they were higher in cost than larger scale categories
- d. Respondents in Categories 2 and 3 would be asked to provide proposals for sale of the project's output to KyMEA under a PPA and also asked, but not required, to provide an option of sale of the completed project to KyMEA.
- e. Respondents who propose interconnection to a Member's distribution system will acknowledge their understanding of the specific interconnection requirements as may be set forth in net metering or other policies established by the applicable Member.
- f. Respondents in Categories 2 and 3 would be asked to define key site requirements in the following areas. It would be anticipated that the Member would have an opportunity to determine any leasing or purchase requirements for a proposed site in their service area:
 - i. Physical acreage footprint required
 - ii. Key physical characteristics of the required site
 - iii. Electric connectivity requirements (or acknowledgement of Member cities' interconnection requirements)
 - iv. Any infrastructure requirements (potable water, sewer, electricity, communications, etc.)
- g. Respondents would be required to submit term sheets that specify minimum provisions of the PPA or other agreement that would need to be entered by KyMEA to give effect to the proposed transaction.

- h. Respondents would be required to provide business history, financial strength, credit support capability, project experience, references for projects implemented similar to the project being proposed, project scope and implementation plan including work to be self-performed or contracted.

3. Evaluation Criteria and Process

- a. The focus of the analysis of the proposals should be the impact on KyMEA's total cost of serving the KyMEA Members and the change in KyMEA's risk profile that would result from incorporating various levels of renewable resources based on the proposals received.
- b. The balancing of any higher costs versus other potential benefits of renewables (e.g., societal benefits) should be addressed at a policy level by KyMEA's Board and any governing Boards of interested Members. It should not be included in the analysis of the projected effect of the renewable resources on KyMEA's costs of power.
- c. The analysis of the proposals should allow the KyMEA Board to reach any of the following conclusions as may be appropriate.
 - i. None of the proposals submitted are susceptible of award;
 - ii. One or more proposals are initially deemed susceptible of award:
 - 1. On the basis that the resource would be part of KyMEA's AR portfolio and the cost of the resource would be recovered from AR Rates charged to all KyMEA AR Members; and
 - 2. Conditioned on negotiation of a final PPA with terms and conditions acceptable to KyMEA; or
 - iii. One or more proposals are initially deemed susceptible of award conditioned on:
 - 1. The establishment by the KyMEA Board of a Generation Resource Project to implement the proposal and the agreement of one or more KyMEA Members to participate by entering into a contract with KyMEA under which the Generation Resource Project would be used to serve the load of Project Participants and the cost of the Project would be paid only by those Project Participants; and
 - 2. Negotiation of a final PPA with terms and conditions acceptable to both KyMEA and the participating Member.
- d. The analysis of proposals should consider appropriately:
 - i. The projected costs of the renewable resource;
 - ii. Potential transmission congestion costs, other transmission costs, and other significant impacts on KyMEA and its Members of sellers' proposals to deliver the energy to MISO or the LGE/KU transmission system;
 - iii. Projected net benefits from or net costs of the particular resource(s) upon integration into KyMEA's power supply portfolio for use in meeting the load serving obligations of KyMEA's Members – including projected impacts on other resource costs of any applicable as-available, non-dispatchable characteristics of the proposed renewable energy resources;

- iv. The impacts of the proposed renewable energy resource on KyMEA's risk profile relative to KU's; and
- v. The economic and risk provisions of proposed PPA terms and conditions and pertinent analyses updated to incorporate those specific provisions not previously included in the initial screening analyses.
- e. The analysis of the proposals should be accomplished using a phased approach that will allow the KyMEA Board to reach any appropriate conclusions without expending more time and resources than necessary on proposal analyses. The analysis prepared in each phase would be reviewed with the Board along with appropriate recommendations prior to proceeding to the next phase. The primary phases are anticipated to be;
 - i. **Screening Analysis** – analysis sufficient to identify the best options in each RFP category and to determine which, if any, options warrant further consideration.
 - ii. **Initial Portfolio Analysis** – an analysis sufficient for the Board to understand the overall impact of the best option(s) on the Agency's portfolio costs and risk profile prior to making a decision to negotiate PPAs with Respondents initially deemed susceptible of award.
 - iii. **Final Analysis** – an updated version of the Initial Portfolio Analysis that would reflect final PPA terms and conditions and potentially could serve as the basis for a decision to execute any PPAs with Respondents.
- f. Should the KyMEA Board decide against proceeding beyond the Screening Analysis or the Initial Portfolio Analysis, the RFP would provide that supporting information can be made available to any KyMEA Members that desire to give further consideration to the proposal subject to the Member's agreement to appropriate NDAs.

4. RFP Schedule

See attached Schedule.

Proposed Renewable RFP Schedule

| Line No. | Milestone | Allowance for Duration | Slack | February RFP Approval by Board |
|---------------|--|------------------------|---------------|--------------------------------|
| | | Calendar Days | Calendar Days | |
| 1 | RFP Approval | - | | 2/23/2017 |
| 2 | RFP Publication | 4 | | 2/27/2017 |
| 3 | Questions Due from Potential Respondents | 21 | | 3/20/2017 |
| 4 | Answers Provided to Potential Respondents | 7 | | 3/27/2017 |
| 5 | Proposals Due | 14 | | 4/10/2017 |
| 6 | Screening Analysis | 21 | | 5/1/2017 |
| 7 | Board Decision Point 1: Whether any Proposal(s) Warrants Further Analysis | 6 | 18 | 5/25/2017 |
| 8 | Initial Portfolio Analysis | 25 | | 6/19/2017 |
| 9 | Board Decision Point 2: Whether to Develop Applicable Contracts (e.g., PPAs, Agreements with Participating Members, etc.) | 6 | | 6/25/2017 |
| 10 | Develop Applicable Contracts Acceptable to KyMEA, Counterparties, and any Participating Members | 90 | | 9/23/2017 |
| 11 | Finalize Analysis | 7 | | 9/30/2017 |
| 12 | Board Decision Point 3: Whether to Execute Contracts | 6 | 20 | 10/26/2017 |
| Totals | | | | |
| 13 | Calendar Days | 207 | 38 | |
| 14 | Work Days (approximate) | 148 | 27 | |