

## **FOR CONSIDERATION**

December 18, 2024

**TO:** The Board of Trustees

**FROM:** John Rhodes

**SUBJECT:** Authorization to Execute an Agreement with The Energy Authority, Inc. to Provide Power Supply Management and Fuel Management Services

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### **Requested Action**

The Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA”) is requested to authorize the Acting Chief Executive Officer or his designee to execute a Power Supply Management and Fuel Supply Management Services Agreement (“PSMFM Agreement”) with The Energy Authority, Inc. (“TEA”) for a five-year term.

### **Background**

PSEG Energy Resources & Trade LLC currently provides fuel management and power supply management services to LIPA under the agreements entitled “Power Supply Management Services Agreement” and “Fuel Management Agreement,” which have been in effect since January 1, 2014 and are set to expire December 31, 2025. The PSMFM Services Provider is responsible for: procurement and supply of fuel for, and the scheduling, dispatch, purchase and sale of the electricity produced by, generating units that are under contract to LIPA; scheduling of imports/exports over interties controlled by LIPA; and managing LIPA’s wholesale power supply requirements in the NYISO, PJM and ISO NE markets. In addition to handling day-to-day purchases and sales of power and power plant fuels, the PSMFM Services Provider also manages LIPA’s hedging program to address volatility in commodity costs.

To ensure that the vital PSMFM services continue beyond the term of the expiring contracts, LIPA issued a Request for Proposals on May 30, 2024, seeking proposals from experienced firms to provide such services for a period of five years. The RFP set forth the following three functional areas required to perform the services:

- **Front Office:** Purchase, sale and management of fuel, energy, capacity, and ancillary services to meet the needs of LIPA's customers and the operation of the system in a least costly manner consistent with existing agreements, policies, regulations, and reliability constraints.
- **Middle Office:** Monitor performance of Front Office, Back Office and fuel management operations; ensure the Front Office operates the system in a least cost manner consistent with existing LIPA agreements, policies, regulations and reliability constraints; monitor performance metrics and credit performance; oversee implementation of hedging

according to LIPA's Power Supply Hedging Policy; and provide on-going reporting to LIPA and related support services.

- Back Office: Provide accounting, settlement, dispute resolution support, and related reporting and support services.

## **Discussion**

The RFP was distributed to more than 35 firms, advertised in the New York State Contract Reporter and posted on the LIPA web site. In mid-August 2024, four firms responded to the RFP. The proposals were carefully evaluated by a selection committee consisting of an interdisciplinary group of LIPA staff and consultants, using the following evaluation process:

- Receipt of Proposals: Log the proposals received, assign a unique identifier, and review each proposal to ensure it meets mandatory submission requirements.
- Phase 1 – Threshold Evaluation: Evaluate Proposals for completeness in accordance with the requested information from the RFP. Those Proposals meeting the threshold criteria progress to the next phase of evaluation.
- Phase 2 – Initial Evaluation: Conduct initial scoring of proposals for technical (non-price) capabilities (including relevant experience, qualifications, quality of proposed services and proposed team's capability, transition and integration capabilities, and support to LIPA's long-term PSMFM services vision), price and the firm's diversity practices.
- Phase 3 – Final Evaluation: Conduct further review of short-list proposals found to be the most qualified to provide the required services based on the established Initial Evaluation Criteria, taking into account any interviews, negotiations and best and final offers provided by the selected Respondents.

All four respondents to the RFP passed the Phase 1 Threshold Evaluation. At the conclusion of the Phase 2 evaluation, the committee selected two firms for interviews and negotiations and organized a team consisting of LIPA executive management and external counsel that conducted negotiations with both firms from September to December 2024.

Based on the written submissions, oral presentations, negotiations, and the final evaluation carried out by the selection committee, it was determined that TEA provides the best value and is best suited to provide PSMFM Services to LIPA. TEA has established an exemplary track record providing the required services to similarly situated clients across the United States.

## **Recommendation**

Based on the foregoing, I recommend that the Trustees authorize the Acting Chief Executive Officer or his designee to take all actions, including, without limitation, executing an Agreement with TEA to provide power supply management and fuel management services as described above.

**Attachment**

**Exhibit "A"** Resolution

**AUTHORIZATION TO EXECUTE AN AGREEMENT WITH THE ENERGY AUTHORITY, INC. TO PROVIDE POWER SUPPLY MANAGEMENT AND FUEL MANAGEMENT SERVICES**

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**WHEREAS**, the existing agreements to manage LIPA’s power and fuel supply are due to expire on December 31, 2025; and

**WHEREAS**, pursuant to the May 30, 2024 Request for Proposals for Power Supply Management and Fuel Management Services, LIPA staff selected a proposal by TEA to provide the required services under a new PSMFM Agreement.

**NOW, THEREFORE, BE IT RESOLVED**, that the Acting Chief Executive Officer and his designee be and hereby are authorized to execute and effect the PSMFM Agreement and other related agreements and arrangements, consistent with the terms of the accompanying memorandum, and to perform such further acts and deeds as may be necessary, convenient or appropriate, in the judgment of the Acting Chief Executive Officer or his designee, to implement LIPA’s purchase of PSMFM Services from TEA.

Dated: December 18, 2024