
Town of Lee, MA Solar Photovoltaic Project



April 19, 2012

Project Procurement Overview

ACTION	RESULT
In collaboration with the Town of Lenox, conducted solicitation based on requirements set forth in M.G.L. c.25A § 11c.	Received proposals from four industry recognized renewable energy development firms; three of the proposals met the RFP requirements.
Conducted initial rankings based on the review of written materials provided by the firms in response to the RFP.	Joint Lenox-Lee Evaluation Committee of Lenox and Lee representatives reviewed and individually ranked each firm, based on the published evaluation criteria and scoring matrix.
Short-listed two of the four firms and issued written interrogatories to gain additional insights into price and non-price proposal offerings.	Firms presented responses during the structured interviews including detailed information and documentation.
Conducted structured interviews with the two firms.	Refreshed rankings based on findings from the interviews and additional data provided. Ranked firms in order of most advantageous to least advantageous pursuant to the process defined in the RFP.



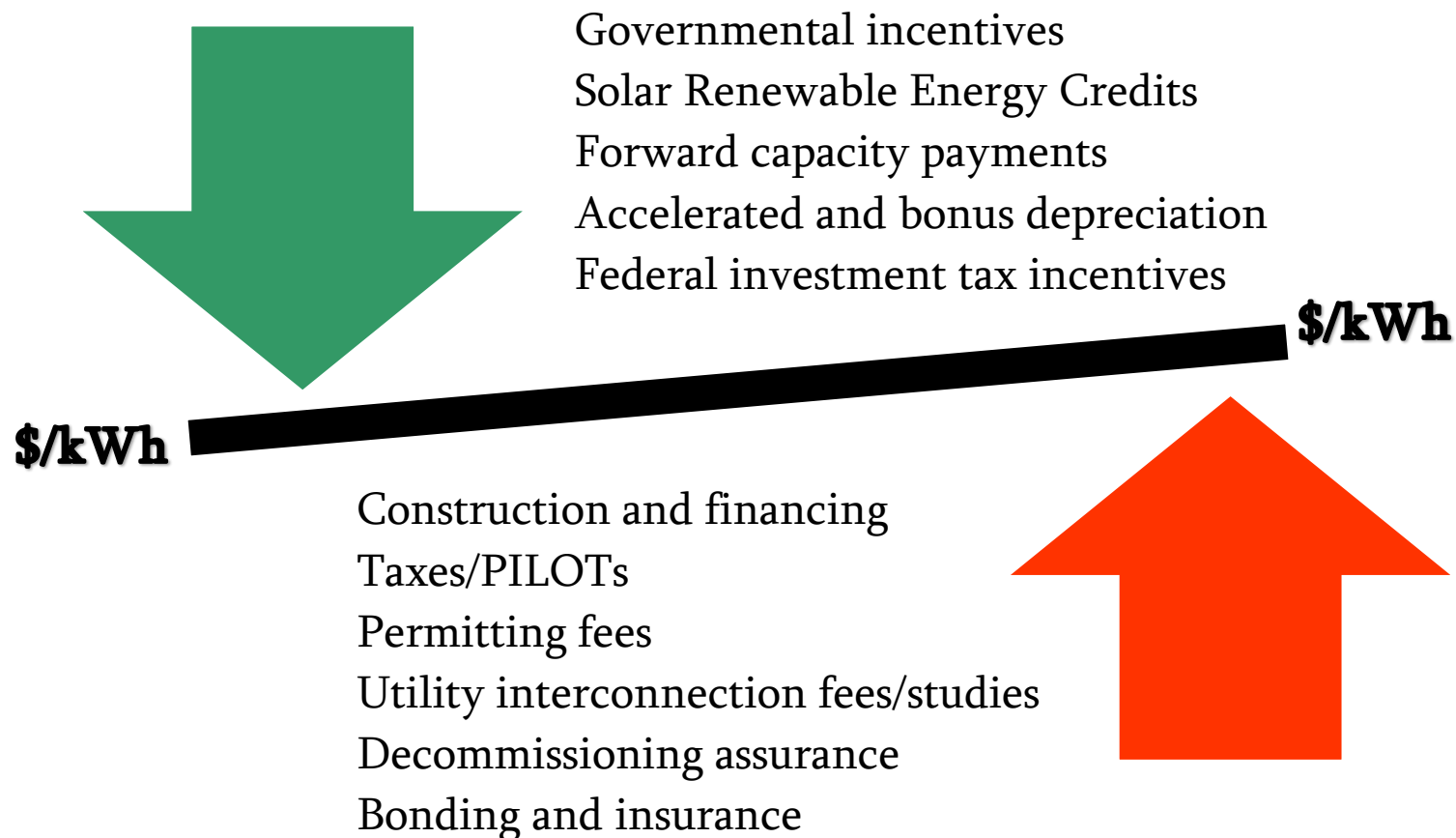
Project Procurement Overview

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Joint Lenox-Lee Evaluation Committee, with Beacon's support, conducted reference checks with the firm's reference contacts.	Conducted reference checks on the top two highly ranked firms.
Firm selection, notification and approval process.	Broadway Electrical Co/Broadway Renewable Strategies was selected to provide the desired support and systems.
Project optimization and financial analysis, considering net metering and avoided cost benefits.	Beacon and the Joint Lenox-Lee Evaluation Committee worked with Broadway to optimize the system location and sizes to optimize project economics for both Towns.
Evaluate ownership option	Beacon conducted analysis demonstrating the options of municipally-owned versus third-party ownership.
Contract negotiations	Towns engaged the law firm of Grinnell Partners to work with Beacon to negotiate the commercial and legal aspects of both the power purchase and lease agreements with Broadway based on the requirements of the Towns.



Economic Drivers and Costs

Drivers Impacting Electricity Price



Net Metering

Key Financial Driver

- ❖ Net Metering is the process of measuring the difference between electricity delivered by the local utility and the electricity generated by the host customer.
- ❖ Lee will export the electricity generated at the project locations to offset practically 100% of the Town's electricity requirements. Net metering allows Lee to achieve credits from WMECO for the electricity provided to the grid in an amount greater than the payments made to Broadway for the electricity generated as shown below.

Economic Analysis with Energy and Net Metering

Town of Lee	Annual Renewable Energy Generation (kWh) from Solar PV Systems	Broadway Renewable Energy Charges	Value of Net Metering Credits from Utilities	Total Savings to Town
First Year	2,892,398	\$196,538	\$261,603	\$65,064
20 Year Term	55,180,882	\$4,778,413	\$6,348,357	\$1,569,943



Ownership Options

Minimize Risk to Lee and Maximize Benefits

	RISKS FOR LEE OWNERSHIP	BENEFITS FOR THIRD-PARTY OWNERSHIP
Net Metering	<ul style="list-style-type: none"> • Ownership doesn't impact the risk that net metering cap could be exceeded. • Net metering benefit accrues to Lee and consists of utility supply/delivery credits to offset Broadway supply cost. 	<ul style="list-style-type: none"> • No third-party net metering benefit unless assigned by Lee.
Solar Renewable Energy Credits {SREC} and Forward Capacity Payments (FCP)	<ul style="list-style-type: none"> • SRECs market softens and the floor price is not achieved in the first 10 years and there is no value in the last 10 years. 	<ul style="list-style-type: none"> • Under a Power Purchase and Lease Agreement, Broadway assumes all risk of securing SRECs and FCP.
Federal Investment Tax Incentives	<ul style="list-style-type: none"> • Tax benefits not available to public entity. 	<ul style="list-style-type: none"> • Federal incentives flow down to reduce the cost of the project thereby improving the financial benefits to Lee.
Construction /financing Utility interconnection	<ul style="list-style-type: none"> • Project costs exceed budget. 	<ul style="list-style-type: none"> • Broadway assumes all risk of cost creep including financing, site work, utility interconnection and commissioning



Ownership Options

Economic Considerations

LEE OWNERSHIP SCENARIOS

ASSUMPTIONS				20 YEAR COSTS			20 YEAR BENEFITS				20 YEAR NET BENEFIT TO TOWN
BORROWING RATE	PRINCIPAL AMOUNT	SRECS PER MWH		TOTAL	TOTAL	TOTAL	NET METERING	SOLAR RECS		TOTAL	
		YRS 1-10	YRS 11-20	DEBT SERVICE	O&M	COST		YRS 1-10	YRS 11-20	BENEFITS	
3.5%	\$11,196,900	\$285	\$0	\$15,311,761	\$1,029,676	\$16,341,436	\$6,348,357	\$8,844,341	\$0	\$15,192,698	(\$1,148,739)
3.5%	\$11,196,900	\$285	\$50	\$15,311,761	\$1,029,676	\$16,341,436	\$6,348,357	\$8,844,341	\$1,213,473	\$16,406,171	\$64,734

BROADWAY OWNERSHIP UNDER POWER PURCHASE & LEASE AGREEMENT

ASSUMPTIONS				20 YEAR COSTS	20 YEAR BENEFITS	20 YEAR NET BENEFIT TO TOWN
1st YEAR \$/kWh	ANNUAL ESCALATOR	SRECS PER MWH		TOTAL BROADWAY CHARGES	NET METERING	
		YRS 1-10	YRS 11-20			
\$0.06795	1.02519%	\$285	\$0	\$4,778,413	\$6,348,357	\$1,569,943

POWER PURCHASE AND LEASE AGREEMENT PROVIDES UPWARDS OF 25 TIMES THE BENEFIT OF TOWN OWNERSHIP



Power Purchase and Lease Agreements

Overview

❖ Key Commercial Considerations

- ❑ Pay-for-Performance with an annual guarantee for minimal annual production and a make whole provision.
- ❑ Net metering benefits accrue solely to the benefit of Lee and the configuration of the systems provide for the highest value of net metering credits.
- ❑ Buy-out provisions at Lee's option .
- ❑ Default protections and remedies.
- ❑ Early termination options with termination values.
- ❑ Decommissioning assurance for removal and restoration.
- ❑ No risk sharing on realized value of solar renewable energy credits or forward capacity payments.
- ❑ No operations and maintenance obligations or responsibilities for Lee.
- ❑ Assets fully insured by Broadway.



Thank You

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