GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES

SOLAR/WIND POWER PURCHASE AGREEMENT

Solicitation #: DCAM-13-NC-0147

Addendum No. 2
Issued: June 11, 2013

This Addendum Number 02 is issued by e-mail on June 11, 2013. Except as modified hereby, the Request for Proposals ("RFP") remains unmodified.

Item #1

Requests for Information: Below is a list of questions and the Department's responses.

1. The RFP states that "The PPA will include such provisions as a required to comply with the budgetary laws applicable to the District of Columbia. Among other things, this will require a provision which provides that all payments shall be subject to appropriation." This provision potentially impacts the ability of the project to be financed. Can you comment on how senior the payment to the selected project would be compared to other payments? (i.e. Would it be senior to the general expenses of the city?) **Response: Subject to approval by the Council of the District of Columbia, the Department intends to enter into a binding legal commitment to purchase power for the term of the PPA (which the Department assumes will be 15 to 20 years). Such a PPA would <u>not</u> have a termination for convenience clause; nor would the District have any other exit rights. Payments under the PPA will be funded as part of the District's annual operating budget and in such sense are subject to appropriation and are unsecured obligations. Practically speaking, however, the risk to the selected developer is that the District does not appropriate sufficient funds to pay its energy bills which the Department believes to be *de minimus.* Information regarding the District's credit rating is available at http://cfo.dc.gov/service/credit-ratings-dc-municipal-bonds. The District's credit rating is among the highest of any financial counterparty.**
2. In regard to the above referenced RFP, I was hoping you could make more information available to potential bidders regarding the "subject to appropriations" requirement. Section B.2 of the RFP indicates "[m]ore information on these requirements will be provided in Phase II of this procurement." As I'm sure you are aware, the PPA is the critical (and often only) source of revenue for a renewable energy facility. Any risk to receiving the projected revenues will be closely scrutinized by developers, investors, and lenders. Having more information on the risk of non-appropriation will help potential bidders evaluate this risk and price it accordingly in their bids. I would think it is in DGS's best interests to receive bids with this information already factored in, rather than waiting until the shortlist is announced. **Response: See Response to Question 1 above.**

3. Is it acceptable for an offeror to propose an annual energy delivery quantity smaller than 150,000 MWh (for example, 25,000 MWh from a solar energy facility), and would such an offer be disadvantaged relative to others offering 150,000 MWh? **Response: See Addendum 1, Item # 2.**
4. As energy deliveries during peak pricing periods are more valuable than off-peak periods, how will DGS evaluate the value of expected energy deliveries from a project relative to its expected time-of-day and seasonal production curves? Relatedly, should we provide an analysis of how we expect the project will perform in comparison to PJM wholesale market pricing? **Response: The Department is cognizant of the economic impact of the timing of production and intends to incorporate such realities in its evaluation. As part of the price evaluation, the Department will impute to the quoted prices an estimated firming cost based on each project's characteristics. To assist the Department in estimating the firming costs to be imputed, Offerors should including a 12 x 24 production profile of the proposed project. The Department's estimate of firming costs will be based on the production profiles so provided as well as other factors deemed appropriate by Department and its consultants.**
5. Maryland Solar Renewable Energy Credits ("SRECs") have a high value in the current compliance market. We would like to present one or more pricing options in which S-RECs would be sold separately to compliance market participants for an initial period, with later years' S-RECs delivered to DGS. Would such pricing options be considered responsive to the RFP? **Response: The language in the RFP relating to RECs was premised on the assumption that the most likely outcome would be a large industrial scale wind farm. The Department is cognizant, however, that SRECs have substantial value relative to RECs and intends to factor this into its analysis. To that end, projects that include solar power that qualifies for SREC, should provide pricing that includes transfer of the SRECs to the Department and pricing that assumes that SRECs will be retained and monetized by the developer.**
6. If it is not acceptable to submit a proposal providing for an initial period in which S-RECs are sold separately, will DGS factor the value of S-RECs in its decision in some other way? **Response: See Response to Question 5 above.**
7. Does DGS intend to retire RECs obtained through the RFP? **Response: Yes, unless a decision is made to allow a developer to retain SRECs (see Response to Question 5 above).**
8. What bid security, if any, will be required for Phase 2 submissions? **Response: Offerors shortlisted for Phase 2 will be required to provide a bid bond or letter of credit acceptable to the Department with face value of $100,000 within five (5) days of being notified.**
9. What form of contract (PPA) does DGS intend to sign with the project (e.g., EEI)? **Response: Specific contract terms will be solicited as part of Phase 2; however, Offerors are advised that a PPA inconsistent with section B.2 of the RFP will not be acceptable.**
10. Would DGS consider a financial-only contract (e.g., financial swap)? **Response: DGS will consider a financial only contract provided that it places the Department in the same economic position as the contemplated PPA structure—i.e., that the pricing risks (namely, energy and transmission) are the same as a pure PPA and that the**

developer generates the required quantity of green energy and transfers the associated RECs to the Department.

11. Is Section A.2 of the RFP document meant to read 150,000 MWh? **Response: Yes.**
12. Do any "proven and bankable" technology hurdles exist other than the 100 operating years standard listed in B.1.2.1? **Response: In general only systems that meet the standard outlined in B.1.2.1 of the RFP will be considered acceptable; however, the Department reserves the right to accept, in its sole and absolute discretion, systems or components thereof that have a more limited track record.**
13. Who will perform the independent government estimate of project pricing when analyzing responsiveness in Section F.12? **Response: As a matter of policy, the Department does not disclose such information.**
14. Would DGS consider posting security under certain circumstances (e.g., deterioration of credit quality)? **Response: See bullet 3 of Section B.2 of the RFP and Response to Question 1 above.**
15. The current RFP refers to GW/DGS entering into long-term PPAs. A separate RFP is planned for the retail supply agreement. Based on our understanding, GW/DGS are not Market Participants and do not have a FERC license. For this reason, they are not able to sell power. They would not be able to enter into a PPA to purchase wholesale supply from the Offeror to sell it to a retailer to supply their accounts directly. At this stage, can you elaborate on the expected contract structure for the PPA and the retail supply agreement. Will the provider be expected to contract directly with the retailer? Three-party agreement? And for what term? **Response: The Department has not yet determined the exact contract structure that will be utilized. The Department understands that there a number of approaches, including, but not limited to, obtaining FERC authority, development of or contracting with a retail electric supplier or affiliate, that can be utilized to address this issue and expects that the selected Offeror will work with DGS to develop a solution.**
16. Section B.2 PPA Terms, Bullet 1 - Can you please provide more information regarding the requirement that the PPA be subject to appropriation? Specifically, the Offeror would like a more detailed explanation of the budgetary laws referenced in this section and information on where to find associated statutes. Please comment on how payments from Seller to Buyer would be made in the event that the annual DC budget were delayed? Also, can you please comment on how payment from Seller to Buyer would have been affected by the 2012 sequestration events that occurred in Washington DC last year? **Response: See Response to Question 1 above. The 2012 sequestration did not have any direct effect the District's operating budget. Had the District been a party to a PPA such as that contemplated in the RFP, the 2012 sequestration would not have had any effect.**
17. Given the minimum project size of 20 MW, will a 14 MW contract from a 30 MW wind farm be considered? Will a 14 MW contract from a 30 MW wind farm coupled with a larger (greater than 30 MW) offtake from a second wind farm be considered? **See Addendum 1, Item # 2.**
18. If contract negotiations extend beyond the end of 2013, the project will be at risk for not receiving Production Tax Credits (PTCs). How does the buyer intend to handle delays in the project schedule? Is there any course of events that would allow for pricing updates? **Response: The Department believes it is reasonable to conclude contract**

negotiations by September 30, 2013. In the event that the negotiations were to extend beyond that date and the PTC credits were to expire, the Department believes that the energy price would be non-competitive relative to brown power and would terminate this procurement. However, the Department reserves the right to continue negotiations.

19. Does DC intend to become a PJM member to take ownership of the power produced? **Response: See Response to Question 15 above.**
20. Will DC receive all energy, capacity, renewable energy credits, and ancillary services from the wholesale power purchase? **Response: Yes, the District will receive all such services.**
21. How does DC plan to not take curtailment risk? If a replacement power calculation will be used, please provide. **Response: In the event that the project does not meet the minimum production requirements established in the PPA, the developer will be required to supply replacement power, and associated RECs as set forth in Section B.1.2.2 of the RFP.**
22. On transmission, will delivery be in the day-ahead or real-time market? **Response: As set forth in the pricing schedules, the Department desires that the vendor quote a firm transmission rate for at least a one year period. At the end of the period for which the transmission cost is fixed in the PPA, the contract will require the parties to re-price and agree upon a firm transmission cost for a similar period of time.**
23. Does DC want transmission delivery to match the hourly production of the generation facility, or will the transmission be based on monthly or annual delivery totals? **Response: Transmission delivery should match hourly production. The Department does not intent to purchase a firmed product.**
24. The RFP requests electricity and renewable energy credits from wind and/or solar power projects. The proposal evaluation scoring in section D.4 of the RFP does not appear to provide any preference for the inclusion of solar power that might overcome the inherently higher cost of solar power vis-à-vis wind power. Will wind and solar projects be evaluated on completely equal footings in the proposal evaluation, or will certain scoring dimensions value the inclusion of solar power? **Response: Solar and wind projects will be evaluated on the same footings, however, adjustment will be made to reflect the estimated total impact on the District's cost of energy. See Responses to Questions 4 and 5 above.**
25. The RFP indicates a purchase quantity of "approximately 150,000 MWH of energy". What range of purchasing will DGS consider committing to in order to match its requirement to the output of a particular project? Will a volume offer outside of a particular range be considered "non-responsive"? Is the "minimum quantity" of 120,000 to 130,000 MWH annually noted in B.1.2.2 instructive in this regard? **Response: See Addendum 1, Item # 2. The minimum quantities set forth in B.1.2.2 can be used as a guide.**
26. B.2 indicates that "capacity rights and capacity credits" will transfer to DGS. Will the District take responsibility, therefore, for monetizing the value of the capacity in the PJM market? **Response: The Department expects that the developer would monetize the capacity rights and reflect them as a credit to payments to be made by the Department under the PPA.**

27. C.1 identified points that may be awarded if the "Offeror" meets one or more SLDBE criteria. The RFP also contemplates that the "Offeror" may be a team. Will the points in C.1 be awarded if any team member meets the qualifications, or must the lead "Offeror" meet the criteria? Is there a distinction between the conditions under which points would be awarded under C.1 and points awarded for SLDBE participation under C.2? **Response: Section C.1 of the RFP provides for the statutory preference for District-based business certified by the District of Columbia Department of Small and Local Business Development (such businesses, "CBEs"). In order to qualify for such preference points, the Offeror must be certified by the Department of Small and Local Business Development ("DSLBD"). If the Offeror is a joint venture that includes a CBE, the joint venture may be certified by DSLBD and receive preference based on the certification of the joint venture. Section C.2 relates to the participation of CBEs in the project other than as the Offeror. Points for incorporation of CBEs will be awarded in accordance with Section D.4.5 of the RFP.**
28. Can suppliers submit alternative bids in conjunction with what is being solicited without being deemed as non-confirming? Also, what format can we submit our alternative bids? **Response: See Addendum 1, Item # 2.**
29. Please clarify what is meant by the statement "the District's obligation to purchase the resulting energy will be subject to appropriation over the life of the PPA". Is this congressional appropriations or another process? Is this an annual process, some other interval of time, or is it a one-time approval? **Response: See Response to Question 1 above.**
30. Please explain the transfer of title of the energy, capacity, and recs to DC DGS. For example, will the Seller's contracting entity be a retail load serving entity, a 3rd party intermediary, or DC DGS. If it is DC DGS will it be as a wholesale or retail entity? **Response: See Response to Question 15 above.**
31. Please explain or point us to the fees and/or taxes that DC and/or the PSC will charge the Seller? **Response: Offerors should conduct their own due diligence in determining any such taxes and fees that are applicable to the Offeror's proposal.**
32. Will submissions to provide energy for less than 150,000MWh be accepted? For example, can a single project which will produce approximately 16,000MWh be proposed? **Response: See Addendum 1, Item # 2.**
33. Will any proposal fees, escrows, securities, etc… need to be included by the Offeror as part of the submission for either Phase I or Phase II of this RFP? Will any sort of security be due of the Offeror as part of winning the bid? **Response: See Response to Question #8 above. See also, B.2 bullet 7; such guarantee will guarantee all of the developer's obligations under the resulting PPA, including but not limited to the obligation to provide the agreed upon quantity of energy at the agreed upon rate.**
34. Once an Offeror has been accepted into Phase II, are there any penalties for withdrawing from the process? **Response: See Response to Question 8 above. The Offeror shall forfeit the bid bond/letter of credit required by the Response to Question 8 above.**
35. For solar generating assets, will the Department accept a proposal if the Project does not qualify to produce Solar Renewable Energy Credits (SRECs) but rather Class I RECs? **Response: Yes, RECs from solar power generation are acceptable if SRECs are not generated. Please see Response to Question 5 above.**

36. RFP Part A.2: This section states "it is DGS' intent to purchase 150MWh of energy at the PEPCO Zone" -- should this instead state 150,000MWh's? **Response: Yes.**
37. RFP Part A.3: Please clarify whether a binding offer is required during Phase 1 or Phase 2. Reason for this clarification is that there is more time required to get Senior Management and lender approval. Part F.8 allows for a "best and final offer"; when does this occur? **Response: The Department expects that the Phase I price will represent the developer's firm commitment to provide the power at the quoted price. The Department is not looking for indicative pricing in the Phase I submissions. Any Best and Final Offers will be solicited during Phase II.**
38. Is DGS open to commencing the PPA term prior to January 1, 2015? **Response: Philosophically, the Department is not opposed to an earlier commercial operation date; however, such commencement would have to be coordinated with the Department's contractual commitments in this regard.**
39. RFP Part B.1.2.2: The minimum quantities listed in this section will create an accounting issue for our company. Rather than requiring replacement electricity and RECs for failure to meet the minimum quantities, is DGS open to a PPA structure that instead grants a termination right to DGS as the remedy if the minimum quantity is not met? Or would DGS consider taking a percentage of the project's output? **Response: No. The Department's goal of this procurement is to make a long-term and large scale purchase of a stipulated quantity of energy. Termination options and percentage outputs do not meet the Department's goals of this procurement.**
40. RFP Part B.1.3: What are the DGS's expectations for delivery of the 150,000 MWhs per year? Yearly = 150,000; Monthly = ?; Daily = ?; Hourly = ?. **Response: The Department intends to purchase the energy on an as produced basis. See Response to Question 23 above.**
41. Who will be the contracting Buyer under this RFP? Is that entity able to purchase wholesale energy? **Response: See Response to Question 15 above.**
42. Is the energy scheduled as a Day Ahead or Real Time product? **Response: See Response to Question 23 above.**
43. RFP Part B.2: Bullet 5 of the PPA Terms refers to capacity rights. Can you explain amount of capacity being sought under this RFP? **The Department is not seeking to purchase capacity, but expects to receive credit for capacity credits. See response to question 26 above.**
44. The Transmission Component as noted by the RFP is not economically viable -- would the DGS look to secure 5 years at a time or some other structure which would allow for a re-opener? **Response: Please refer to the pricing schedule and Section A.1 of the RFP. The Department does not expect that Offerors will be able to provide forward pricing on the Transmission Component for the full life of the PPA. Offerors are being asked to quote a firm price for this component for a one year period, for a 3 year period, and the longest period for which an Offeror is willing to quote. The Department expects that the contract will include a provision pursuant to which the Transmission Component would be re-priced (i.e., re-opened) at the end of the selected period.**
45. Does the Buyer expect to receive any Production Tax Credits or Investment Tax Credits, or does the Seller retain these PTC's and ITC's? **Response: The Department does not expect to receive tax credits generated by the production of the energy. The**

Department does, however, anticipate that these credits will allow Offerors to propose a lower unit cost of energy than would otherwise be viable.

46. The Department would prefer to see this as a new Build; would the Department accept a staged approach where power (required amount) come on line over the course of a Two year period? **Response: Yes.**
47. Proposed Deal Structure - Is the Department asking Bidders to suggest ways to lock in the transmission charges associated with delivery of the Solar/Wind power to the Department's Electric Supplier components through the PJM and Pepco Transmission System? **Response: Yes.**
48. Minimum Qualification – would co-development statues for five (5) operating solar projects meet the criteria for qualification? **Response: This would depend on the Offerors role in the prior development projects as well as the size of those project (see last paragraph of A.1). However, in principle, if the Offeror played a substantial and material role in the prior projects and bore a substantial portion of the financial risk, this would probably suffice. Serving as an engineering consultant would not meet this minimum requirement.**
49. Since the Department prefers new Build, would all the pre-development stages need to have taken place as of phase one of the RFP process? **Response: The Department does not expect that all of the predevelopment activities will have been completed. However, the Department will examine the viability of the project as part of its evaluation. At a minimum, the Offeror should have control over the project site and have cleared any major environmental hurdles (incidental take permit).**
50. Scope of work - Is the Department requesting green-e REC certification or certification as a green power producer or both? **Response: See Section B.1.2 of the RFP.**
51. Proposal Evaluation - will the Department cover their own cost in evaluating the sites? **Response: Yes.**
52. Given the extra regulatory approvals required to use certain types of land (eg: brownfields), will DGS entertain an alternate implementation timeline (9/1/15 – 1/1/16) for part of the procurement? **Response: Yes, however, the Department would probably not be inclined to select a project that goes into commercial operation after January 1, 2016.**
53. Can DGS give more details about how the LDs will be structured? **Response: Ideally, the Department would prefer that the liquidated damage be equal to the cover cost of replacement power. However, the Department expects that such an approach (i.e., actual damages) is not likely to be acceptable to the market and will require negotiation as to a mutually acceptable structure for liquated damages for a delayed commercial operation date.**
54. In phase one, to protect confidentiality, and honor non-disclosure agreements, would it be possible to describe location and the status of the location or agreement without giving actual addresses? **Response: Yes, provided that the information provided is sufficient for the Department to fully assess the impacts of firming and transmission as well as the viability of the project.**
55. Is there a preference for a mix of wind and solar energy purchases? **Response: The Department has a preference for additionality, but not one type of technology over the other.**

56. The value of energy is significantly affected by the LMP nodal price differences and the time of day production (e.g., a solar tracking system at a relatively low PJM latitude can generate more high-value energy). How will DGS consider the value of energy deliveries during peak periods and variations in capacity value when determining which firms are shortlisted? Will the DGS also consider these factors when evaluating "non-responsive pricing" (i.e., greater than 150% of the median price submitted by other Offerers or independent government estimate)? **Response: See Response to Question 4 above.**
57. How will the RECs be valued for solar energy versus those from wind? **Response: See Response to Question 5 above.**
58. Do you have a preference for how a project should deliver capacity value to DGS? For example, would you prefer the project participate in the PJM RPM market and pass-through earned capacity revenues, or would you prefer capacity rights associated with the project be assigned to the DGS or to a third party? **Response: DGS would prefer that earned capacity revenues be monetized by the developer and applied as a credit the Department's obligations under the PPA. See Response to Question 26 above.**
59. The pricing being requested does not seem to distinguish between on-peak and off-peak energy. Solar plants in PJM can provide a 15 – 30% LMP premium to wind plants (on a generation weighted average basis). How will the time of generation be factored into the cost evaluation? One way this has been handled in similar RFPs is to request an expected generation profile (in 12 x 24 or 8760 format) along with an analysis of the historical Pepco LMP weighted with the generation profile (which the buyer's consultant can verify). This LMP data is publically available on PJM's website. **Response: See Response to Question 4 above.**
60. The RFP requests capacity rights to transfer to the buyer but does not request the Offeror to propose volumes. Solar plants in PJM can provide 3 to 4 times the capacity injection rights compared to a wind plant. How will capacity be valued in the cost evaluation? One way to do this is to request the Offeror to specify the expected capacity injections rights that will be made available to the buyer. **Response: The Department will take the capacity rights into account in evaluating price.**
61. Can an Offeror submit a price without capacity (i.e., sell it separately in order to propose a lower price to the buyer)? **Response: Offeror may submit pricing with and without capacity.**
62. The Jan. 1 2015 deadline seems arbitrary. If a project meets the 5% safe harbor test, they have several years to build. This deadline could harm projects that are otherwise able to take full advantage of Federal tax benefits (either PTCs or ITC). Can an Offeror deliver substitute power until the project's COD? **Response: See Response to Question 52 above.**
63. If an Offeror proposes less than the full volume requested, how will the guaranteed minimum work (e.g., will it be the same ratio as that required for the full amount)? **Response: Please see Addendum 1, Item #2.**
64. Is the DC DGS looking for only a 5MW PV solar system, or is it more accurate to say they are requiring that the PV solar systems proposed be a minimum size of 5MW, but they are open to larger? Or is the DC DGS also accepting proposals that include only wind? **Response: The Department has no preference as between, solar, wind or combination thereof. Offerors are advised that in combination projects or**

aggregation of sites, the minimum outputs set forth in Section A.1, Project Site, of the RFP shall apply. See also, Addendum #1, Item #2.

65. Please confirm that the DC DGS is open to the solar and wind projects being located anywhere within the PJM territory. **Response: The Department does not have a preference for the location of the project other than as it will affect price. Projects need not be located in the PJM territory.**
66. Is the DC DGS interested in any "on-site" projects such as the Walter Reed Campus project via a direct PPA off take from the system hosted on-site? **Response: Yes, provided it meets the requirements of the RFP and the guidance provided in Addendum 1, Item #2.**
67. Would DC DGS entertain bids that do not take (meaning, fix in the energy price) the basis risk between the location of the wind farm respectively solar facility and the PEPCO zone for the entire or at least part of the PPA term? **Response: See Response to Question 44 above.**
68. Since, at this time the RFP does not provide specific account, meter and usage information, we are assuming that any price quotes submitted in the first round of the RFP are indicative only and not binding. The three selected bidders will be able to provide binding offers at a later time. **Response: See response to Question 37 above.**
69. Please confirm that we are asked to price for delivery of the contracted load to the PEPCO zone only, and not to the PEPCO DC aggregate? **Response: Yes.**
70. I was hoping to find out if the 20MW minimum required for wind projects be satisfied by a proposal that combines two physically/electrically distinct projects where each of them is less than 20MW, but which are in the same area and, combined, are greater than 20MW. **Response: Please see Addendum 1, Item #2. For purposes of site aggregation, these may be considered a single site.**
71. Will any of the energy and recs sold and delivered under this RFP, to the Department of General Services, be resold or delivered to the United States Federal Government? **Response: No.**

Item #2

The bid date remains unchanged. Proposals are due by **June 21, 2013 at 2:00 pm EDT**. Proposals that are hand-delivered should be delivered to the attention of: **Kara Robbins, Contract Specialist, at Frank D. Reeves Center, 2000 14th Street, NW, 8th floor, Washington, DC 20009.**

- End of Addendum No. 2 -