



**CITY OF PALO ALTO**

**PURCHASING AND CONTRACT ADMINISTRATION**

**250 HAMILTON AVENUE  
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**P.O. BOX 10250  
PALO ALTO, CA 94303**

Date: October 29, 2009

Subject: Addendum Number Two to City of Palo Alto Request for Proposal (RFP) Number 134307

Project Title: Fall 2009 Renewable Electric Power RFP

Department: Utilities

**Bid Opening Date: 3:00 p.m., Tuesday, November 10, 2009\*\*\*New Date\*\*\***

Please note the following changes, corrections, and clarifications that are hereby incorporated to the requirements of the RFP:

**Written Questions and Answers:**

- Q1: Attachment A, Question 10.q. – please clarify: “Attach a list of names, addresses, contact persons and telephone numbers of the your banking at least three other credit references in the electric power industry.”
- A1: Attachment A, Question 10.q. should be amended to read: “For entities that are not publicly-traded companies, please provide a copy of your audited financial statements for 2008.”
- Q2: Can we combine multiple projects under one single proposal, or do we need to submit them as separate proposals (with five copies of each)?
- A2: Page 3 of the RFP states, “Each Proposal submitted in response to this RFP shall be for only one proposed energy resource, and can include more than one generator of like kind. Bidders may, however, submit more than one project in their proposal.” So as long as the multiple projects are of the same type of energy resource (e.g., all wind or all solar), then multiple projects can be submitted under one proposal.
- Q3: We have more than one project site that we would like to submit. Shall we return one Excel file (Table 1) for each site? Or one Excel file and multiple tabs (one tab per project site)?
- A3: You may submit one Excel file with multiple tabs. However, please submit hard copies of each individual table.
- Q4: If we submit a proposal for a project and it only includes a project ownership structure (rather than a regular PPA structure), is that considered non-responsive?

A4: Yes. As Section 5.1.8 of the RFP states, the “Proposal must include at least one price structure under a PPA which includes a base price (\$/MWh) in year one escalating at a fixed rate of 1.5% per year for the remainder of the term of the PPA.”

Q5: In Section 5.1.4 of the RFP, what does the January 1, 2005, date mean?

A5: The City's adopted RPS eligibility requirements dictate that projects sited out-of-state must have an initial commercial online date of no earlier than January 1, 2005.

Q6: The project we plan to propose would have interconnection costs that are currently uncertain (and may not be known for another year or so). Rather than proposing to the City a single fixed contract rate escalating at 1.5% per year, can we submit a price proposal consisting of a number of possible fixed rates, with the selection of the final fixed rate to be determined based on the final interconnection charge applied by the host utility?

A6: As Section 5.5 of the RFP states, “Bidders must include a price structure as a base price combined with a fixed escalator of one and one half percent (1.5%) per year.” However, Section 5.3.18 of the RFP also states, “Identify key contingencies that may alter pricing or timing.” Thus, the City encourages proposers to explicitly call out any uncertainties in a project's fixed costs that would impact the proposed price, as well as the degree to which the price would be impacted.

The City will use information in the proposals to evaluate the proposals and to select those proposals that will move on to negotiation of PPAs. During negotiations, parties may choose to incorporate contingency pricing in the PPAs.

Q7: Can the proposal material we submit be kept confidential?

A7: As a public entity, all Proposal material submitted to the City must eventually become public information by the time our City Council approves a PPA contract. Section 9 of the RFP states, “Any proposal which contains language purporting to render all or significant portions of the proposal ‘Confidential,’ ‘Trade Secret,’ or ‘Proprietary’ shall be regarded as non-responsive.” Please see Section 9 of the RFP for more information on the public nature of Proposal material.

Q8: Do you have a fixed set of weightings you will be using for the various Evaluation Criteria categories listed in Section 7.2 of the RFP, and if so, can you tell us what they are?

A8: We have a fixed set of Evaluation Criteria weights, but we will not be sharing them publicly.

Q9: Can you compile a list of the interested companies (such as those participating in the Pre-proposal Teleconference) and distribute that to us?

A9: No, we do not keep track of who attends the Pre-proposal Teleconference or who expresses interest in the RFP to us.

Q10: The cost of an Interconnection Agreement for a project is likely to be fairly large, but at this point is highly uncertain. Could the City contact PG&E on our behalf and try to narrow down for us the range of potential costs they might charge for a given project?

A10: No, we are not responsible for developing cost estimates for projects submitted to us.

Q11: I'm planning on doing an interconnection agreement with PG&E. But once the power is delivered into the PG&E system, how does it get to Palo Alto? Do you have an agreement with PG&E, or do I need to arrange that?

A11: Palo Alto and PG&E (as well as SCE and SDG&E) are all part of the CAISO control area. Delivering power anywhere into the CAISO control area is equivalent to delivering it to us in Palo Alto; no additional agreements are needed with PG&E, et al.

Q12: The RFP states (in Section 7.2.4) that you have an internal calculation to rank energy value based on the time of delivery. I do not see any TOD pricing within the PPA, so I'm wondering if you can make public your internal evaluation of TOD value of energy?

A12: We value the wholesale energy the way the CAISO credits us with value of the wholesale energy. That is, energy value varies by hour, day and month, and tends to be worth more when loads exceed low cost resources and less when they don't. Generally, energy is worth more when CAISO system loads reach their higher levels and worth less when loads are at lower levels.

"To get a feel for the value of energy compared to time of day, Bidders can look at the CAISO's OASIS website: <http://oasis.caiso.com/mrtu-oasis/>"

Q13: Would you like an Excel file copy of Table 1, either on CD or by email?

A13: No, a hard copy of Table 1 is sufficient.

Q14: The only signature/certification page I see is Attachment B, although the instructions (in Section 2) require signing Attachment A. Please clarify.

A14: That is correct. The asterisk next to Attachment A in Section 2 was a typo. The only page that must be signed is the Certification of Non-discrimination page in Attachment B.

Q15: Regarding Section 6: We are not required to take exception to (or "redline") the provided PPA as part of our submission, correct?

A15: That is correct. The example PPA (Attachment G) is for informational purposes only at this point.

Q16: Attachment C, Firmness, 4. Why does Palo Alto have a preference for projects that generate a substantial portion of their energy in the first and fourth quarters of the calendar year?

A16: Our preference for Q1/Q4 deliveries has to do with the delivery patterns of the existing resources we have in our portfolio.

Q17: Page 3 Footnote 1: What should we assume for the City's investment portfolio rate of return?

A17: The City's current average yield is approximately four percent.

Q18: I am an inventor/owner of a power plant. Would the City be interested in a project where they would purchase the plant, or fund the engineering or construction of the plant, or pay the inventor a royalty on the power they receive?

A18: The City will consider a variety of ownership structures, but in order to be considered under the current RFP, a project proposal must include at least one price structure consisting of a simple PPA arrangement, with a fixed base price (\$/MWh) in year one that escalates at a fixed rate of 1.5% per year.

Q19: In Attachment A, Question 7.r.ii, you request when providing the Generation Profile table (Table 1) to include an expected scenario, a 1-in-10 high scenario, and 1-in-ten low scenario for the Energy and Capacity. Please clarify.

A19: Please submit three different versions of Table 1 from Attachment A. The "expected" version is the project's Energy Generation Profile that you expect would be exceeded in

50% of the future years (50% probability). The “1-in-10 high” scenario represents a higher than expected project Generation Profile that you believe has a 10% probability of being exceeded. The “1-in-10 low” scenario represents a lower than expected project Generation Profile that you believe will be exceeded in 90% of years.

Q20: Is there a limit as to the number of projects or entities that the City is planning on dealing with?

A20: No.

Q21: Is there a maximum amount of energy that the City intends to contract for through this RFP?

A21: Through this RFP, the City is seeking to contract for approximately 75 to 125 GWh per year. The City is willing to consider larger projects with additional offtake peers and the City may be able to help find offtake peers for attractive projects producing up to 250 GWh per year.

Q22: What is the City's preferred project size (in GWh/yr)?

A22: As noted in Section 5.1.6 of the RFP, proposed projects must deliver between 10 and 75 GWh per year of electric energy to Palo Alto. (As noted above, larger projects may also be proposed, provided that the City's share of the project output is between 10 and 75 GWh per year.) However, the City does not have one ideal size for projects. The City's preference for the size of a given project will depend on that project's total price and overall level of viability.

Q23: Will the City accept proposals for demand response to meet renewable goals?

A23: No. Through this RFP the City is seeking proposals for renewable power supply.

Q24: In regards to the requirement for collateral for those who do not demonstrate an investment grade rating, what level of collateral would be required?

A24: Attachment D (Term Sheet) states that for organizations that do not meet the City's creditworthiness requirements, they should state, in Chapter 6 where they describe their exceptions to the Term Sheet, “what steps the Bidder will take to establish sufficient credit, and whether the Bidder will furnish a corporate guaranty from an investment-grade rated parent, collateral, or step-in rights for Palo Alto to operate the facility.” Thus there is no formal collateral requirement. If upon review, the City determines collateral is required, the amount that will be considered sufficient by the City will depend on the proposer's financial stability, the size and cost of the project in question, and its overall level of risk. The amount, if greater than zero, will be determined during PPA negotiations.

Note: The Proposal Opening Date is 3:00 p.m. Tuesday, Nov. 10, 2009.

Carolynn Bissett / Contract Administrator  
City of Palo Alto

Cc: Monica Padilla, Project Manager