

City Of Houston
Building Services Department
P.O. Box 61189
Houston, TX 77208-1189

REQUEST FOR PROPOSAL

Wind Energy Supply Solicitation

**PROPOSAL MUST BE RECEIVED
BEFORE:**

2:00 p.m., September 11, 2006

1. RFP General Information

1.1. Background

The City has two goals in issuing this solicitation for wind energy. First, the City would like to diversify its exposure to natural gas prices in ERCOT by diversifying the type of fuel resources that are utilized to serve the City's retail electricity requirements. Secondly, the City is committed to taking steps that will result in cleaner air for the citizens of Houston and fellow Texans.

The City of Houston ("The City") is currently under a long-term retail electricity supply contract with the Texas General Land Office ("GLO"). Through this contract, the City has the contractual right to purchase energy from the wholesale market for serving its retail electricity requirements. To facilitate this wholesale purchase, the City of Houston, through an affiliate Local Government Corporation, is in the process of becoming a registered Power Marketer with the Public Utility Commission of Texas.

1.2. RFP Summary Requirement

The City requires up to 75 MW of wind energy on a stand-alone basis or bundled with Renewable Energy Credits ("RECs") for a minimum period of 10 years.

A Proposer may submit more than one Proposal to provide energy and/or RECs under the terms of this RFP, however each proposal will be evaluated on an individual basis.

1.3. Eligible Wind Energy Resource Proposers

Eligible Sources of wind energy and RECs are required to be registered as renewable energy sources as defined in §25.173(n) of the Substantive Rules of the Public Utility Commission of Texas and the Proposer should also be registered in the ERCOT REC Trading Program.

Proposers which are developers of new wind generation will be required to demonstrate to the City construction and commissioning timelines which satisfy the desired timelines set out in this RFP, and must demonstrate proven development and operating experience, financial capability and technical expertise to bring the proposed Project to completion within the timeframe proposed in the RFP response.

Proposers that are engaged in wholesale power/REC markets will be required to demonstrate to the City corporate/financial capability and operational experience in the ERCOT electricity and/or REC markets, and have entered into appropriate offtake arrangements to satisfy the terms of the response.

Proposers are responsible for having or obtaining all necessary permits, licenses, and approvals associated with their Proposals. Major changes to price, terms and conditions from original submissions that are adverse to the City may be considered grounds for disqualification of the Proposal.

1.4 Credit Requirements

For Proposers that are rated by at least one rating agency, credit can be provided by a guarantee of performance from the entity that maintains a senior unsecured investment grade credit rating, by a letter of credit or other liquid security in a form and amount satisfactory to the City, or by a combination of the above.

For Proposers that are not rated by at least one rating agency, credit requirements will be determined by the City using industry standard measurements in a form and in an amount mutually agreeable to the parties.

1.5 Not an Offer

This RFP is not an offer to purchase wind energy and RECs but a general solicitation that may or may not result in the execution of a definitive agreement. In connection with this RFP, the City may enter into an agreement for the purchase of wind energy and RECs with one or more Proposers. The City reserves the right to reject any or all Proposals and to increase or decrease the total quantity of wind energy and RECs to be purchased.

1.6 Term

The City is seeking Proposals for a 10, 15 and 20 year term, commencing no earlier than 07/01/2008.

1.7 RFP Process

Proposers are requested to submit an *Intention to Submit a Proposal* in the RFP process by September 1, 2006 to Phil Golembiewski, P.E., City Engineer, Building Services Department, by electronic mail at the contact details below. Potential Proposers may also submit questions regarding this RFP in **writing** to:

Phil Golembiewski, P.E.
City Engineer
Building Services Department
Philip.Golembiewski@cityofhouston.net

Ten hard copies and a Compact Disc (CD) shall be **submitted to the City Secretary** of the City of Houston, City Hall Annex, Public Level, 900 Bagby Street, Houston, TX 77002, at or before 2:00 p.m., local time, Monday, September 11, 2006. Late submittals will not be accepted for any reason. All submittals must be labeled on the outside with Proposer's name and name of the Project.

The City will select a shortlist of Proposers and may choose to interview them. Selection of the chosen Proposer will take place over several weeks, during which time the City will issue draft contracts to the short listed Proposers. Proposers may be requested to revise their Proposals during this period.

Contract discussions and negotiations are expected to be finalized by early December 2006 with a presentation to City Council for approval immediately thereafter.

1.8 Schedule

Event	Date/Time
Public Notice of RFP	8/18/06
Deadline for Intent to Submit a Proposal	9/01/06
Pre- Submittal Conference	8/29/06
Deadline for Questions about RFP	9/05/06
Proposal Submission Deadline	2:00 p.m., 9/11/06
Shortlist & Negotiation of Agreement	September – December 2006
Execution of Agreement	Targeted for December 2006

1.9 Evaluation Criteria

The City, in its sole discretion, will evaluate each Proposal using both quantitative and qualitative factors to determine the total potential benefit to the City. The price and delivery point of the wind energy will be important criterion in the evaluation. The City will also consider other factors including, but not limited to, the ability of the Proposer to insulate the City from congestion risk, the ability of the Proposer to guarantee a minimum level of wind energy production, the developer's experience in developing wind farms, and the financial strength of the Proposer.

1.10 Confidentiality

The City will hold all Proposals confidential to the extent allowable by law. Proposers should be aware that at the completion of the selection process the contents of their Proposals are subject to the provisions of the Texas Public Information Act and may be made public. CONFIDENTIAL or SENSITIVE information should be marked as such.

2. Proposal Information

Each Proposal should contain the following sections and the contents as described below. If the Proposal includes generation located at multiple sites, then each location should be described as a separate project.

Section 1 – Executive Summary

Proposals should contain an Executive Summary section that provides an overall description of the Proposal, including key features. It should include a general description of the location, equipment, interconnection, business arrangement and financing of the wind resources.

Section 2 – Project or Offtake Description

The **Project Description** should include, at a minimum, the following information:

- Facility Name, Location and Ownership information
- Actual or Expected Date of Commissioning
- Expected energy production (see Section 3 below)
- Environmental permits, licenses, land leases, associated with existing or new developments
- Proof of availability of turbines
- Point of interconnection to the ERCOT transmission system and detailed description
- Impact of any local congestion issues on plant dispatch and description of any planned upgrades to the local transmission system in the future, with reference to applicable ERCOT studies.
- Description of generator equipment, including details of the (intended) turbine model. In the case of new generation, the Proposer is required to provide assurances, through documentary evidence from the manufacturer or otherwise, of the intended date of delivery and installation period for the turbines.

Additional Project Description Information for New Generation Projects

- Gantt chart outlining project management timetable and milestones to Commercial Operation Date
- Description of previous project management team experience in bringing similar projects to completion
- Current status of interconnection application
- Status of system studies or upgrades, if any, required to complete connection of proposed new generation to the transmission system
- Outline of intended project financing structure

Offtake Description

The Offtake description is applicable to a Proposer who is planning to provide wind energy to the City via the Proposer's existing long-term offtake (a long term Power Purchase Agreement ("PPA")), with a wind farm. The Offtake Proposer is required to provide the information outlined above in the Project Description and the Proposer must demonstrate that volume of wind energy in its Proposal is matched with an equivalent volume of wind energy production from a designated wind generation resource.

Section 3 – Anticipated Energy Production

Due to the structure of the City's retail electricity contract with the GLO, Proposers are encouraged to propose monthly guarantees for a minimum quantity of energy to be produced from the wind farm. Proposers should supply sufficient information to determine the amount of wind energy that will be produced over the term of the proposed contract. Proposers shall submit the following information:

- Annual and monthly gross energy production, along with a statement of independently verified P50 and P90 output numbers;
- A probability distribution of energy production;

- Projected energy losses, including detailed assumptions;
- Any guarantees regarding monthly production;
- Information on forced outages, maintenance schedules etc.;
- Current scheduling process, including QSE interface;
- Current, or intended, operational control processes, including SCADA performance; and
- Current or proposed forecasting capabilities

Section 4 – Delivery Terms

The Proposer will assume all responsibility for the scheduling and dispatch of the Contract Volume to the Delivery Point. The City prefers to take delivery of the Contract Volume in the Houston Zone, or an equivalent hub that represents the City's load zone under the ERCOT Protocols.

A Proposer may propose an Alternative Delivery Point, for instance at the point of the wind farm interconnection with the ERCOT grid or within the zone of the designated wind farm. Proposals should be accompanied by a detailed description of expected scheduling processes under this scenario, including but not limited to an outline of how potential transmission congestion, out of merit curtailments, or other operational constraints and/or ERCOT Protocols, will be managed in this case.

The City will bear responsibility for that volume of power only which is delivered to the Delivery Point according to metering or scheduling information. Upon delivery of the Contract Volume, full title to the power and RECs will be transferred to the City and all or part of the Contract Volume may be resold by the City according to its own requirements.

Section 5 – Pricing & Term

Proposals should include detailed pricing information for a 10, 15 and 20 year term, commencing no earlier than July 1, 2008. Creative pricing proposals are encouraged that will insulate the City from variable energy production risk and congestion risk.

Section 6 - Corporate/Financial Information

Proposers are required to provide information attesting to the Corporate and Financial capabilities of the company, along with a detailed description of the renewable wind facility(s) proposed to serve the Products described above. At a minimum, the City requires the information outlined below; note, where the response proposes to provide power which is sourced through an offtake agreement(s) from a portfolio of wind generation sources, the information below will be required for each facility. In the event that the Proposer is offering to supply power which is matched by an equivalent offtake arrangement(s) from designated third-party wind energy resources, the Proposer will be required to demonstrate that these arrangements facilitate the delivery of the contract volume as per the terms of the response. Note the City does not require information on any commercial terms; the City is primarily interested in verifying that the proposed contract delivery is matched by appropriate offtake terms.

- Information on corporate history, business organization, financial structure and any other information which the Proposer deems appropriate to demonstrate its corporate capability to perform its obligations under the proposed deal structure;
- Details of experience in the ERCOT market;
- At least one contact (name and phone number) for each power supply venture (for reference purposes);
- Description of any past, current or proposed litigation concerning power supply agreements; the proposed energy supply project; and/or Proposer's ability to supply power under the proposed PPA;
- Separate descriptions, as appropriate, for each member if there is a consortium or partnership of two or more firms and the relationship between entities for this Proposal;
- Current annual report for each Proposer (if annual report is not available, a listing of assets, liabilities and cash flow must be provided); and
- Description of Project Financing.

3. Proposer Pays Own Cost

This RFP does not commit the City to pay any cost incurred by the Proposer in the preparation and formation of a Proposal in response to this RFP, or to procure or contract for any products or services. In no event is the City responsible for cost or expenses of any Proposer incurred in connection with this RFP.

4. Only Executed Agreements are Binding on the City

The City reserves the right to modify or withdraw this RFP, to negotiate with any qualified Proposer to resolve technical or contractual specifications, to reject any or all Proposals, and to terminate negotiations at any time. A Proposal is deemed accepted by the City only when a PPA has been fully executed by the parties.