



Request For Proposal

For Proposals and Projects from which
KIUC can develop a "Green" Rate

R&LA2006-01

June 23, 2006

The power of human connections®

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SECTION 1: INTRODUCTION

Kaua`i Island Utility Cooperative (KIUC) issues this Request for Proposal (RFP) to solicit competitive proposals for small, distributed renewable energy sources. These renewable energy sources will be used as the basis for a to-be-developed "green" rate to be offered to KIUC's consumers. KIUC would like to work with supplier(s)/installer(s) of renewable energy sources to develop a program in which small, distributed renewable energy sources are installed at residential and commercial consumer locations. For purposes of this RFP, "small" is defined to be a kW capacity that does not exceed the respective peak electrical load of the consumer on whose property the renewable energy source is located. Depending upon the type of program developed and financing available to KIUC, the renewable energy sources may be owned by either KIUC or by the winning bidder(s), or by both via a mutual financial partnership. Consumers (i.e. KIUC's customers) participating in the program would agree to pay a "green" rate for the renewable energy generated on their property and used to supply their electrical load. KIUC will initiate developing a "green" rate in parallel with contract negotiations with the winning bidder(s).

The intent of this RFP is to allow KIUC to continue promoting the installation and development of renewable energy on Kaua`i and to offer KIUC's consumers a choice in their electrical supply options.

KIUC will evaluate the proposals on price and non-price criteria. KIUC will work with the winning bidder(s) to develop either traditional equipment/installation contracts (if financing is by KIUC) or Power Purchase Agreement (PPA) contracts (if financing is by the bidder). Contract discussions may also involve alternative/joint ownership options.

1.1 Scope

KIUC is committed to evaluating the technical, economic and social feasibility of incorporating renewable energy into its supply-side portfolio. To this extent, this "green" rate RFP is intended to complement the utility scale energy-only RFP solicitation that KIUC recently issued in December 2005.

1.2 Background

KIUC is the exclusive retail electric service provider for Hawai`i's fourth largest island. Kaua`i is 533 square miles in size and has a population of approximately 64,000. Kaua`i's primary economic driver is tourism and receives over a million visitors annually.

KIUC is governed by a Board of Directors comprised of nine member-elected directors. The staff management team is headed by a Chief Executive Officer and includes a Chief of Operations and seven Department Managers with functional responsibility for member services, energy production, transmission and distribution, engineering, regulatory and legislative affairs, legal and finance. KIUC has approximately 150 employees. As with all electric utilities in Hawai`i, KIUC is regulated as to rates, construction standards, tariff rules and regulations, and reporting requirements by the Hawai`i Public Utilities Commission (HPUC).

KIUC's electric system is fully integrated including power generation, transmission, and retail distribution. It is not interconnected with any of the other Hawaiian Islands' power grids. KIUC has 123 MW of generation capacity at the Port Allen and Kapaia Power Stations and 1.3 MW of hydro generation capacity on the Waiahi Stream. The transmission and distribution system includes five (5) transmission substations, five (5) primary distribution substations, approximately 160 miles of transmission line and approximately 350 miles of distribution line.

KIUC's 30,000+ residential and commercial consumers purchased 448,600 MWh in 2005, of which 7% (33,000 MWh) was supplied by renewable generation purchased by KIUC through three existing PPAs. The historic system peak demand of 77 MW occurred in December 2004. Energy sales have grown at a compound annual rate of approximately 2.5% over the last five years. Energy sales are approximately 34% to residential members, 27% to small commercial members, 37% to large commercial members, and 2% for street lighting and irrigation members.

KIUC is Hawai`i's first and only consumer-owned electric power provider. There are 930 electric cooperatives in 47 states nationwide, of which 65 are generation and transmission (G&T) cooperatives that supply generation capacity to the 865 distribution system cooperatives. These 930 electric cooperatives comprise a network serving approximately 16 million member-owners in 2,500 of the 3,100 counties in the United States.

1.3 KIUC Energy Information

	2001	2002	2003	2004	2005
Peak (MW)	71.1	72.1	73.5	77.0	76.2
Annual Sales (MWh)	406,500	414,500	431,300	445,300	448,600
Annual Sales Growth (%)	-3.0	2.0	4.1	3.2	0.7

SECTION 2: GENERAL PROVISIONS

2.1 Schedule

The schedule for this RFP is shown below:

June 23, 2006	Release of RFP
June 23 - July 24, 2006	Period for submitting general questions
July 5, 2006 (preferred)	Deadline for bidders to submit "intent to propose" email
July 14, 2006	Pre-bid conference call (if deemed required)
June 26 – July 28, 2006	KIUC responds to general questions
July 31, 2006	Proposals due by 4:00 pm HST
By August 31, 2006	Winning bidder(s) selected and notified. Subject to change

2.2 Intent To Propose

By July 5, 2006 bidders should indicate their interest and establish themselves on KIUC's "General Question Response List" by sending an e-mail to wkabutan@kiuc.coop. The e-mail subject line should read, "(company name) intends to submit a proposal to R&LA2006-01". This will insure that KIUC is aware of the bidder's interest and provides general question responses to all prospective bidders on the list.

2.3 General Questions

Bidders may submit questions by e-mail to wkabutan@kiuc.coop for the period indicated in the above schedule. To avoid exclusive dialog, bidders should not contact KIUC staff or Board Members to discuss this RFP. Copies of all questions and responses will be sent to all bidders included on the "General Question Response List" and posted on KIUC's website (www.kiuc.coop).

2.4 Pre-Bid Conference Call

A pre-bid conference call, if deemed necessary by KIUC, will be held at 8:00 am HST on July 14, 2006. The conference call phone number will be e-mailed to all prospective bidders.

2.5 Limitations

This RFP does not commit KIUC to award a contract, pay any costs incurred by a bidder in preparing a proposal, to procure or to contract for services. KIUC reserves the right to accept or reject any or all proposals, to negotiate with all qualified sources, or to cancel in part or in its entirety this RFP.

Contracts with any bidders are contingent upon KIUC receiving the appropriate approvals to develop and offer a "green" rate to its customers and the appropriate power purchase agreement/capital expenditure approvals.

Nothing in this RFP or subsequent contract(s), unless specifically denoted, should be considered as guaranteeing a bidder a minimum number of participating customers, renewable systems (kW or number of units) sold, or revenue stream.

KIUC also reserves the right to waive or modify minor irregularities in proposals received and to eliminate mandatory requirements.

SECTION 3: PROPOSAL CONTENTS

Each proposal shall contain the following sections and minimum content. This mandatory content is requested to assure that an adequate description of the project is provided. Include all information deemed necessary to help KIUC fully understand the proposed project and benefits.

3.1 Cover Page

The Cover Page shall indicate the name of the organization, date of the proposal, project title, and contact information of key project participants. The Cover Page must also include the signature of an authorized officer or agent of the respondent's company, certifying the validity of the proposal.

3.2 Proprietary Information

Careful consideration should be given before confidential information is submitted to KIUC. The bidder should determine whether the information is critical for evaluating a proposal, or whether general, non-confidential information, may be adequate for review purposes. KIUC will honor, to the extent permissible by the State of Hawai`i, County of Kaua`i, and Federal law, any information that the bidder submits that is identified and labeled as "Confidential" or "Proprietary". This information should include a written request to exempt it from disclosure including a written statement of the reasons why the information should be exempted.

3.3 Table of Contents

The proposal shall include a table of contents and page numbers corresponding to the sections outlined.

3.4 Project Summary

The Project Summary shall provide a concise description of the proposal. The summary should not exceed four pages. The summary shall include the proposed location(s) of the generation, technology, size, availability factor, project design, business arrangements, mode of operation, and financing sources. In addition, the summary shall include a proposed construction schedule, operational date, and required permits.

Because KIUC may own none, part, or all of the facilities built as a result of this RFP, please ensure that these summaries reflect all possible (turn-key, energy sale, etc.) financing arrangements.

3.5 Technical Proposal

The Technical Proposal section shall include:

3.5.1 Generation Equipment Description

The proposal shall describe the proposed renewable generation equipment, location of various pieces of equipment (e.g. inverter to generation source, recording meter to inverter, etc.), types of installation, and its proposed operation and maintenance schedule and expenses.

If applicable, the proposal shall describe the major components and systems and include the name of equipment suppliers and technical specifications. The proposal shall also include the commercial status of the technology.

3.5.2 Operating and Energy Recording Equipment

The proposal shall include a description of the equipment that will be installed with each system to record the electrical operation of the system. The proposal shall also include a description of if/how the system will operate after being isolated from KIUC's grid due to a utility/customer fault and also how the system will re-synchronize with KIUC's system after an isolating fault has cleared.

3.5.3 Site Description

The proposal shall include a description of the bidder's proposed location(s) and installation plan(s). Because this RFP is for small, distributed renewable resources, the word "location" in this section pertains to a location relative to a consumer's property. This will include a description of the amount of physical space required per installation plan/size, if the renewable resource is built on or near (and how near) existing physical structures, and, as applicable, other infrastructure additions beyond the site boundaries.

3.6 License, Permitting, and Environmental Requirements

Describe the necessary permits for building and operating the proposed renewable systems. The bidder is exclusively responsible for obtaining all federal, state, and local permits, licenses, and approvals that are required for the operation of the project and delivery of the energy.

KIUC shall be responsible for obtaining approval of the PPA from the Hawai`i Public Utilities Commission, the Rural Utilities Service, and other entities as required.

Bidders shall provide information that describes the applicable Federal, State, and/or County professional registration criteria required to procure, install,

design, maintain, etc. their proposed renewable systems and how these requirements will be met.

Please also include reference to other certification, e.g. North American Board of Certified Energy Practitioners, as applicable.

3.7 Project Schedule

The proposal shall provide a schedule of key milestones including, but not limited to: 1) site selection, 2) permitting, 3) start of construction, 4) operating date.

3.8 Energy Production Analysis

The proposal shall provide an analysis of the projected energy production. This section shall include estimates of energy output of the individual and total installations and a description of how those estimates were made. The analysis should also include:

3.8.1 - Estimates of monthly and annual energy production.

3.8.2 - Station energy use and energy losses including supporting calculations.

3.8.3 - Expected annual capacity factor.

3.9 Fuel Supply

Each bidder is requested to identify the source of fuel and fuel supply plan if applicable.

3.10 Interconnection Requirements

The facilities necessary to connect to KIUC's electrical system are the responsibility of the bidder and shall comply with all applicable federal, state, county, and KIUC interconnection requirements. The bidder's project must be able to synchronize and operate in parallel with KIUC's electrical system without negatively impacting KIUC's system. The proposal shall include a description and cost estimate for the interconnection facilities.

3.11 Purchase Contracts: Terms and Pricing

Depending upon KIUC's ability to finance any or all of these projects, KIUC anticipates negotiating either traditional turnkey contracts, in which the winning bidder would procure, design and install the equipment and then turn over ownership and operating responsibilities to KIUC, or power purchase agreement contracts in which the winning bidder finances the procurement, design and

installation of the equipment, retains ownership and sells the electrical output to KIUC.

In replying to this RFP, the bidder shall provide suggested contract terms for both contract arrangements.

These contract terms shall include, but may not be limited to:

- A proposed energy sales price that is:
 - 1) fixed for the contract length, or
 - 2) escalated at a defined rate, or
 - 3) escalated by a specified index not closely related to oil or natural gas.
- Contract lengths shall be specified, with a focus between 5 and 20 years.
- Pricing in terms of U.S. dollar per system installed, \$/kW, or some other quantifiable measure (for systems financed by KIUC) and U.S. dollar per megawatt-hour (\$/MWh) or some other quantifiable measure (for systems financed and owned by the bidder).
 - Also indicate if the submitted sale price is negotiable and any applicable price negotiation factors.
- Desired/required minimum or maximum generation guarantees or sales requirements.
- For eligible technologies, prices should include the impact of any production tax credits. The proposal should indicate which tax credits are assumed.

As either the full/partial owner of the systems or purchaser of all/part of the power, KIUC's purchase price shall include exclusive acquisition of all current or future identified environmental attributes associated with the systems installed. These include but are not limited to: renewable energy credits, "green" credits, "green" tags, and other environmental attributes defined as credits, emission reductions, offsets, or allowances resulting from avoidance of the emission of any gas, chemical, or other substance attributable to the renewable project(s) selected by this RFP.

KIUC also welcomes bidders to offer alternative ownership options including options for KIUC to purchase the project.

3.12 Qualifications – Organization and Personal

This section shall include the qualifications of the project team for the proposed renewable generation facility(s).

- 3.12.1** - The project developer shall be required to demonstrate:
 - a. Experience in planning, developing, constructing, and operating their proposed renewable generation facilities.

- b. Experience in site selection and acquisition, permitting and site design and engineering.
- c. Their experience with electric utility "green" rate programs.

3.12.2 - The bidder shall describe their experience with the proposed or similar projects. Include projects owned, developed, and/or operated by the bidder within the last ten (10) years.

3.13 Bidder Corporate Structure and Financial Resources

3.13.1 - The bidder shall describe their corporate/business structure, including primary and secondary businesses, the number of years in business under present name and the state where incorporated.

3.13.2 - The bidder shall provide a pro forma financial balance sheet and description of existing projects owned and operated by the bidder.

3.13.3 - The bidder shall provide financial information that demonstrates their ability to finance the projects resulting from this RFP.

3.13.4 - The bidder shall provide evidence of sufficient personnel resources to construct, operate and maintain their proposed renewable generation systems.

3.13.5 - The bidder shall describe their project management concept with respect to the proposed tasks, including organizational and individual responsibilities for each team member.

3.13.6 - The bidder shall describe their proposed teaming structure for the project, including the names of the key participants and each participant's involvement. Include business agreements between the bidder and the participants and the role of each team member. Include personnel involved in the resource assessment, project financing, permitting, regulatory compliance, construction, risk management, project design and engineering, maintenance and operation. Include a brief description of the relevant experience of the key individuals in each area of responsibility.

3.13.7 - Resumes should be provided for key personnel involved in the project.

3.14 Insurance

The winning bidder(s) shall take out and maintain throughout the period of their contract(s), insurance of the following minimum types and amounts:

A. Workers' Compensation and Employer's Liability insurance, as required by law, covering all their employees who perform any of the obligations under the contract. If any employer or employee is not subject to workers' compensation laws of the governing State, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.

B. Public liability insurance covering all operations under the contract shall have limits for bodily injury or death of not less than \$1,000,000¹ each occurrence, limits for property damage of not less than \$1,000,000¹ each occurrence, and \$2,000,000¹ million aggregate for accidents during the policy period. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

C. Automobile liability insurance on all motor vehicles used in connection with the contract, whether owned, non-owned, or hired, shall have limits for bodily injury or death of not less than \$500,000¹ per person and \$500,000¹ each occurrence and property damage limits of \$500,000¹ for each occurrence. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

Verification of required insurance is not to be submitted as part of the proposal but will be required of each winner bidder.

3.15 Performance Guarantee

This section shall include the following:

3.15.1 - A commercial date(s) of operation.

3.15.2 - Any limitations or exceptions to the commercial date(s) of operation.

3.15.3 - Any penalties and remedies associated with failure to meet the commercial date(s) of operation.

¹ Values are placeholders pending determination of applicable amounts.

3.15.4 - Any penalties and remedies associated with failure to meet any identified or negotiated minimum guaranteed monthly energy production per system.

3.16 Service and Warranty

Service:

The bidder shall fully describe the maintenance and service program for their system including a schedule showing the maintenance and service tasks. This description shall include the location and qualifications of service personal and the availability of replacement parts.

The bidder shall also identify costs and details associated with offering an extended labor and material warranty. This warranty shall include all parts, shipping, labor, and on-site service.

Warranty:

The bidder shall fully describe which aspects of the labor and material(s) are covered under a warranty, the duration of associated warranties, and who (bidder, mfg, other) is responsible for the warranty.

The bidder shall also include a description of any maintenance services and associated costs required to keep any warranties valid.

3.17 Proposal Format

All proposals shall be printed on 8.5 x 11 inch paper. Pages shall be numbered and proposals should include a table of contents and be bound (preferred) or stapled.

Proposals shall include all the required information as requested in the RFP. Respondents must submit five (5) paper copies and one (1) electronic copy by 4:00 pm HST, Monday, July 31, 2006. Proposals shall be clearly labeled and mailed to:

Mrs. Wanda Kabutan
RFP No. R&LA2006-01
Kaua`i Island Utility Cooperative
4463 Pahe`e Street, Suite 1
Lihue, HI 96766-2032

SECTION 4: EVALUATION PROCESS

KIUC will review every proposal meeting the minimum requirements specified in this RFP. Proposals meeting these requirements will be evaluated on the price and non-price criteria specified below. KIUC may need additional information from the bidder to complete a full evaluation. KIUC will request the additional information in writing. The bidder must provide KIUC the necessary information by the date requested to be further considered.

KIUC reserves the right to extend the evaluation period as required.

SECTION 5: EVALUATION CRITERIA

KIUC anticipates the evaluation criteria to include but not be limited to:

- | | |
|---|--------------|
| 1) Price per system (including ability to self-finance) | (60%) |
| 2) Experience/Reference | (20%) |
| 3) Warranty of materials, and labor | <u>(20%)</u> |
| | 100% |

SECTION 6: CONTRACT AWARD

Upon completing the review and evaluation, KIUC will select the winning bidder(s) and notify all bidders whether or not they have been selected. KIUC will begin contract negotiations with those bidder(s) whose proposal(s) are selected.