

SOMERSET COUNTY RENEWABLE ENERGY PROGRAM,

SERIES 2010

REQUEST FOR PROPOSALS

**For a Developer of Photovoltaic Systems with respect to certain Local Government
Facilities in the County of Somerset, New Jersey dated July 30, 2010**

Solar Pre-Proposal Conference August 5, 2010

Summary of Questions and Answers

No. 1, Issued on August 13, 2010

Below is a summary of the questions posed by Respondents and the Somerset County Improvement Authority's (the "Authority") responses to said questions. This document shall be posted on the Somerset County Improvement Authority's website at <http://www.scia.co.somerset.nj.us/>, and emailed to all Respondent Contact Persons.

Q1: *Does the RFP require Union Labor? If a company is not union, does that mean that they are not eligible under the RFP to participate?*

A1: **No, union labor is not required. However, Respondents are required to pay prevailing wage rates.**

Q2: *The RFP requires the bond to be 100% of the total construction costs. Would the Authority consider accepting a construction bond in an amount less than 100% of the total construction cost?*

A2: **No, Respondents are required to provide a bond in the amount of 100% of the construction cost. Please see Section 7.2(b) of the RFP.**

Q3: *The Construction Performance Bond Form lists \$5,000,000 as the value of the construction performance bond.*

A3: **The Construction Performance Bond Form contains a typographical error. The Form should require a bond in an amount equal to 100% of the total construction cost. This error will be corrected in an Addendum No.1, dated August 13, 2010.**

Q4: *Site visits are scheduled through August 13th and the deadline for questions is August 16th. Can this be pushed back a couple of days?*

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A4: Respondents are permitted to ask questions throughout the RFP process. Responses to questions will be posted, along with any necessary addenda, periodically throughout the RFP process.

Q5: *Can you explain how the tax benefits roll back to the PPA successful Respondent.*

A5: It is the responsibility of the developer to ensure that the tax structure works. Respondents are encouraged to read through the lease agreement and make sure they are comfortable that sufficient burdens and benefits of tax ownership are transferred to the developer, as lessee.

Q6: *Must Respondents submit shade analyses with their proposal?*

A6: No, however the PPA price and construction cost that Respondents offer in their proposals are locked in at the time of submission. The Program Documents provide for the following: if you are unable to generate production at the amount you anticipated on that facility discovered after your RFP due diligence, the Authority will give you post closing, the ability to work with the Authority and local units to adjust system sizing and or location. The process would include looking at an additional area on that site, followed by areas within that local unit, followed by other local units within the Tranche and finally other County sites.

Q7: *There is only 45 minutes between each site visit for all the analyses. Will the Authority make other times available for follow up visits?*

A7: There will be additional days made available for site visits as requested. There is one day left open and available on Friday August 13 to allow Respondents to revisit any site. Respondents are required to request and coordinate all site visits through the County designated contact person listed in Section 3.3(b) of the RFP.

Q8: *Is the developer required to continue to make all payments under the Lease if the local units fail to pay their PPA payments?*

A8: Yes, the developer is responsible to pay the Lease payments, even if the local units fail to make PPA payments. Given that the Local Units are governments the risk that they will not pay their electric bills (something they have historically paid without fail) is perceived as minimal. This risk is no different than a Respondent may encounter in any traditional PPA arrangement.

Q9: *What if the roofs of the Local Unit Facilities are too old to support a Renewable Energy Project?*

A9: A pre-qualification process was undertaken to select buildings with roofs 10 years old or less. If a Respondent determines in its due diligence that a specific Local Unit Facility should be removed, then the Respondent is required to submit to the Authority in writing, prior to submission of a Proposal, details explaining why. The Authority will review all such submissions, determine whether the reasons provided are acceptable and issue a response to all Respondents in the form of an addendum, if necessary.

Q10: *What if more than one building is not a good candidate?*

A10: See Answer 9 above.

Q11: *Since roofs can be up to 10 years old, are there provisions to protect developers from issues associated with the roof?*

A11: Yes, there are provisions in the Program Documents protecting the Successful Respondent from potential issues associated with Local Unit Facility roof issues that do not result from actions of the Successful Respondent (i.e. leaks, or Local Unit actions). These provisions provide that the local unit must pay the Successful Respondent for lost revenues and costs associated with moving the affected Renewable Energy Project.

Q12: *Will the companies that hold the warranties be accessible?*

A12: The names and contact information of the warrantors for roofing systems associated with the Local Unit Facilities included in the RFP will be provided to Respondents and posted on the Authority's website.

Q13: *Does the RFP contemplate the possibility that the warranty companies may not respond to inquires by Respondents?*

A13: No, there is no provision in the RFP addressing this issue. However, if Respondents are having difficulty communicating with warrantors, they are requested to advise the Authority in writing. The Authority consultants will follow up and assist in facilitating communications.

Q14: *Will the Authority consider creating a PDF of the local unit warranties for each individual Local Unit Facility roof?*

A14: In addition to providing Respondents with the contact information for the warrantors for each Local Unit Facility roof, the Authority has posted all available roofing warranty information received from the Local Units to date on the Authority's website. Additional information will be posted as received and Respondents will be notified accordingly. Construction documents/drawings received to date from Local Units have also been posted

on the Authority's website. Access to all technical drawings require a password from the Authority.

Q15: Since these buildings are schools, will the Respondent be required to go through the Department of Education to be approved? Does this scope of work and relative cost need to be included in the PPA?

A15: The Authority does not believe that this will be a significant issue, as all approvals concerning a Board of Education's Five Year Capital Plan will likely be obtained by the Board of Education itself without significant input from the Successful Respondent. The Authority will follow up with the Local Unit Boards of Education and will provide additional information to all Respondents on this issue as it becomes available. The Authority believes that similar to other county-wide renewable energy programs most Boards of Education will prefer to utilize their own architect and engineer of record to deal with submissions to the Department of Education.

Q16: How many contracts will there be for the 31 sites?

A16: There will be one PPA and one Lease between the Successful Respondent and the Authority. There will also be fifteen (15) individual License Agreements between the Authority and each of the fifteen Local Units.

Q17: Do Respondents have the option to bid for some of the sites or all of them?

A17: Respondents are required to bid on all of Local Unit Facilities. See Answer 10, above.

Q18: Can you confirm the current retail price that each Local Unit is paying for electricity?

A18: Utility usage and billing information will be provided on the Authority's website. Some of this information is already posted and the remainder will be posted in the near future.

Q19: Is permitting for the Renewable Energy Projects going through DCA or through local governments? If any of the Renewable Energy Projects do require DCA approval this will impact construction schedule, how can Respondents account for this in developing their construction schedule?

A19: Permitting is required to go through the local governments. The Authority will identify any local inspectors that are not qualified so that Respondents can be aware which Renewable Energy Projects will require DCA oversight, if any. Respondents have one full year to install all of the Renewable Energy Projects. The Authority will be flexible with changes in the construction schedule related to Renewable Energy Projects impacted by DCA oversight.

Q20: *Since you are citing the Morris deal as precedent, are you able to lay out any material differences between the Authority's program and the Morris program?*

A20: **There are very few material changes.**

Q21: *Phase II proposal evaluation. Number of local units bid. How is this evaluated if you are required to bid all sites?*

A21. Respondents are required to submit proposals that include a PPA price for all of the Local Unit Facilities included in the RFP. Proposals that do not include all of the Local Unit Facilities included in the RFP will be deemed incomplete and will be rejected by the Authority. Respondents must submit a proposal that complies with the requirements of the RFP. In addition to submitting a proposal that complies with the requirements of the RFP, Respondents can also submit alternative proposals. However, the Authority, in its sole discretion, will determine whether or not it will consider such alternative proposals.

Q22: *Please explain the difference in payments in the amortization schedule provided?*

A22. The first Basic Lease Payment is considerably larger than all subsequent payments because the Respondent is not required to make the initial payment for 13 months. Bondholders get paid 5 months after Basic Lease Payments are made to avoid bankruptcy issues. Therefore, the first principal and interest payment to bondholders is 18 months out. However, such bondholders are used to being paid every 6 months. To avoid the added cost of capitalized interest, we are deferring those two initial 6 month bond payments (i.e., payment normally due at 6 months out and 12 months out) until 18 months out, which is sufficient time to allow the Respondent to complete the projects and see PPA revenue. Since these initial 6 month payments are not being eliminated, just deferred, the payment due at month 18 is (three times larger than normal). But the alternative is to make the payments due on the bond side at 6 and 12 months from the bond issue (and with the 5 month earlier pay requirement for the Respondent to avoid bankruptcy issues on the lease side, payments would be due from the Respondent 1 and 7 months out, which is clearly an undesirable result).

Q23: *Is there an ability to see historical billing?*

A23. See Answer 18 above.

Q24: *The reason the Authority wants to sell bonds in November is to give the successful Respondent time to take whatever actions it deems necessary to qualify for the safe harbor associated with the 1603 Treasury grant. If construction starts later, can the Respondent take the risk of not qualifying for the 1603 Treasury grant?*

A24. Respondents must submit a proposal that complies with the requirements of the RFP. In addition to submitting a proposal that complies with the requirements of the RFP, Respondents can also submit alternative proposals. However, the Authority, in its sole discretion, will determine whether or not it will consider such alternative proposals.

Q25: In the technical section of the RFP, there is a reference to glass and frame module, will thin film be contemplated?

A25. To clarify the answer provided at the pre-proposal conference, upon further evaluation and consideration all solar related technologies will be considered. With respect to glass module technologies the proposed PV System components must meet the minimum technical specification. With respect to thin film technologies Respondents are required to submit all technical data for review by the SCIA energy consulting team. This RFP is for a PPA and as such system output and relative PPA price will play a significant part in the overall evaluation of each Respondent proposal.

In addition, all proposed PV systems will be evaluated by but not limited to:

- System design**
- Annual system output**
- System cost**
- Economic benefit**

Q26: If a Respondent determines that a few local unit sites are not economical, bids them all, but feels as though certain sites are cross subsidizing other sites, will the Authority consider removing sites?

A26. No, the Authority has created a pre-qualification process to vet Local Unit Facility candidates on a series of criteria that ensures that all Local Units are able to participate in a process that they may otherwise undertake on their own. However, Respondents must submit a proposal that complies with the requirements of the RFP. In addition to submitting a proposal that complies with the requirements of the RFP, Respondents can also submit alternative proposals. However, the Authority, in its sole discretion, will determine whether or not it will consider such alternative proposals.

Q27: Will Respondents be provided a list of modules that are acceptable?

A27. Respondents are required to review the technical specifications of the RFP and insure their proposal meets the minimum criteria established therein.

Q28: Is the Authority requiring the bidders to show that they actually have the tax credit appetite?

A28. No, since the lender group is not a traditional lender, but rather is essentially the bondholders, which look primarily to the County Guarantee, no traditional lender/tax credit issues should arise. The Authority appreciates that whether the Respondent can utilize tax credits might impact the offered PPA Price, but the Authority will not care how the PPA price is derived, so long as it's a bona fide offer, and so long as the other evaluation criteria are satisfied.

Q29: *When the Respondent calculates the County Deficiency Amount, is the Respondent guaranteeing that value?*

A29. Yes, in the sense that the Respondent is locking in a fixed PPA Price, escalation factor, if any, and Total Project Cost at the time it submits its proposal in response to the RFP. But the Authority is aware that the County Deficiency Amount is partly based upon an assumed SREC value proposed by the Respondent, and once the Authority accepts that County Deficiency Amount at closing, upon issuance of bonds, the County Deficiency Amount does not increase if the assumed SREC value fails to materialize. The Authority is aware of this risk. That said, the County Deficiency Amount is a security device, and the Respondent always remains obligated to make the full Lease payments that, among other things, service the debt.

Q30: *How does the Authority indemnify the Successful Respondent for actions that are the fault of the locals?*

A30. See Answer 11, above.

Q31: *Is it possible to get a version of the RFP and the Project Documents (lease, ppa etc.) in editable (e.g., Microsoft Word) format?*

A31: No, Respondents may submit any comments to Program Documents through questions to the Authority or as part of their proposal in response to the RFP.

Q32: *Section 7.6 of the RFP addresses required licenses/certifications. Typically only companies working on-site are required to have DPMC and Public Works Contractor Certificates, not all respondents, their contractors and subcontractors. Can you please confirm that only companies working on-site require these two Certifications?*

A32: Section 7.2 is intended to apply to any entity, be it Respondent, or Respondent's contractors or subcontractors undertaking work at the Local Unit Facilities. Please note that Department of Community Affairs Local Finance Notice 2008-10 states "[o]ther issues include the fact that the installation of solar panels by the government directly or through a vendor is considered a "public works activity" under state law, and thus requires prevailing wages and other public works related requirements to be followed for their installation." In addition, Local Finance Notice 2009-10 states "Renewable energy industry vendors must

recognize that renewable energy projects fall under State public works contracting laws, i.e., prevailing wages and Public Works Contractor Registration laws, among others. In addition, as these systems connect to building power systems or the electric grid, laws and regulations concerning electrical contractors also apply. Subcontractors may also fall under these requirements. RFP documents should make it clear that public works contracting laws and rules apply to the work and that contractors are responsible for complying with the appropriate construction trade practices and laws.”

*** In addition please note the following:**

1. **Site Tours** – *It has come to the Authority’s attention that during the Montgomery Board of Education High School site tour comments were made by a representative of the Local Unit to the effect that the roof of the High School was not suitable for inclusion in the RFP. Please be advised that the Authority is currently speaking with the Board of Education concerning these statements. At this time, the Authority has not learned anything that would require the removal of the High School from the RFP. Should the Authority learn anything that requires reconsideration of this position it will advise all Respondents immediately.*
2. **Revised Conceptual Site Plans** – Several Conceptual Site Plans have been revised. These revisions will be included in Addendum No.1, dated August 13, 2010, and will be added to the Authority’s website;
3. **Revised Site Visit Schedule – Day 3 – August 11th** – the day will begin at 8:00 a.m. at the Bound Brook Public Works at Chimney Rock Rd, Bound Brook, NJ, the remainder of the schedule for Day 3 – August 11th will be distributed at the site tour and this will also be included in an Addendum No.1, dated August 31, 2010.

This Questions and Answers No. 1, dated August 13, 2010, has been issued and posted on the Authority’s website by order of Richard E. Williams, Chair, Somerset County Improvement Authority, this 13th day of August 2010.