

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF GENERAL SERVICES



Contracts and Procurement Division

DETERMINATION AND FINDINGS
FOR A
SINGLE AVAILABLE SOURCE PROCUREMENT

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| CAPTION: | Analysis of Large Scale Wind and Solar Energy Purchasing |
| PROPOSED CONTRACTOR: | Customer First Renewables LLC ("CFR") |
| PROGRAM AGENCY: | DC Department of General Services |
| AUTHORIZATION: | Title 27 DCMR Section 4718.1 |

1. Minimum Need:

The Department of General Services ("DGS" or the "Department") requires the services of a firm with specialized expertise in long-term renewable energy integration and solutions to assist in the development of a procurement for wind or solar energy on a long-term basis for the supply of approximately one-third of DGS's electricity usage.

2. PRICE:

DGS will pay CFR \$180,000 for the services described below.

3. TERM:

From date of award through to start of commercial operation of selected wind or solar energy generating facility(s).

4. FACTS WHICH JUSTIFY SINGLE AVAILABLE SOURCE PROCUREMENT:

The Department of General Services ("DGS" or the "Department") is currently exploring the potential procurement of wind or solar energy on a long-term basis for supply of approximately one-third of DGS's electricity usage. Structuring these types of transactions is complex and there have been very few direct deals between large end-users and large-scale renewable generators. DGS's effort to make a utility-scale purchase of renewable energy is a highly innovative process that is particularly difficult in a tight timeframe driven by the end-of-year expiration of wind energy tax credits. Extensive experience in the renewable energy industry is required to ensure that any negotiated contract to purchase power can deliver substantial savings to the District. Large-scale wind and solar markets are inefficient, which means that offers to sell wind and solar energy are not standardized and are difficult to compare. In addition, purchase agreements for wind and solar are very different from conventional power contracts. For instance, contracts must assess and allocate risks associated with intermittent production of energy and navigate complicated equipment performance guarantees that are different from conventional generation and that affect both risk and cost of energy. The District Government would like to supplement its contract negotiation and general procurement capabilities with outside specialized experts with extensive experience and deep knowledge of renewable energy companies and markets to design, manage and execute a strategy to procure utility-scale wind and solar energy.

An informal market survey of both local and national firms revealed that the proposed contractor, Customer First Renewables LLC ("CFR"), is the only renewable energy integrator in the U.S. focused on bringing economically attractive utility-scale renewable electricity solutions to large end-users. CFR, a small business which is headquartered in the District, is also the only firm in the Washington Metropolitan Area whose primary goal is to help large businesses and institutions realize cost savings through renewable energy solutions. A key advantage to the Department of CFR being a local, DC based company is that their proximity will allow for the intimate, daily coordination and assembly of resources necessary to perform fully in an owner representative and renewable energy integrator role. CFR will assess and incorporate into a Request for Interest ("RFI") document DGS's primary objectives, requirements and preferences, which will include a preference that candidate wind or solar projects represent new generating capacity. CFR will advise DGS on what wind and solar industry standard requirements and other information should be incorporated into the RFI and will identify and have the capability to reach out to experienced and qualified industry developers who might not otherwise respond to a solicitation from a public sector buyer. CFR's role will include, but not be limited to proposal solicitation, development of selection criteria, economic analysis, due diligence on potential projects, selection management and advice, and contract negotiation.

CFR will also design and incorporate a process for managing the information flow that will result from release of the RFI and proposal phase. The process will help to ensure proper internal management and coordination of DGS efforts regarding large-scale purchases of wind or solar energy. The utilization of a local firm will make this process less costly and more expedient.

CFR is also the only firm identified through the market survey which meets all of the following requirements of the Department:

1. To ensure objectivity of the project selection process, have no financial interest in wind or solar projects.
2. Extensive and established network with large-scale renewables developers.
3. Extensive capability to disaggregate and model the detailed make-up of bids and present them in an apples-to-apples manner to DGS.
4. Significant first-hand experience conducting detailed due diligence of renewables projects across the U.S.
5. Substantial experience in helping to structure and establish contractual arrangements that support delivery of selected renewable solutions.
6. Experience integrating projects from strategy through execution and operations, based on over 80 years of experience across the energy industry.

Given the proposed timing constraints related to permitting and being able to take advantage of the wind energy Production Tax Credit (PTC) or Investment Tax Credit (ITC) opportunities (which sunset on December 31, 2013), proposed wind energy projects will need to be already in progress (i.e. "shovel ready") by the end of 2013. Further, wind energy projects must be able to meet specific "safe harbor" milestones as laid out in the PTC/ITC extension of January 2, 2013. In particular, they must either begin major construction or commit to expenditures equal to or greater than 5% of projects costs. CFR is the only Contractor readily able to design a process and compressed schedule that should allow, on a best efforts basis, projects to meet the safe harbor provisions.

As the ultimate Wind Power purchase has the potential to conservatively save the District in excess of \$75M over the next 20 years, we believe that it is in the best programmatic interest of the District

to proceed expeditiously with the Customer First Renewables procurement and get them started as the broker/ renewable energy integrator for the competitive DGS wind deal.

DETERMINATION

Based on the authority and certified findings above, it is hereby determined that the use of the sole source procurement method with Customer First Renewables, is justified and in the best interest of the District.

Date

Brian Hanlon
Director & Chief Contracting Officer