

State of Vermont
Request for Proposals for the Standard-Offer Program

Issued by:

VEPP Inc.

Acting as the Standard Offer Facilitator

For issuance on:

April 24, 2017

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1. Introduction

Pursuant to the authority of Title 30 V.S.A. § 8005a(f)(1), the Vermont Public Service Board ("Board") has determined to use a market-based mechanism to obtain renewable energy under the standard-offer program. This request for proposals ("RFP") issued by VEPP Inc., acting as the designated Standard Offer Facilitator under 30 V.S.A. § 8005a(a), represents the market-based mechanism that the Board has found appropriate to select standard-offer projects. For background information proponents may review the Board orders in Dockets 7873 and 7874 and Docket 8817, including Order of 3/1/13 in Dockets 7873 and 7874, Order of 3/2/17 in Docket 8817 (with technical correction issued on 3/10/17), and Order of 3/29/17 in Docket 8817.

This RFP outlines the terms and conditions under which eligible projects are to develop proposals and the evaluation framework that the Standard Offer Facilitator will use to select proponents that will be awarded standard-offer contracts.

In 2017, pursuant to 30 V.S.A. § 8005a(c)(1)(B), the Board expects to award capacity to projects proposed by independent developers ("Developer Block") and to projects proposed by Vermont distribution utilities ("Provider Block"). Additionally, pursuant to 30 V.S.A. § 8005a(c)(1)(D), with allocations going to both the Developer Block and the Provider Block, the Board expects to award capacity to projects located over parking lots or on parking lot canopies and to projects located at other preferred locations ("[Preferred Location Block](#)").¹

The table below shows the approximate capacity allocation for the 2017 RFP.

2017 Standard-Offer Program Technology Allocation	
<u>Developer Block</u>	
Price-Competitive Developer Block	2.2 MW
Technology Diversity Developer Block	
Small Wind	1.343 MW
Food Waste Methane	1.343 MW
Preferred Location Block	
Parking Canopies	1.222 MW
Other Preferred Locations	1.222 MW
<u>Provider Block</u>	
Preferred Location Block	
Parking Canopies	0.216 MW
Other Preferred Locations	0.216 MW
Other Provider Projects	0.863 MW
Total	8.625 MW

¹ For a list of preferred locations, see <http://legislature.vermont.gov/statutes/section/30/089/08005a>

1.1 General Requirements

All communication regarding this RFP will be conducted through the Standard Offer Facilitator's [website](#).² [Comments and questions](#)³ regarding the RFP or standard-offer contracts should be directed to VEPP Inc. Successful proponents will be required to enter into the standard-offer contract that the Board has mandated for use, which is posted on the website.

1.2 Contents of this RFP

This RFP is composed of four chapters, the first of which is this introduction. The second chapter provides an overview of the RFP process. The third chapter reviews the evaluation process, including the mandatory requirements, evaluation, and proposal selection process. The final chapter reviews the major terms and conditions of the RFP process.

² <http://www.vermontstandardoffer.com/standard-offer-program-summary/>

³ <http://vermontspeed.com/q/>

2. RFP Process Overview

This section provides an overview of the RFP process.

2.1 Schedule

The RFP schedule for 2017 is presented below.

Event	Date
Release of RFP	April 24, 2017
Deadline for Questions on RFP	May 8, 2017
Final Responses to Questions	May 15, 2017
Proposal Submission Deadline	May 24, 2017, 4:30 P.M.
Proposal Opening	May 26, 2017, 2:00 P.M.
Announcement of Award Group	June 9, 2017
Execution of Standard-Offer Contracts by Award Group	July 21, 2017

2.2 Proposal Submission

Proposals and a completed bid form (attached to this RFP) are to be labeled as indicated below and delivered to the following address prior to the proposal submission deadline:

Vermont Standard-Offer Program RFP: Proposal

Mail Address:

VEPP Inc.
P.O. Box 1938
Manchester Center, VT 05255

Physical Address:

VEPP Inc.
1965 Depot Street
Manchester Center, VT 05255

The proposal submission package should include a completed bid form and indicate the full legal name of the proponent and its return address. Each proposal submission package should be enclosed in a *separate envelope*.

Proponents are not to contact staff of the Board, the Vermont Department of Public Service, or VEPP Inc. with respect to matters related to this RFP except through the channels identified in this RFP. No proponent or project team member shall engage in any fraudulent, misleading, manipulative, collusive, or noncompetitive behavior with respect to the pricing of its proposal. Any such behavior may be investigated and prosecuted in accordance with any and all applicable regulations and laws. Any such behavior will disqualify the proponent or the proposal of the proponent from the RFP.

2.3 Confidentiality

Proponents should be aware that all materials associated with the RFP are subject to the terms of the Vermont Access to Public Records Act (1 V.S.A. Chapter 5, Subchapter 3) and all rules, regulations and interpretations resulting therefrom, including those from the Board, the office of the Attorney General of the State of Vermont, the office of the Vermont Secretary of State, and any other applicable rules, regulations, or judicial decisions regarding access to the records of government.

The Board does not favor the filing of proprietary information in this context. In particular, the Board does not anticipate that price information will be deemed proprietary. If a proponent believes it necessary to include allegedly confidential material in a bid, all such materials must be submitted in a separate sealed envelope and marked "CONFIDENTIAL."

It will not be sufficient for proponents to merely state generally that the proposal is proprietary in nature and not therefore subject to release to third parties. Those particular pages or sections which a proponent believes to be proprietary and of a trade secret nature must be specifically identified as such and must be separated from other sections or pages of its proposal. Convincing explanation and rationale sufficient to justify each exemption from release consistent with Section 316 of Title 1 of the Vermont Statutes Annotated must accompany the proposal. The rationale and explanation must be stated in terms of the prospective harm to the competitive position of the vendor that would result if the material were to be released and the reasons why the materials are legally exempt from release pursuant to the above-cited statute. Proponents must understand and agree that final discretion to release or exempt any or all material so identified rests with the Board, and that a Board decision to exempt any information may be subject to judicial review.

2.4 Proposal Security

Proposal security must be payable to and in favor of "VEPP Inc. - In Trust" in the amount of \$10 per kW of installed AC capacity. Proposal security must be in the form of a certified check or bank draft.

Proposal security will be returned to unsuccessful proponents within 10 business days of the announcement of the award group. Successful proponents who fail to execute the standard-offer contract within 30 business days of notification that they have been awarded a contract will forfeit their proposal security. Proposal security will be returned upon commissioning of a standard-offer project. Proposal security will be returned to proponents who withdraw from the reserve before January 1st. Proposal security will be returned to proponents not selected from the reserve by January 1st.

2.5 Notification and Selected Proponents

VEPP Inc. will notify each selected proponent in the award group in writing, electronically, or verbally of its selection. Each selected proponent must execute the standard-offer contract and deliver same to VEPP Inc. within 30 business days of offer of contract. If the proponent fails to provide the refundable contract deposit or administrative fee required under the standard-offer contract or execute the contract within the required time, the proponent may be disqualified and VEPP Inc. may select another proponent. Under these conditions the proponent will forfeit its proposal security.

The standard-offer contract will not be subject to negotiation after the proponent has been notified that it is being offered the opportunity to execute the contract. Pursuant to the September 30, 2009, Board Order in Docket 7533, VEPP Inc., acting as the Standard Offer Facilitator, does not have the authority to alter the standard-offer contract. Therefore, the proponent will be required to execute the standard-offer contract in the final form posted on the Standard Offer Facilitator's website.

3. Proposal Evaluation

This section reviews: (1) the required proposal organization; (2) the mandatory requirements that all proposals are required to satisfy; (3) the assessment criteria upon which proposals are to be ranked; and (4) the proposal selection process. All proposals must satisfy the mandatory requirements to proceed to the next step in the evaluation process.

3.1 Proposal Organization

To enable VEPP Inc. to efficiently review and score proposals, proponents are required to present the following information in their proposals.

Proposals shall indicate the legal name of the entity submitting the proposal that will be executing the standard-offer contract, project name, contact person including e-mail address, phone number, and mailing address, location of the project, the project's technology, the plant capacity (AC) as defined in 30 V.S.A. § 8002(19), project schedule, and interconnecting utility. Proposals shall include a project map that indicates the location of the project site and specifies the parcels for which the proponent has site control.

3.2 Mandatory Requirements

Proposals must satisfy the mandatory requirements outlined in this section to be considered further in the evaluation process. Proposals that fail to satisfy these mandatory requirements shall be rejected.

Proponents must demonstrate how they and their proposed project satisfy each of these mandatory requirements.

3.2.1 Proposed Project

The project must:

1. Be located in Vermont.
2. Be located at a preferred location for a proposal seeking consideration under the Preferred Location Block. The proposal shall state with specificity how the proposed project meets the criteria for preferred locations set forth in 30 V.S.A. 8005a(c)(1)(D).
3. Have an installed net AC capacity, defined in 30 V.S.A. § 8002(19), measured at the project's location, no greater than:
 - 2.2 MW for projects in the Price-Competitive Developer Block or the Technology Diversity Developer Block;
 - 1.222 MW for projects in the Preferred Location Block of the Developer Block;
 - 0.216 MW for projects in the Preferred Location Block of the Provider Block; and
 - 0.863 MW for other provider projects in the Provider Block.
4. Not already be selling its output to VEPP Inc. or Vermont distribution utilities. This provision is not designed to limit the ability of a proponent to submit a proposal for an additional project or to prevent a Vermont distribution utility from submitting a proposal for a new standard-offer contract as part of the provider block being established by the Board.

5. Have a proposed price that is not higher than the relevant technology-specific avoided costs presented in Section 3.3.3.

3.2.2 Site Control

The proponent must demonstrate project site control to the proponent's legal company name by providing evidence of one of the following: (1) fee simple title to such real property; (2) valid written leasehold interest for such real property; (3) a legally enforceable written option with all terms stipulated including "option price" and "option term," unconditionally exercisable by the proponent or its assignee, to purchase or lease such real property; or (4) a duly executed contract for the purchase and sale of such real property. These are the only permissible forms of site control.

Site control documents must state the proponent's legal company name, must be valid for the term of the standard-offer contract plus development time, must fully describe the parcel's location with a 911 address, and must be fully executed. Each project proposed must have its own independent site control, proponents may not propose multiple projects on the same parcel of land.

3.2.3 Independent Technical Facility

If a proposed project is located at, adjacent to, or near an existing or proposed renewable energy generation facility, the project proponent must demonstrate that the proposed project is an independent technical facility and does not use common equipment or infrastructure such as roads, control facilities, or connections to the electric grid.

3.3 Evaluation Criteria

Proposals will be reviewed and ranked based on the assessment criteria specified below.

3.3.1 Selection of Award Group

The program capacity for this RFP shall be awarded in the manner described in the table contained in Section 1. Introduction.

For the Developer Block, the capacity for an individual project shall not exceed 2.2 MW for projects competing in the Price-Competitive Developer Block or the Technology Diversity Developer Block; and 1.222 MW for projects in the Preferred Location Block. For example, a project at a parking lot canopy shall not exceed 1.222 MW.

For the Provider Block, the capacity for an individual project shall not exceed 0.216 MW for a provider project competing in the Preferred Location Block; and 0.863 MW for other provider projects.

All projects shall be required to offer a price that is no greater than the relevant technology-specific avoided costs indicated in Section 3.3.4 below.

Selection of the RFP award group will begin with the Preferred Location Block of the Provider Block. Project proposals under the two categories -- projects located over parking lots or on parking lot canopies and projects located at other preferred locations -- will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until each individual preferred location allocation has been filled. Once a 0.216 MW

preferred location allocation is approached but not exceeded, any proposal that would cause the size of the award group to exceed the 0.216 MW allocation **will not** be included in the award group. Any unused capacity from either preferred location allocation category will be made available to the remainder of the Provider Block.

Selection of the RFP award group will continue next with the portion of the Provider Block designated for other provider projects. Project proposals will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until the Provider Block has been filled. Once the 0.863 MW allocation is approached but not exceeded, the proposal that would cause the size of the award group to exceed the 0.863 MW allocation **will be** included in the award group. An individual project that exceeds the allocation for other provider projects shall be eligible to submit an RFP bid as long as the project is not larger than 0.863 MW in capacity. In the event there is any unbid capacity within the Provider Block designated for all other provider projects that capacity will be allocated to the 2018 annual increase for the standard-offer program. Further, in the event that there are no provider bids or that any excess capacity in the Provider Block that has been reserved for preferred locations is not used, such unbid capacity reserved to projects at preferred locations will be allocated to the Price-Competitive Developer Block.

After the Provider Block determinations have been made, selection of the RFP award group will continue with the Preferred Location Block of the Developer Block. Developer project proposals, under the two categories -- projects located over parking lots or on parking lot canopies and projects located at other preferred locations, will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those developer proposals with the lowest prices until each individual preferred location allocation has been filled. Once a 1.222 MW preferred location allocation is approached but not exceeded, the proposal that would cause the size of the award group to exceed the 1.222 MW allocation **will not** be included in the award group. Any unused capacity from either preferred location allocation category will be made available to the Price-Competitive Developer Block.

After the Preferred Location Block determinations have been made, selection of the RFP award group will continue with the Technology Diversity Developer Block, which includes both the small wind and food-waste anaerobic digestion categories. For each technology category, eligible projects will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until each individual technology-specific allocation has been filled. Once a 1.343 MW technology-specific allocation is approached but not exceeded, the proposal that would cause the size of the technology-specific award group to exceed the 1.343 MW allocation **will be** included in the award group. Although each technology-specific capacity allocation is smaller than the 2.2 MW maximum project capacity allowed, an individual project that exceeds a technology category's capacity allocation shall be eligible to submit an RFP bid as long as the project is not larger than 2.2 MW in capacity.

After the Technology Diversity Developer Block selections have been made, selection of the RFP award group will continue with Price-Competitive Developer Block. All of the unused capacity that was allocated to the Technology Diversity Developer Block and any unused capacity that was allocated to the Preferred Location Block (both the Provider Block and Developer Block Portions), plus the 2.2 MW initial capacity, will be made available to the Price-Competitive Developer Block. All remaining

unselected developer bids will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until the remaining annual capacity cap for the Price-Competitive Developer Block has been filled. Once the annual capacity cap is approached but not exceeded, the proposal that would cause the size of the award group to exceed the annual capacity cap by no more than 2.2 MW **will** be included in the award group.

3.3.2 Reserve Group

If a project fails to execute the standard-offer contract within 30 business days and the award group does not already exceed the annual capacity cap without that project, VEPP Inc. will offer contracts to proposals with the lowest price of offered capacity that would not cause the annual capacity cap to be exceeded by more than 2.2 MW.

VEPP Inc. will then establish a reserve comprised of no more than 4.5 MW of proposals with the lowest prices that were not awarded standard-offer contracts. If a project withdraws from the award group prior to January 1st of the subsequent year and the award group does not already exceed the annual capacity cap without that project, then a standard-offer contract will be offered to the proposal within the reserve that has the lowest price and that does not exceed the annual capacity cap by more than 2.2 MW.

If a project withdraws from the award group after January 1st but before April 1st, then the capacity associated with that project will be solicited at the next annual RFP. The withdrawing project would be disqualified from bidding in the next RFP. The reserve will be discontinued each year after January 1st. Projects in the discontinued reserve will be allowed to bid in the next annual RFP.

A reserve will not be established for proposals for the Provider Block or the Preferred Location Block.

3.3.3 Proposal Pricing

Proponents should present prices to four decimal places in \$/kWh.

If there is a tie in the prices of two proposals and both proposals cannot be accommodated within the award group, then the proposal to be awarded the standard-offer contract will be randomly selected.

For the contract period, proponents may offer a price schedule for biomass and landfill gas projects and a single fixed price for solar photovoltaic, hydroelectric, wind, and food waste anaerobic digestion projects. The offered price schedule or fixed price should be consistent with the methodology used to set the avoided costs that serve as price caps solicited through the RFP (avoided-cost price caps in Section 3.3.4). For biomass and landfill gas projects, the offered prices may escalate 30% of the project's cost over the term of the contract to reflect inflation (not greater than 1.8%), and cannot be front-loaded and decrease over the term of the contract. Under the RFP selection process, the projects will be ranked according to the levelized price.

The levelized price will be calculated using an [Excel spreadsheet](#).⁴ The formula for calculating the levelized price determines what annual payment would be required over the contract term if invested at the assumed weighted average cost of capital to produce the same net present value as the contract prices would realize over the contract term discounted by the weighted average cost of capital.

⁴ The spreadsheet can be found at <http://www.vermontstandardoffer.com/levelization-spreadsheet/>.

In the provided spreadsheet, the weighted average cost of capital is based on the assumed cost of debt and equity and the debt/equity ratio. The after-tax return on equity is 9.60%, which was used to calculate avoided costs for biomass. The debt/equity ratio, the cost of debt, and the weighted average cost of capital are the values used in the cash-flow analysis to calculate avoided costs for each technology. Using the cash-flow analysis, the weighted average cost of capital for biomass is 12.59%,

Formula in Excel: =PMT(WACOC, Contract Term,+NPV(WACOC, Contract Prices))

Where: WACOC = Assumed Weighted Average Cost of Capital

Contract Term = 20-Year term of the Contract

Contract Prices = actual contract prices for each year of the contract

3.3.4 Technology-Specific Avoided-Cost Price Caps

The following avoided costs will serve as price caps for the 2017 RFP for Provider Block and Developer Block, except for projects at preferred locations:

- Biomass: \$0.125 per kWh (levelized over 20 years)
- Landfill Gas: 0.090 per kWh (levelized over 15 years)
- Wind > 100 kW: \$0.116 per kWh (fixed for 20 years)
- Wind ≤ 100 kW: \$0.258 per kWh (fixed for 20 years)
- Hydroelectric: \$0.130 per kWh (fixed for 20 years)
- Food Waste Anaerobic Digestion: \$0.208 (fixed for 20 years)
- Solar: \$0.130 per kWh (fixed for 25 years)

The following table contains avoided-cost price schedules for biomass and landfill gas projects.

	Biomass	Landfill Gas
Year 1	0.121	0.088
Year 2	0.122	0.088
Year 3	0.122	0.089
Year 4	0.123	0.089
Year 5	0.124	0.090
Year 6	0.124	0.090
Year 7	0.125	0.091
Year 8	0.126	0.091
Year 9	0.126	0.092
Year 10	0.127	0.092
Year 11	0.128	0.093
Year 12	0.129	0.093
Year 13	0.130	0.094
Year 14	0.130	0.094
Year 15	0.131	0.095
Year 16	0.132	NA
Year 17	0.133	NA
Year 18	0.134	NA
Year 19	0.135	NA
Year 20	0.135	NA

The following price multipliers will be applied to the above avoided cost price caps to establish price caps for the Preferred Location Block:

Preferred Locations	Multiplier
Pre-existing structure	1.21
Parking canopy	1.40
Previously developed site	1.10
Brownfield site	1.10
Landfill site	1.10
Previously disturbed site at gravel pit, quarry, or similar site	1.10
NPL site	1.10

The table below provides the avoided-cost price cap for solar projects at preferred locations. The multipliers may be applied to all standard-offer program technology avoided-cost price caps, provided the project is on a preferred location.

Preferred Location	Solar Price Cap	Multiplier	Solar Price Cap at Preferred Locations
Pre-existing structure	\$ 0.1300	1.21	\$ 0.1573
Parking canopy	\$ 0.1300	1.40	\$ 0.1820
Previously developed site	\$ 0.1300	1.10	\$ 0.1430
Brownfield site	\$ 0.1300	1.10	\$ 0.1430
Landfill site	\$ 0.1300	1.10	\$ 0.1430
Previously disturbed site at gravel pit, quarry, or similar site	\$ 0.1300	1.10	\$ 0.1430
NPL site	\$ 0.1300	1.10	\$ 0.1430

For project proposals located over parking lots or on parking lot canopies, pursuant to 30 V.S.A. 8005a(f)(5)(C), “if the Board receives only one application or multiple applications for plants owned or controlled by the same person as defined in 10 V.S.A. § 6001, the Board shall investigate each application and shall have discretion to reduce the price to be consistent with the standard offer price for plants outside the pilot project using the same generation technology.”

4. Terms and Conditions

4.1 General Terms and Conditions

Neither VEPP Inc., the State of Vermont, the Board, nor the Vermont distribution utilities assume any contractual or other obligations as a result of the issuance of this RFP, the preparation or submission of a proposal by a proponent, the proponent's participation in any discussions or negotiations, or any other basis arising out of this RFP.

4.2 Proponent Costs and Limitation of Liability

Proponents will bear all costs and expenses in connection with their participation in this RFP. The proponent shall not have any claims against VEPP Inc., the State of Vermont, the Board, or the Vermont distribution utilities for any compensation of any kind as a result of participating in this RFP process.

4.3 Reserved Rights

VEPP Inc. shall have the discretion to:

- Make public the names of any or all proponents and members of their respective project teams.
- Verify with any proponent, or with a third party, any information set out in a proposal and may check references provided by any proponent as well as others.
- Disqualify any proponent whose proposal contains misrepresentations or any other inaccurate or misleading information.
- Disqualify any proponent or the proposal of any proponent who has engaged in conduct prohibited by this RFP (See Section 2.2).
- Suspend or cancel this RFP at any time with the approval of the Board.
- Reject any or all proposals submitted in response to this RFP that do not comply with the terms of the RFP.
- With notice to the Board, may disregard minor deficiencies in a proposal if such proposal complies in all material respects with the requirements of this RFP.
- The Standard Offer Facilitator, as a contractor for the Board, and the Board may have communications regarding any proposal in response to this RFP that are not noticed to proponents.

4.4 Governing Law

This RFP shall be governed by and construed in accordance with the laws of the State of Vermont. Any disputes shall be resolved before the Board.

4.5 Conditional Bids

No conditional bids will be accepted.