

Solar Proposal Evaluation Report

Jackson Township Municipal Utilities Authority
Renewable Energy Program
Proposals of August 4, 2011

Prepared for

Jackson Township Municipal Utilities Authority

Prepared by:

Jackson Township MUA Evaluation Team

August 22, 2011

Executive Summary

This Solar Proposal Evaluation Report (Evaluation Report) is being provided pursuant to the requirements of the competitive contracting provisions of the Local Public Contracts Law (N.J.S.A. 40A:11-4.1 et seq.) of the State of New Jersey (the "State"), all pursuant to: (i) Local Finance Board Notice 2008-20, December 3, 2008, Contracting for Renewable Energy Services; (ii) the Board of Public Utilities protocol for measuring energy savings in PPA agreements (Public Entity Energy Efficiency and Renewable Energy Cost Savings Guidelines, Dated February 20, 2009); and, (iii) Local Finance Board Notice 2009-10 dated June 12, 2009, Contracting for Renewable Energy Services: Update on Power Purchase Agreements and applicable law.

On June 24, 2011, the Jackson Township Municipal Utilities Authority (The Authority) issued a Request for Proposals (RFP) for a Power Purchase Agreement (PPA) for the finance, design, installation, ownership, operation and maintenance of a solar system (the Project) at the Hyson Water Treatment Plant (the Facility) located in Jackson, NJ. Under the PPA approach, the Facility will realize electric savings through a reduced electricity price. The Project will be constructed and maintained by the successful proposer (Successful Proposer) for the term of fifteen years. The Authority will be responsible for payment obligations under the PPA for the electricity produced at the Facility.

The Authority intends to enter into a long-term (fifteen (15) year) PPA with a Successful Proposer to purchase solar electric power produced from the Project located at the Facility. At the conclusion of the fifteen year term, as discussed in the Proposal, The Authority will consider the following end of term options: 1) purchasing the Project from the Successful Proposer at fair market value; or 2) requiring the Successful Proposer to remove the Project at its sole cost.

The Authority retained the law firm of Hering, Gannon & McKenna to provide assistance and counsel during the Proposal review process, the development of the Evaluation Report, and the development and execution of a PPA and site license agreement with the Successful Proposer. The Authority also retained the services of T&M Associates (T&M) and their subcontractor, Spiezle Architectural Group, as energy and economic consultants to assist with the technical and financial evaluation of the Proposals, the development of the Evaluation Report, and the development and execution of a PPA and site license agreement with the Successful Proposer.

The Jackson MUA Solar Evaluation Team (Evaluation Team) is comprised of:

- David Harpell, Richard Borys, Earl Quijano, James Diaz and Michelle DeFrancis of the Authority;

The Authority received Proposals from three solar proposers (Proposers):

- Dobco Group;
- KRN Contractors; and
- Barrier Electric.

After reviewing all aspects of the submitted Proposals, the Evaluation Team recommends that the Proposal of Barrier Electric be accepted. The Barrier Electric Proposal results in significant economic benefits for The Authority and meets all legal, technical, management, and cost requirements of the RFP.

Barrier Electric possesses installation capabilities and sound solar development experience. In addition, Barrier Electric has an organized and experienced Project Team.

Over the fifteen year term of the PPA, The Authority will realize approximately \$711,459.00 in energy cost savings.

In their proposal, Barrier Electric named Hudson Energy Solar, a \$3 billion dollar per year subsidiary of Just Energy, for financing the project and they are also teaming with EZENERGY and PV Design Associates who have extensive solar experience in NJ. This team has constructed over 52MW of solar installations.

Accordingly, the Evaluation Team recommends that The Authority select Barrier Electric as the Successful Proposer.

Barrier Electric has proposed to install and operate a solar system with a total capacity of 476.58 kWdc at the Facility. The basic terms and benefits of the Barrier Electric Proposal are as follows:

1. The Authority will obtain a fifteen year PPA, with a first year rate of \$0.0799per kWh and annual escalation 2.5% that will results in a final price of \$.1129 in Year 15, which is less than the current electric rates for the Facility.
2. The Authority will obtain a stable and known cost of electricity for fifteen years that allows for budgetary certainty for The Authority.
3. The Authority will realize an average rate reduction of 33% for electricity purchased through the Project relative to utility delivered power in the first year.
4. Based on the Proposal, The Authority will realize an annual energy cost savings of approximately \$47,430.00 per year.
5. Over the fifteen year term of the PPA, The Authority will realize \$711,459.00 in energy cost savings nominally.

1. Overview of the RFP

On June 24, 2011, The Authority issued an RFP for a PPA for the finance, design, installation, ownership, operation and maintenance of a Project at the Hyson Water Treatment Facility in Jackson, New Jersey.

The Successful Proposer will sell the output of the Project to The Authority on a long-term basis via a PPA. The Successful Proposer will finance the Project in its entirety. The financing mechanism may include a combination of revenues from the sale of the electrical output of the Project to The Authority, revenues from the sale of Solar Renewable Energy Certificates (SRECs) in the competitive SREC market, federal tax benefits (i.e. both investment tax credits and timing benefits associated with accelerated depreciation) and investor capital. It should, however, be understood that the Authority and the Successful Proposer may share the SREC benefit starting in year 10 of the PPA. Under State law, a PPA can have a maximum term of 15 years.

The qualified Proposal's were evaluated on the basis of price and non-price criteria, in accordance with competitive contracting provisions of the Local Public Contracts Law (N.J.S.A. 40A:11-4.1(k)) of the State of New Jersey (the State), all pursuant to (i) Local Finance Board Notice 2008-20, December 3, 2008, Contracting for Renewable Energy Services, (ii) the Board of Public Utilities protocol for measuring energy savings in PPA agreements (Public Entity Energy Efficiency and Renewable Energy Cost Savings Guidelines, Dated February 20, 2009), (iii) Local Finance Board Notice 2009-10 dated June 12, 2009, Contracting for Renewable Energy Services: Update on Power Purchase Agreements and applicable law.

Project Size

Prior to the issuance of the RFP a preliminary feasibility assessment was performed by The Authority's engineering consultants, T&M Associates, to identify the technical potential for a Project at the Facility. Based upon the preliminary assessment, the estimated Project size, as listed in the June 24, 2011 RFP, must be approximately, 485kW. The RFP called for a ground mounted solar photovoltaic system.

Evaluation Process

In evaluating the Proposals, the Evaluation Team must verify that the Proposals are compliant with the requirements set forth in the RFP. This evaluation process is undertaken in accordance with the competitive contracting requirements of the Local Public Contracts law and applicable DCA guidance.

The evaluation process includes two components:

1. **Legal Compliance:** the firm of Hering, Gannon, & McKenna will review the Proposals to determine if they include all required bid forms and documentation as set forth in the

RFP as well as additional legal criteria summarized in Section 3.1 of this Evaluation Report.

2. RFP Requirements: The Evaluation Team will review the Proposals to determine if they are compliant with the Evaluation Criteria and Submission Requirements, including financial benefits, technical design and financial terms, experience, financial strength, knowledge of NJ regulations, knowledge of NJ renewable energy programs, clarity and conciseness, understanding of the scope of work, and other factors as set forth in Instructions to Bidders Section of the RFP. The purpose of this Evaluation Report is to provide The Authority with a full evaluation of the qualified Proposal and to recommend if it should be accepted by The Authority.

2. Proposer Response to RFP

The Authority received Proposals in response to the RFP from the following three (3) Proposers:

- a. Dobco Group;
- b. KRN Contractors, LLC
- c. Barrier Electric

Below is a summary of the key information from the conforming Proposal's:

Dobco:

- Capacity: 486.72 kW
- First Year PPA Price: \$0.0750 per kWh
- Annual Price Escalator: 2.5%
- Nominal Estimated Savings Over 15 Year Term: \$827,997.00

The Dobco bid includes data with respect to the construction costs of the system as well as the system value at the conclusion of the project that is high when compared to the engineer's estimates and the costs proposed by the other bidders. These costs should not affect the Authority except if and when the Authority negotiates to retain the system at the conclusion of the contract. The \$1,581,840 residual value of the system appears to be quite high. With that in mind the Authority is under no obligation to pay the successful bidder to retain the installation. This is purely at the Authority's discretion.

Dobco Inc. included a cost for removal and restoration of \$500,000. This appears to be high, although once again it should have no impact on any costs to be borne by the Authority. The only concern is that a Performance bond has been requested as part of the Contractor's requirements in the amount of \$250,000, which is to be utilized to remove all installation materials should the selected PPA provider fail to complete the installation. This seems unlikely, and the \$250,000, Performance Bond should be more

than adequate to cover this cost. Therefore, it does not appear that this piece of data furnished with the contract will be of any significance to the Authority.

What was noted during the evaluation process was that Dobco had extensive construction experience but is newer to the solar industry. Dobco has worked successfully on large, public projects in NJ. The committee felt they could have put more emphasis on their project team and financing mechanism for this project.

KRN Contractors:

- Capacity: 525.46 kW
- First Year PPA Price: \$0.085 per kWh
- Annual Price Escalator: 2.5%
- Nominal Estimated Savings Over 15 Year Term: \$921,122.00

KRN Contractors' bid did not include either the total cost of the system or the cost for system removal. Again, this is not a significant factor in that this is primarily for informational purpose; however, the information should have been provided. In addition KRN had the highest cost for the energy, and also had the highest annual degradation for its equipment at 1%.

What was noted during the evaluation process was KRN Contractors had little or no municipal experience, and while they had positive references, they were primarily for smaller projects which were still under construction. Also, there was very little information in their proposal on the project team, the financing mechanism or the design of the system. KRN's scoring was hurt by the lack of information provided.

Barrier Electric:

- Capacity: 476.58 kW
- First Year PPA Price: \$0.0799 per kWh
- Annual Price Escalator: 2.5%
- Nominal Estimated Savings Over 15 Year Term: \$711,459.00

With respect to Barrier Electric Co. Inc.'s bid, it also included a relatively high price, \$400,000, for the removal and restoration of the site. Barrier electric also did not provide the correct data for Item #2 under the total kilowatt hour (year one) requirements,

although the information is presented correctly in the table of costs over 15 years which is included in the bid documents.

What was noted during the evaluation process was that Barrier Electric was the most responsive when it came to the proposal. They clearly listed the firms they will be teamed with and this team was found to have the most experience and solid financing via Hudson Energy. Similar to Dobco, Barrier Electric also provided good details on the design of the proposed system.

3. Proposal Evaluation

As stated in Section 1 of this report, the Proposals were evaluated based on two components: 1) Legal Compliance and 2) RFP Requirements. The evaluation committee met on August 19, 2011 and ranked the proposals as follows:

1. Barrier Electric;
2. Dobco Group; and
3. KRN Contractors.

3.1. Legal Compliance- (Provided Under Separate Cover)

4. Recommendation – Successful Proposer

The evaluation committee ranked the three proposals in accordance with the criteria in the RFP and Barrier Electric was ranked the highest. In recommending that a contract be awarded to Barrier Electric as the Successful Proposer, the Evaluation Team reviewed the Barrier Electric for legal compliance, as well as whether it met financial terms, design of system, experience of the firm and its team, knowledge of regulations and NJ renewable energy program, and understanding the scope of the work set forth by the RFP.

Over the fifteen year term of the PPA, The Authority will realize approximately \$711,459.00 in energy cost savings. The Evaluation Team believes that Barrier Electric has assembled a Project Team with the experience and technical capability to work as a partner with The Authority to successfully implement its solar initiative.

Accordingly, the Evaluation Team recommends that The Authority award the solar PPA to Barrier Electric.