



# CITY OF HOUSTON

Annise D. Parker

Mayor

Jerry Roberts  
319 St. Emanuel  
Houston, Texas 77002

Telephone – 832-395-3671  
Jerry.roberts@cityofhouston.net

April 8, 2010

SUBJECT: Letter of Clarification 1

REFERENCE: Request for Proposal No.: PWE-MMB-690000-JR

TO: All Prospective Proposers:

To clarify the above referenced solicitation as follows:

The MDBE goal on pages 15 & 19 of 58 is revised as follows:

Construction Phase – **14% MDBE** and **8% SBE** (Small Business Enterprise)

Section 3.0 Power Purchase Agreement Term (page 21 of 58) and Section 5.0 Power Sales Options (page 22 of 58) is changed to read: **Initial term of 20 years with two (2) 5-year renewals at the City's option.**

The following questions have been submitted for clarification:

*Q – One line electrical drawings have been provided for the three Kingwood sites, when will 1-line drawings be available for the remaining sites?*

*A – At this time the City cannot produce one-lines for the balance of the plants.*

*Q – What is the City's precise legal entity that will be the counterparty to Power Purchase Agreements resulting from this solicitation? If the entity is not rated by S&P and Moody's, please identify the rated entity that will serve as guarantor.*

*A - If the generation is "behind the meter" and purchased directly from the contractor, then the City as a municipal corporation will be the party to any power purchase agreement. If the generation is connected to the grid and sold through ERCOT, then the purchase will be through the City's Retail Electric Provider of Record, Reliant Energy Services, who services the City's contract for electricity with the Texas General Land Office. The City bonds are rated on Moody's investment grade scale. We are unaware of what rating the Texas General Land Office's bonds have.*

*Q - What methodology does the City use to estimate its FY2011 electric rate on page 19 of the RFP? Please identify the City's Retail Electric Provider(s) for the subject sites and describe the type, price and tenor of existing electric supply arrangements at the subject sites.*

*A - The City's electricity portfolio consists basically of 160 MW. This load is split into two blocks, the Shaped Block and the Base Block. The Base Block (80 MW) is a 7/24 block of power allowing the City to bring in third party wholesale blocks of power. We currently are purchasing 50 MW (7/24 firm block LD) of fixed price*

renewable energy in the Base Block with the remainder having a fixed heat rate with the natural gas fully hedged for fiscal year 2011 as so with the Shaped Block.

The contract for electricity is with the Texas General Land Office's (GLO) State Power Program for all City accounts except for the sites in the Entergy service area in Kingwood. The GLO has contracted with Reliant Energy Services to provide retail services to the City. This contract will expire on June 30, 2013.

*Q – Regarding page 22 of 58, Section II 4.0 - The City requires the Contractor to submit project schedule and milestone information by May 15, 2010. How far in advance of that deadline will the City notify the successful Proposer that it has been selected as Contractor?*

A – The City is asking for a proposed schedule to be submitted with the RFP responses and the evaluation process may or may not be completed by May 15, 2010.

*Q - Please identify the change process that the City plans to utilize to address any non-trivial changes occurring between the time of proposal submittal and the execution of a PPA and any other ancillary agreements?*

A – The detail of responses will vary and clarifications after the RFP due date will be conducted on a case-by-case basis with the Proposer as necessary.

*Q - What is the City's preferred term for a PPA including possible extension options? The RFP on page 21 of 58 mentions a 5-year term with three 5-year extensions as well as a 20-year term on page 22 of 58, Section 5.0.*

A – The contractual term will most likely be a base term of 5-years with three (3) five-year options to renew for a total minimum of 20-years.

*Q - Please confirm that the City's obligations under a PPA will be backed by the full financial creditworthiness of the City of Houston.*

A - The City's obligations are backed by the full financial creditworthiness of the City. The City will not provide a guaranty or offer any security under any PPA. If the City is found liable in a claim, the Contractor may file a contract claim against the City. The Contractor may be required to provide the City with a guaranty or some form of security that the power will be delivered as promised.

*Q - Would the City please secure to the historic power load data for Kingwood 3, which is served by Entergy, and provide such data to the Proposers. From past experience, Entergy has not provided such data to anyone other than the customer, even with a release letter signed by the customer.*

### **Water Production Plant Site Visits**

The following schedule will apply to site visits. All visitors **must** have a valid driver's license to gain entry and are subject to a security check.

Friday, April 9, 2010	East Water Plant	9:30 a.m.	South East Plant	1:30 p.m.
Monday, April 12, 2010	Katy Re-pump Station	9:30 a.m.		
Tuesday, April 13, 2010	North East Plant	9:30 a.m.	Kingwood and Lake Houston	– time to be determined

Jerry Roberts  
Division Manager  
Acquisitions Support Section  
Materials Management Branch  
Department of Public Works & Engineering