

**REQUEST FOR STATEMENT OF
QUALIFICATIONS
FOR
DISTRIBUTED POWER GENERATION SERVICES**



CAP
CENTRAL ARIZONA PROJECT

**CENTRAL ARIZONA WATER
CONSERVATION DISTRICT
SOQ DOCUMENTS**

SOQ NO. C1062

**SOQ ISSUED
SEPTEMBER 9, 2010**

**QUESTIONS DUE BY OCTOBER 4, 2010
9:00 AM PHOENIX TIME**

**SOQ DUE OCTOBER 27, 2010
3:00 PM PHOENIX TIME**

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Section A
NOTICE OF REQUEST FOR STATEMENT OF QUALIFICATIONS (SOQ)

INTRODUCTION

The Central Arizona Water Conservation District (CAWCD) is interested in evaluating potential sources of distributed power generation that may be capable of providing electrical power and energy to serve a portion of the water pumping requirements of the Central Arizona Project (CAP). As noted in the attached article "Confronting the Intersection of Water, Energy and Air Quality at the Central Arizona Project" (June 2010), CAWCD is facing uncertainties regarding the continued availability and cost of electric power and energy from the Navajo Generating Station (NGS) which currently supplies approximately 95 percent of the energy needed to operate the CAP. Although CAWCD expects to continue using NGS as its primary energy source unless and until NGS becomes unavailable or uneconomic, CAWCD is very interested in using renewable power sources to operate the CAP canal system and has continued and will continue to support efforts to develop alternative energy sources.

The purpose of this SOQ request is to solicit indicative proposals from qualified Contractors for renewable/alternative distributed generation projects, preferably located at or near CAWCD pumping plants (or existing CAP transmission lines serving those plants). The SOQ should address, among other things, the type of technology(ies) employed by the prospective Contractor, the experience and success of the Contractor in the construction and operation of generating facilities used in or suitable for use in distributed generation applications, the expected capital costs and operating costs for an indicative generation facility, land and water requirements for such a facility, financing and tax credit considerations, as well as other information as set forth in this SOQ.

Because of the uncertainty regarding the future availability of NGS, as well as the timing of events that could affect such availability, CAWCD is interested in pursuing options for distributed generation projects that could be implemented in relatively short time frames when and if CAWCD needs to develop alternative energy supplies. To the extent the SOQ process identifies projects that may be viable immediately; CAWCD may choose to implement them later.

CAWCD does not expect that the responses to this SOQ will result in binding contract proposals, but expects to generally follow the following process:

A. Phase I: SOQ responses will be reviewed and CAWCD will determine which project(s) it wishes to further pursue. No binding contract for a generation project will be created by submission of a SOQ and acceptance by CAWCD for further consideration during Phase II. However, by submitting a SOQ, the Contractor

agrees that if selected by CAWCD, it will negotiate in good faith with CAWCD to develop potential binding contractual obligations.

B. To facilitate such further negotiations, CAWCD will provide a standard non-disclosure agreement (NDA) for execution by selected Contractors.

C. Phase II: CAWCD will negotiate with selected Contractor(s) to develop indicative term sheets addressing, among other things, contract form, term, plant type and capacity, contract rate per kWh, proposed ownership, delivery point (and any transmission/substation requirements), site location and ownership, permitting requirements, capital costs and proposed financing, tax credits, renewable energy credits, production guarantees, and time to complete project upon notice to proceed. Term sheets that are acceptable to CAWCD may be further documented by appropriate contract documents. It being understood by CAWCD that construction costs and other pricing considerations will change with time, it is expected that accepted indicative term sheets will result in negotiation of binding commitments by Contractor(s) to negotiate in good faith for one or more of construction contract(s), power purchase agreement(s), lease(s) and/or other agreements as appropriate for the particular project (Phase III). CAWCD desires to have flexibility in the timing of implementation of any selected project(s).

REQUIREMENTS

1. SOQ REQUIREMENTS

The Central Arizona Water Conservation District (CAWCD) is soliciting sealed Statements of Qualifications (SOQs) for Distributed Power Generation Services. SOQs will be received by Doug Nicholson, CPM, CPPB, Purchasing Supervisor, at CAWCD headquarters, until the day and time stated on the cover sheet. SOQs submitted by mail shall be mailed to CAWCD Headquarters, P.O. Box 43020, Phoenix, AZ. 85080-3020. SOQs submitted by courier shall be delivered to CAWCD Headquarters, Building No. 1, 23636 North 7th Street, Phoenix, AZ 85024.

To be considered for resulting contract negotiations as described herein, SOQs must be in the actual possession of CAWCD's Purchasing Department at the location indicated, on or prior to the exact time and date indicated above. **Late SOQs may not be considered.**

No paper documents will be accepted. Response to the solicitation shall be submitted in a single file on a 4.72 inch CD-ROM in PDF format **ONLY**. Offers submitted in a format (paper or electronic) different than specified may be rejected at the discretion of CAWCD. All responses must be submitted in a sealed envelope. The title and the Proposer's name and address must be clearly indicated on the envelope. Submittal of a CD-

ROM in response to this solicitation shall be construed as the intent to be bound as described herein.

Questions may be addressed to Art Enriquez, (623) 869-2213 or by email at aenriquez@cap-az.com.

CAWCD reserves the right to reject any or all SOQs, to waive any non-conformance, to re-advertise for SOQs and to withhold the award of the Contract for any reason CAWCD determines.

CAWCD further reserves the right to consider other proposals for distributed generation or other energy supplies or supply services of any nature, whether initiated by CAWCD or a prospective supplier and either before or after the dates specified in this SOQ.

2. **PROJECT SCHEDULE**

Critical dates for this project are detailed below:

| | |
|---|--|
| October 27, 2010 | SOQ Due |
| November 15, 2010 | Notification of Shortlist |
| By December 24, 2010 | Interviews (shortlisted firms/individuals only) |
| January 23, 2011 through March 24, 2011 | Development of Indicative Term Sheets and contract documents (as appropriate) with Contractor(s) |
| April 7, 2011 | CAWCD Board Consideration of Potential Projects/Approval of Contracts as appropriate |

3. **It is expected that as a result of this SOQ, CAWCD may accept one or more Indicative Term Sheets. Selected Contractor(s) will negotiate in good faith a final agreement for the Work to be performed and services to be provided as appropriate for the selected project(s). While CAWCD reserves the right to pursue projects sooner, it is expected that project development will not be initiated unless or until it becomes apparent that NGS will become unavailable or uneconomic as a result of federal regulation or energy policy or otherwise.**

Section B
SOQ PREPARATION INSTRUCTIONS

1. **SCOPE**

This is a Request for Statement of Qualification (SOQ) for Distributed Power Generation Services. The Central Arizona Water Conservation (CAWCD) is a multi-county water conservation district and political subdivision of the State of Arizona, herein after referred to as CAWCD.

2. **COPIES OF SOQ DOCUMENTS**

- A. CAWCD assumes no responsibility for errors or misinterpretations resulting from the use of incomplete sets of SOQ Documents.
- B. CAWCD in making SOQ Documents available on the above terms does so only for the purpose of obtaining SOQ's on the Work and it does not constitute an offer for acceptance.

3. **EXAMINATION OF SOQ DOCUMENTS**

- A. It is the responsibility of each entity before submitting a SOQ to (1) examine the SOQ Documents thoroughly; (2) consider federal, state, and local laws and regulations or any other conditions that may affect cost or performance of the Work; and (3) notify CAWCD of conflicts, errors, or discrepancies in the SOQ Documents.
- B. Upon submission of a SOQ the entity attests it has (1) complied with every requirement of the SOQ Preparation Instructions; (2) without exception, the SOQ is premised upon performing the Work required by the SOQ Documents; and (3) the SOQ Documents are sufficient in scope and detail to convey an understanding of all terms and conditions for performing and furnishing the Work.

4. **INTERPRETATIONS AND ADDENDA**

- A. All questions about the meaning or intent of the SOQ Documents must be directed to CAWCD (Art Enriquez at 623-869-2413 or aenriquez@cap-az.com). Interpretations or clarifications considered necessary by CAWCD will be delivered prior to the due date to all parties that have obtained or downloaded SOQ Documents directly from CAWCD. **Entities that have obtained SOQ Documents from other sources are responsible for obtaining any addenda or updates.** Questions received less than seven (7) days prior to the due date may not be answered. Only questions answered by formal written Addenda will be binding upon

CAWCD. Oral and other interpretations or clarifications will be without legal effect.

- B. Addenda may also be issued to modify the SOQ documents as deemed advisable by CAWCD.
- C. In general, CAWCD will neither approve nor disapprove particular services prior to the opening of the SOQ's.

5. **THE SOQ**

- A. No oral SOQ will be considered. The SOQ and each of its schedules shall be carefully filled out and signed and sealed by the Contractor.
- B. No oral modifications to the SOQ will be considered.
- C. SOQ preparation costs are the sole responsibility of the Contractor including any costs associated with any requested oral presentation/demonstration in response to this SOQ.
- D. Each copy of the SOQ shall be signed by the person or persons legally authorized to bind the Contractor to a contract (see Section D – CONTRACTOR FORM). Electronic signatures are acceptable to CAWCD. A SOQ by a corporation shall have a certificate of good standing and a resolution authorizing the submittal of the SOQ affixed to the SOQ. A SOQ submitted by an agent shall have a current power of attorney attached certifying the agent's authority to bind the Contractor.

6. **AMENDMENTS TO SOQS**

Amendments to a submitted SOQ will only be considered if they are transmitted in the required CD-ROM in PDF format **ONLY** to the stipulated location indicated for submission of SOQ's and are received before the stated time and date.

7. **EVALUATION AND SELECTION**

- A. CAWCD in its sole discretion may: (1) reject for any reason any or all SOQ's, (2) reject a SOQ not accompanied by any data required by the SOQ Documents, (3) accept a single SOQ when, in the opinion of the General Manager, further advertising or posting will not alter the result, (4) waive minor deviations, unessential variances, informalities and minor inequalities in SOQ's received, and (5) reissue a SOQ.

- B. CAWCD reserves the right to negotiate contract terms with the successful Contractor, and the right to disregard all non-conforming, non-responsive, unbalanced or conditional SOQ's.
- C. CAWCD reserves the right to reject the SOQ of any Contractor if CAWCD believes that it would not be in the best interest of CAWCD to make an award to that Contractor, whether because the SOQ is not responsive or the Contractor is unqualified or of doubtful financial ability or fails to meet any other pertinent standard or criteria established by CAWCD.

In evaluating SOQs, CAWCD will consider:

- 1. **Power Generation System** (Renewable energy preferred) **design & technical performance of the system necessary to generate power** to meet CAWCD's power needs and the feasibility of constructing a generation facility in the timeframes required.
 - 2. **Contractor experience and ability to provide power generation system**
 - History and capability of the firm with emphasis on a Co-Development/Public-Private Partnership approach
 - Project Team capabilities
 - Financial stability
 - a) Provide evidence of financial stability
 - b) Most recent annual report
 - c) Certificate of good standing from the Arizona Corporation Commission (and other appropriate government regulatory agency in the state of incorporation, if other than Arizona).
 - d) A resolution from an officer of the corporation indicating that the person or persons submitting the proposal are legally authorized to bind the consultant to a contract.
 - 3. **CAWCD's involvement in the form of resources required to construct a power generation facility (see attached questionnaire).**
- D. CAWCD will review the SOQs and determine which Contractors' SOQs are most advantageous to CAWCD, taking into consideration evaluation of factors identified herein. CAWCD may hold

interviews with Contractors to aid in determining which SOQ(s) are most advantageous to CAWCD.

- E. Award of the Contract shall be made to the responsible Contractor(s) whose SOQ is determined, at the sole discretion of CAWCD, to be most advantageous to CAWCD, taking into consideration evaluation of the factors identified above.

8. **BASIS FOR AWARD OF CONTRACT**

It is expected that as a result of this SOQ, CAWCD may accept one or more Indicative Term Sheets. Selected Contractor(s) will negotiate in good faith a final agreement for the work to be performed and services to be provided as appropriate for the selected project(s). While CAWCD reserves the right to pursue projects sooner, it is expected that project development will not be initiated unless or until it becomes apparent that NGS will become unavailable or uneconomic as a result of federal regulation or energy policy or otherwise.

Section C
CONTRACT TERMS

The Contractor shall provide any proposed contract documents which it proposes be negotiated in the event CAWCD selects the Contractor's project for further development. CAWCD reserves the right to reject any such documents and may propose its own forms of documents.

**Section D
CONTRACTOR FORM**

1. SOQ PROVISIONS

All SOQ's are subject to the provisions contained in the SOQ Documents. The Contractor agrees to furnish all information requested by CAWCD as necessary to evaluate Contractor's SOQ submission and, if selected for Phase II review, to supply all further information reasonably requested by CAWCD as necessary for Phase II evaluation.

2. CERTIFICATION

A. Contractor certifies it is a: Sole Proprietorship_____; Partnership_____: Corporation _____.

B. Arizona sales tax no. _____

C. Federal ID Number _____

3. ADDITIONAL ELIGIBILITY CRITERIA

A.R.S. Section 41-4401 requires as a condition of the Contract, verification of compliance by the Contractor and each subcontractor with the Federal Immigration and Nationality Act, all other federal immigration laws and regulations, and A.R.S. Section 23-214 (A) that relate to their employees. By signing the Section D Contractor Form, the Contractor attests that it and all subcontractors that will be performing work under this Contract are in compliance with the Federal Immigration and Nationality Act, all other federal immigration laws and regulations and A.R.S. Section 23-214 (A) as these laws relate to their employees that will be performing work under this Contract.

4. CONTRACTOR

Company's Legal Name... _____

Address..... _____

City, State and Zip Code .. _____

Telephone No _____

Authorized Signature..... _____

Printed Name and Title... _____

Date..... _____

Company email Address _____

FOR QUESTIONS REGARDING THIS SOQ: (if different from above)

Contact Name

Phone Number

Fax Number

Email Address

Section E

SPECIFICATIONS

SUMMARY

CAWCD seeks to enter into a public/private partnership for Distributed Power Generation Services in the event that the Navajo Generation Station (NGS) becomes uneconomic or is decommissioned due to federal regulation or energy policy.

PROJECT OVERVIEW

Central Arizona Water Conservation District (“CAWCD”) is a multi-county water conservation district organized under the laws of the State of Arizona.

Central Arizona Project (“CAP”) is a multi-purpose water resource development and management project that delivers Colorado River water, either directly or by exchange, into central and southern Arizona. The project was designed to provide water to nearly one million acres of Indian and non-Indian irrigated agricultural land areas in Maricopa, Pinal and Pima Counties, as well as municipal water for several Arizona communities, including the metropolitan areas of Phoenix and Tucson. The United States Bureau of Reclamation (“Reclamation”) constructed and owns the features of the CAP. Under contract with Reclamation, CAWCD operates and maintains the CAP and repays the United States’ construction costs. Visit www.cap-az.com for further information.

CAWCD's Board of Directors recognizes the value of reliable and economical electric power in its Strategic Plan and has adopted the following strategic objective: Develop new, reliable, sustainable, cost-effective generation resources. Connected to this strategic objective are the following action plans:

- Investigate feasibility of distributed generation
- Explore possible partnerships with municipalities, utilities, merchants and public or private parties to develop new generation resources
- Identify and evaluate short-term/back-up generation resources
- Evaluate alternative generation resources including renewables
- Prepare for eventual replacement of NGS

CAWCD's Long-term Plan includes using the output of NGS for CAP purposes until 2040 or later, corresponding with CAP repayment. However, the continued operation of NGS may be adversely impacted by federal energy policy and regulatory requirements. In particular, if in making its Best Available Retrofit Technology (BART) determination for NGS, the EPA mandates installation of Selective Catalytic Reduction (SCR) with polishing baghouses at NGS in addition to the low-NOx burners with Separated Over-

fired Air (SOFA) currently being installed by the NGS owners for NOx emissions reduction, the economic operating life of NGS could be severely impacted. Therefore, in developing and implementing its action plan, CAWCD must deal with the meaning of "eventual": Does it mean NGS is replaced in 2016, 2036, or some other date?

Nevertheless, CAWCD remains committed to "aggressively oppose all legislative, legal and regulatory threats to NGS." (Board Action Plan) As CAWCD develops its power resource plans, a range of non-coal, utility-scale resources are being considered in the event NGS must be replaced with other base-load generation.

Beyond that, CAWCD intends to consider a range of initiatives including new generation resources with options creating, in effect, a life insurance policy for NGS. The purpose of this SOQ is to explore new generation resources, especially renewable and distributed generation sources. CAWCD will consider how such potential sources fit with CAP pumping profiles and the flexibility and financial viability of such potential sources. CAWCD expects that it will need to enter into agreements with one or more power generation provider(s), for this power need. Through the SOQ process, including the later Phases II and III, CAWCD will consider a variety of options including public/private partnership agreements aimed at distributed generation solutions near CAP facilities.

A public/private partnership agreement would allow for a co-development arrangement. It is expected that CAWCD would provide the necessary (i) land (CAP owned or federally-owned), working together with Contractor to identify environmental issues and necessary permits and (ii) interconnection at multiple locations along the CAP transmission system (near CAP Pumping Plant Facilities) including transmission studies and site-specific system protection. Contractor may propose other land, including tribally-owned land, for project siting, but it must be recognized that acceptable land use agreements must be worked out with the landowners. It is expected that the Contractor will construct the power generation facility and provide the necessary electrical power to the CAP. The size of any power generation facility would be limited to the transmission line capacity available to the CAP.

CAWCD is interested in receiving SOQs from Contractors proposing the construction of power generation facilities from any fuel source except coal-fired and especially from those using renewable resources including solar, wind, etc. Possible interconnection locations are located near the Bouse Hills Pumping Plant (approx 264 acres BLM), Little Harquahala Pumping Plant (approx 264 acres BLM), Brady Pumping Plant (approx 1000 acres Reclamation) and Harcuvar Substation (approx 1360 acres BLM).

At this time, it is unknown if or when NGS may become unavailable or uneconomic. Due to the lengthy time required to design, permit and construct any kind of power generation facility, CAWCD wishes to develop Indicative Term Sheets that would provide the framework for one or more distributed generation power supply agreement(s) at this time. If NGS will become unavailable to supply the CAP with economic power and energy, CAWCD would want to further develop arrangements set forth in Indicative Term Sheets in an expeditious manner. The purpose of this SOQ is to have the ability to have complete contract documents in place and ready for signature as soon as reasonably possible if CAWCD determines that it is necessary to develop alternatives to NGS as power sources for the CAP.

It is expected EPA will make its Best Available Retrofit Technology (BART) determination for NGS sometime during 2011. It is likely that more information on federal carbon legislation will be known by then as well. The manner in which those two items are resolved likely will influence CAWCD's decision whether and when to move forward to develop final agreements based on the results of this SOQ, Indicative Term Sheets and any preliminary agreements that may be reached as a result of the SOQ process.

Additional information is contained in the Attachments to the SOQ.

ATTACHMENTS

Confronting the Intersection of Water, Energy, and Air Quality at the CAP



Confronting the
Intersection of Water

Aqueduct System Map



Aqueduct System
Map

Transmission Lines Schematic



Transmission Lines
Schematic.pdf

Desert Southwest Transmission System Map



Desert Southwest
Transmission System

XFMR Specifications



XFMR
Specifcatons.xls

Load Shapes



Load Shapes

QUESTIONNAIRE

POWER GENERATION SYSTEM (RENEWABLE ENERGY PREFERRED) DESIGN & TECHNICAL PERFORMANCE OF THE SYSTEM

- 1. Describe the type(s) of power generation system(s) you are proposing and how the optionality needs of CAWCD would be met as described in the SOQ.

CONTRACTOR EXPERIENCE AND ABILITY TO PROVIDE POWER GENERATION SYSTEM

- 2. Describe previous generation projects, including any previous co-development projects with public entities.

- 3. Describe areas of risk for a private entity in a co-development arrangement with a public entity.

- 4. Through this process, CAWCD seeks to manage the risk associated with the uncertainty as to when the replacement of existing resources at NGS may be necessary. Please provide a discussion as to how you would structure co-development to deal with this uncertainty.

- 5. Provide a brief history of your company.

- 6. Provide a brief description of your company's financial capability.

7. What distinguishes your company from other entities that may provide the same or similar services?

8. Provide names, qualifications, resumes, and experience of personnel to be assigned to this project.

9. Is there any other additional information that is important in our evaluation of your proposal?

CAWCD'S INVOLVEMENT IN THE FORM OF RESOURCES REQUIRED TO CONSTRUCT A POWER GENERATION FACILITY

10. Describe specifically what CAWCD involvement is required, in the form of resources (staff, expenditures, land, interconnection requirements, displacing of power, etc.) to plan, design, permit and construct a power generation facility(ies) and make such a project a long term success.
