



## 2008 RFO To Meet MID RPS Questions and Clarifications

### **Q1 Can you explain FSEE and draw distinction with FSE**

#### **Answer**

In general, Firm/Shaped Exchange Capacity/Energy (FSEE) agreements are used to structure the delivery of the output from wind projects. Under FSEE agreements, the project generates electricity in a given month and the seller agrees to provide in a future month an equivalent amount of exchange energy bundled with the Environmental Attributes/Renewable Energy Certificates in an amount equal to the original energy produced by the project in the given month. MID would like for offers using wind technology to have the flexibility to use this structure.

Firm/Shaped Capacity/Energy (FSE) agreements include the use of renewable resources for delivery of energy and capacity at the times and in the amount negotiated in an agreement. In this case, an offeror could potentially use multiple units from a facility to ensure that the delivery occurs. The delivery would have to include bundled Environmental Attributes/Renewable Energy Certificates from the specific generator(s) used to meet Seller's delivery requirement.

### **Q2 Among the various delivery structures, is there a preference? In-state versus out-of-state?**

#### **Answer**

There is no preference among the delivery structures listed in the RFO (a power purchase agreement, a power purchase agreement with an option to buy, or a turnkey acquisition agreement). There is also no preference for in-state versus out-of-state delivery of project output. However, for those offers that include the option for MID to own the project facilities **or** the option for MID to buy the project facilities at a later date, the request is

that the project be located locally, either within MID's service territory or within the SMUD balancing authority area.

For offers regarding projects within the MID service territory, MID would like to have the opportunity examine any proposed locations. For offers that potentially allow MID to take ownership of the project and related facilities within MID's service territory in the future, it is strongly encouraged that these offers identify proposed locations. MID reserves the right to contact respondents independently to try get more information if necessary.

**Q3 Is MID considering offers of Renewable Energy Certificates only (not bundled with energy)?**

**Answer**

MID will not evaluate offers of Renewable Energy Certificates only at this time. All offers should include Environmental Attributes/Renewable Energy Certificates bundled with the output of renewable energy from the proposed project(s).

**Q4 Will MID disclose the discount rate used to evaluate the NPV of cash flow streams for the various projects?**

**Answer**

MID will not disclose the rates used to evaluate the various offers. Individual respondents are expected to develop their offers using their own sets of assumptions for developing a pricing structure for their proposals, whether the proposals include a power purchase agreement, a power purchase agreement with an option to buy, or a turnkey acquisition agreement. If more information is necessary, MID reserves the right to contact respondents independently, but specific respondent offer information will not be disclosed to other respondents.

**Q5. Can proposed offers include a time of use pricing structure?**

**Answer**

MID would like to see a single melded \$/MWh price, as specified in Question 7 of the Renewable Project Application. If there is a proposal that utilizes a pricing structure that includes variations in price (such as

time of use pricing), the total cost to MID should be quantified as a single melded \$/MWh price in Question 7. Questions 27 and 34 of the Renewable Project Application allow for explanation of offer details and any other information that MID has not requested associated with proposed offers. The impacts to the proposed pricing structure (which may include a time of use pricing structure) should be addressed in the response to Question 27. If there is more information that the respondent would like to provide regarding the proposed pricing structure, such information should be provided in the response to Question 34.