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DATE: September 5, 2016
TO: Respondants of Solar Schools RFP
FROM: Cheryal Lee Hills, R5DC Executive Director
RE: Clarifications of R5DC Solar Schools Project and next steps

In reviewing the responses to the R5DC Solar Schools RFP offers to following clarifications to the project scope, partner roles, tax and finance details. Please review the clarifications outlined below.

Given these clarifications, please submit a written response regarding any impact upon your proposal or interest in the project. Responses should be received by September 16, 2016 and may be sent via email. As part of the evaluation process, Region 5 intends to hold an in-person visit with invited potential partners. This meeting is tentatively planned to be held in Little Falls MN for the Minnesota based respondents and a conference call for out of state respondents on Friday September 23, 2016 after 1:00 p.m. CST.

Please contact Cheryal Lee Hills at 218-270-0188 or chills@regionfive.org with any questions you may have. Thank you for responding to the Solar Schools Project RFP.

Clarifications to Region Five Solar Project RFP

Tax treatment of RDF grant. Although the RDF grant from Xcel Energy is required to go to Region Five as the grant recipient, it is likely to be taxable income under most structures proposed in response to the RFP. The RDF grant does not, however, reduce the total amount of the project for purposes of calculating the Investment Tax Credit or project basis for depreciation because it is not a source of subsidy from federal funds. The RDF grant may also be treated as the pre-payment of power purchases, which would spread the recognition of it as income over the life of the PPA.

EPC structure and decision-making. An important goal for this RDF project is to build the capacity of firms in Region Five for solar energy development. Region Five has been working with Rural Renewable Energy Alliance (RREAL), a local solar firm, on the project since its inception and intends to continue doing so. While Region Five and RREAL recognize that most finance partners will require review and approval of engineering and construction activities, Region Five intends that most of the construction work will be done by RREAL and other subcontractors in the region.

Use of tenKsolar technology. Region Five's original proposal for RDF funding was written based on the use of tenKsolar equipment and the proposal was scored, in part, on the basis of this use of Made-in-Minnesota equipment. Any proposed change in the technology used for this project will require the approval of Xcel Energy and may delay the schedule for moving forward with the project.

Role of Region Five. Region Five has an established record of managing large grant projects and economic development activities. Its role in this project includes working directly with school districts to secure their approval of required legal documents, and working with Minnesota Power on the value of energy and interconnection agreements. Region Five has long term relationships with the schools and utility providers and is willing to play an ongoing role in the operation, management and financial accounting for these solar facilities.

Status of grant contract with Xcel Energy. Region Five has submitted all of the initial round of due diligence documents required by Xcel Energy and will continue to respond to Xcel requests. Region Five has also requested an amendment in Xcel's standard grant contract language in order to facilitate the use of third-party financing and expects a favorable response from Xcel within a few weeks. Pending an agreement on project financing within the next few weeks, Region Five expects to execute a contract with Xcel for RDF funds by the end of the year.

PPA rates in the RFP. Rates for the purchase of power by the schools in the PPA were included for illustrative purposes only. Responders should propose PPA rates and terms that allow them to meet their target rates of return on investment. Region Five's goal is to offer at least a 10-15% savings to schools on their energy purchases. The precise value that on-site solar energy will receive from Minnesota Power, which together with PPA rates will determine the savings to schools, is not know at this time. Region Five will continue its dialogue with Minnesota Power to achieve the rates of return required by developers and the savings goals for the schools.