



**Region Five Development Commission (R5DC)**

**REQUEST FOR PROPOSALS**

***REGION FIVE SOLAR SCHOOLS PROJECT***

**Originally posted July 21, 2016**

**Re-posted September 29, 2016**

Region Five Development Commission (R5DC), a regional economic development agency authorized by the Minnesota Regional Development Act<sup>1</sup>, offers this Request for Proposal (RFP) to identify an investment partner(s) for the construction and operation of multiple solar energy facilities at public school sites (Project).

This solicitation is being reposted by R5DC to allow additional interested parties to submit proposals to invest in the Project. Proposals received by R5DC resulting from the original posting will be evaluated and considered with submittals received resulting from this reposting. For responses already submitted, no additional information is required but supporting material may be submitted to the original proposal.

Proposals will be received until November 15, 2016 at 4:30 p.m. Central Standard Time at: R5DC, c/o Cheryal Lee Hills, 200 1<sup>st</sup> Street NE, Suite 2, Staples, MN 56479 or [chills@regionfive.org](mailto:chills@regionfive.org).

### **About R5DC/Solar Schools Project:**

R5DC is seeking an investment partner(s) for construction and operation of multiple solar energy facilities at public school sites. The projects will be roof-mounted and ground-mounted solar arrays totaling 1,493 kilowatts (DC solar capacity) with energy benefits to eight school district sites and the Leech Lake Tribal College (LLTC) in the five counties served by Region Five in Central Minnesota.

As project manager, R5DC has secured initial approvals from school districts and engaged with Minnesota Power and other utilities for interconnection of the solar equipment. RREAL, an experienced solar developer based in Backus, is the intended contractor for management of design, engineering and construction services. All of the sites will be built using equipment from tenKsolar, a Minnesota-based manufacturer. R5DC's development team also includes legal services from the National Joint Powers Alliance (NJPA) and project management support from Kandiyo Consulting.

R5DC has been awarded a Renewable Development Fund (RDF) grant of \$1,993,660 from Xcel Energy to support the development of these solar projects, payable at the completion of the project. Total project costs have been preliminarily estimated at \$4,257,900. R5DC will collaborate with the investment partner(s) to create the ideal financing structure which facilitates completion of project and utilization of substantial tax incentives. The R5DC is seeking to identify an investment partner(s) via this RFP.

### **At-a-glance**

- Grant application originally submitted April 2013
- Xcel offered grant negotiations to begin - in December 2015
- Grant amount: \$1,993,660
- Total estimated cost: \$4.2 – 4.3 million
- Participation approved for solar projects in the following School districts: Pequot Lakes, Little Falls, Pine River-Backus, Leech Lake Tribal College (in Cass Lake MN)
- Utility providers: Minnesota Power (MP) for all sites with exception of Beltrami Electric Cooperative (Leech Lake Tribal College).



TenKsolar RAIS Technology [Image courtesy of tenKsolar]

### *Project Principals, Stated Grant & Project Objectives*

- Install 1.493 megawatts of DC solar capacity, producing about 1,645,000 kilowatt-hours (kWh) of clean energy in the first year and more than 38 million kWh over 25 years.
- Demonstrate the cost-effectiveness of a coordinated regional strategy for solar development
- Build expertise, experience and skills among local firms and providers for further solar development in 5-county rural region.
- Save schools money on their energy costs over time with a rate for solar energy that is at least 10-15% below rates for other power.
- Create “living labs” for STEM-based curriculum integrated with solar energy technology.

### *School Objectives district benefits*

Participating schools are being offered an opportunity to host a solar array and purchase the power at a discounted rate. Schools initial capital cost is limited to \$5,000. Solar energy will be available to schools at a discount for at least 20 years. The project creates a potential platform for other school districts for future renewable energy projects and STEM-based training and career opportunities. Early engagement of utility providers will be essential to future project development.

### *Leech Lake Band of Ojibwe Tribal College added value*

The Project intends to utilize students from the Leech Lake Tribal College who are enrolled in renewable energy courses to work alongside Rural Renewable Energy Alliance (RREAL) crews. This on-the-job experience may lead to well paid jobs, build resumes and create potential opportunities for LLTC students.

### **Scope of RFP:**

R5DC is seeking to identify an investor(s) to provide funding in the amount of \$1,998,655 to facilitate the completion of the Region Five Solar Schools Project. The ideal financial partner will have an ability to utilize substantial federal and state tax benefits that are available from the development of solar energy.

In 2005, Congress passed the Energy Policy Act<sup>ii</sup> creating incentives for the residential and commercial development of solar energy systems. These incentives, renewed in 2015<sup>iii</sup>, include a federal Investment Tax Credit (ITC) equal to 30 percent of total project cost that can be used 100% in the first year to offset federal tax or rolled forward for up to five years. Additional tax benefits derive from accelerated depreciation of the solar equipment, including a 50% bonus depreciation write-off in the first year.

Investment in the Project may entitle the investor to substantial tax advantages offered through these programs. The ideal investor will have a substantial federal tax liability and fall into one or more of the following categories, including but not limited to;

- A Chapter C corporation not subject to active-passive income and loss rules
- An entity owing taxes on passive income that can be offset by passive losses
- An entity actively engaged in solar or related construction activities at least 500 hours a year.

In addition to the RDF grant and tax equity, R5DC may seek additional financing for the balance of the project costs and for construction financing during project development. Debt will be repaid from revenues from the sale of energy under minimum 20-year Power Purchase Agreements with the schools. Once all of the financing has been secured, design, construction and interconnection of the solar arrays is expected to be completed in less than 12 months.

**Project Financing:**

Based on these parameters, the following represents the Sources and Uses Budget for the project:

**SOURCES:**

|                         |                     |
|-------------------------|---------------------|
| R5DC equity (RDF grant) | \$1,993,660.        |
| Investor tax equity     | 1,998,655.          |
| Debt financing          | 265,585.            |
| <b>TOTAL:</b>           | <b>\$4,257,900.</b> |

**USES:**

|                                    |                     |
|------------------------------------|---------------------|
| 1,493.1 kW installed @ \$2.54/watt | \$3,792,474.        |
| EV charging stations               | 19,000.             |
| Contingency (2%)                   | 76,129.             |
| Construction financing             | 165,492.            |
| Development fee                    | 204,805.            |
| <b>TOTAL:</b>                      | <b>\$4,257,900.</b> |

Estimated Tax Equity. The estimate of tax equity is summarized below. Calculation of depreciation requires a deduction of 50% of the ITC from the basis.

|                    | Actual              | Discounted          |
|--------------------|---------------------|---------------------|
| ITC                | \$1,277,370.        | \$1,187,954.        |
| Depreciation cash* | 1,013,376.          | 810,701.            |
| <b>TOTAL:</b>      | <b>\$2,290,746.</b> | <b>\$1,998,655.</b> |

\*Based on effective state-federal tax rate of 28%

Of the tax equity amount contributed by an investor, \$1,885,396 would be returned to the investor within 6-8 months based on the full value of the ITC and bonus depreciation expensing.

As noted, R5DC will enter into a Power Purchase Agreement (PPA) with each of the school districts. Energy production from the systems will be guaranteed by the system operator at 1,645,286 kWh in the first year, degraded at 0.4% annually. In addition to debt service coverage, revenues from energy sales will cover the costs for operation and maintenance, insurance and project accounting that will be managed by R5DC, and may provide additional returns to an investor.

**Instructions/Requirements:**

To be considered responsive, proposals must include the following information, preferably in the following order:

**A. GENERAL INFORMATION**

1. Firm name.
2. Principal address and contact information of firm.
3. The name and direct contact information of the project manager (if known) that will be assigned to the work as well as any other key individuals.
4. Responder's Specific Role (investor, broker, owner's representative, other.)

**B. QUALIFICATIONS (KNOWLEDGE, EXPERTISE, CAPABILITIES)**

1. Tax filing status.
2. Organizational/Entity Structure (i.e. partnership, corporation, etc.).
3. Date of formation or establishment of firm.
4. List any historical investments with schools and/or energy projects or related projects undertaken by the project manager or applicant team within the past five (5) years.

**C. SCOPE OF SERVICES**

1. Ability to finance.
2. Any interest in any associated debt financing (construction or project debt).
3. Nominal term expectation.
4. Expectations of general underwriting timeline.

**D. CONFLICTS OF INTEREST**

Disclose any conflicts of interest or the appearance of conflicts of the firm or key individuals that will work on the project may have in performing the work described in this RFP with any of the following entities:

- Region Five Development Commission, RREAL, Kandiyo Consulting, The National Joint Powers Alliance, tenKSolar, Little Falls School District, Pequot Lakes School District, Pine River-Backus School District, Minnesota Power (MP), Beltrami Electric Cooperative, Leech Lake Tribal College, or any other partner associated with this project.

Proposals must include a statement certifying that any future conflicts that become known will be immediately be disclosed, in writing, to R5DC.

**E. PROPOSAL TERMS FOR FINANCING AND INVESTMENT**

Proposals must include a completed Proposed Terms for Financing and Investment document (term sheet), attached to the RFP as Attachment A. Term sheets should be completed to the fullest extent of available information as the format mirrors the required documentation needed by R5DC to secure the RDF grant. Proposers may annotate or provide additional narrative responses to allow R5DC to evaluate the investment proposal.

Proposers shall submit one (1) copy of proposal to be received no later than 4:30 p.m., Central Standard Time (CST) on Tuesday November 15, 2016. Electronic proposals will be accepted and may be submitted to: [chills@regionfive.org](mailto:chills@regionfive.org). Proposals sent by mail or courier must be postmarked no later than October 31, 2016 and must be sent to:

Region Five Development Commission  
c/o Cheryal Lee Hills  
200 1<sup>st</sup> Street NE, Suite 2  
Staples, MN 56479

R5DC is not responsible for delays or losses caused by the U.S. Postal Service or any other carrier or delivery service.

**Questions & Answers:**

All questions about this RFP shall be submitted in writing to Cheryal Lee Hills, R5DC 200 1<sup>st</sup> Street NE, Suite 2, Staples, MN 56479 or [chills@regionfive.org](mailto:chills@regionfive.org) no later than five (5) business days prior to the proposal due date. If R5DC deems questions to have a material impact on other potential proposers or the RFP itself, the answer to the questions will become an addendum to this RFP on R5DC's webpage: [www.regionfive.org](http://www.regionfive.org)

Proposer shall promptly notify R5DC of any ambiguity or errors discovered in the RFP. Corrections and changes to this RFP will be made by R5DC through addendum, and proposers shall only be bound by corrections or changes made through such addendum.

**Evaluation Process:**

Investment partner(s) selection will be based on the amount of tax equity financing, qualifications, experience, reputation of the key team members assigned to the project, and the firm's structure, organization and alignment with project principals.

R5DC reserves the right to determine, in their sole and absolute discretion, whether any aspect of the proposal satisfactorily meets the criteria established in this RFP. A committee consisting of representatives from the project leadership team and the Region Five Solar Schools Commission Committee will evaluate all responsive proposals received. Evaluation of proposals by staff, committees, or by any other group is advisory only. R5DC may consider or reject such evaluations or recommendations for any or all proposals. Such evaluations are for the sole benefit of R5DC in identifying potential investment partner(s) to engage in negotiations for financing the Project. Negotiations may be held at the conclusion of the proposal evaluation process.

**R5DC's Reserved Rights:**

All materials submitted are the property of R5DC and will not be returned.

To seek clarification and request additional data in support of the written proposal.

Reject any and all proposals received in response to this RFP.

Disqualify any proposer whose conduct or proposal fails to conform to the requirements of this RFP.

Have unlimited rights to duplicate all materials submitted for purposes of RFP evaluation, and duplicate all public information in response to data requests regarding the proposal.

Consider a late modification of a proposal if the proposal itself was submitted on time and if the modifications were requested by R5DC and the modifications make the terms of the proposal more favorable to R5DC, and accept such proposal as modified.

At its sole discretion, reserve the right to waive any non-material deviations from the requirements and procedures of this RFP.

Cancel the Request for Proposal at any time and for any reason with no cost or penalty to R5DC. Correct or amend the RFP at any time with no cost or penalty to R5DC. If R5DC should correct or amend any segment of the RFP after submission of proposals, all proposers will be afforded notice and opportunity to revise their proposal within a specified time. R5DC will not be liable for any errors in the RFP or other responses related to the RFP.

Extend proposal due date.

**Data Practices:**

All materials submitted in response to this RFP will become property of R5DC and will become public record in accordance with Minnesota Statutes, section 13.591, after the evaluation process is completed. If the Responder submits information in response to this RFP that it believes to be nonpublic information, as defined by the Minnesota Government Data Practices Act, Minnesota Statute § 13.37, the Responder must:

1. Make the request within thirty days of award/non-award, and include the appropriate statutory justification. R5DC legal counsel shall review the statement to determine whether the information shall be withheld. If R5DC determines to disclose the information, the R5DC legal counsel shall inform the proposer, in writing, of such determination; and
2. Defend any action seeking release of the materials it believes to be nonpublic information, and indemnify and hold harmless R5DC, its agents and employees, from any judgments or damages awarded against R5DC in favor of the party requesting the materials, and any and all costs connected with that defense.

In submitting a response to this RFP, the proposer agrees that this indemnification survives as long as the confidential information is in possession of R5DC. When the situation warrants, proposer may be able redact additional nonpublic information after the evaluation process if legal justification is provided and accepted by R5DC legal counsel.

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<sup>i</sup> Minn. Stat. § 462.381-398 (2016).

<sup>ii</sup> Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005).

<sup>iii</sup> Consolidated Appropriations Act, Pub. L. No. 114-113, 129 Stat. 2242 (2015).