

State of Vermont
Request for Proposals for the Standard-Offer Program

Issued by:

VEPP Inc.

Acting as the Standard Offer Facilitator

For issuance on:

March 13, 2020

Table of Contents

1 Introduction.....	1
1.1 General Requirements.....	2
1.2 Contents of this RFP	2
2 RFP Process Overview	3
2.1 Schedule.....	3
2.2 Proposal Submission.....	3
2.3 Confidentiality	4
2.4 Proposal Security	4
2.5 Notification and Selected Proponents	4
2.6 Notification to Proponents of Contract Requirements	4
2.7 Notification to Proponents of Transmission Limitations	5
3 Proposal Evaluation	6
3.1 Mandatory Requirements.....	6
3.1.1 Proposed Plant	6
3.1.2 Application and Appendices	6
3.1.3 Site Control	6
3.1.4 Independent Technical Facility.....	6
3.1.5 Proposal Pricing.....	7
3.1.6 Technology-Specific Avoided-Cost Price Caps.....	8
3.2 Evaluation Criteria	8
3.2.1 Selection of Award Group	8
3.2.2 Reserve Group	10
4 Terms and Conditions	10
4.1 General Terms and Conditions	10
4.2 Proponent Costs and Limitation of Liability.....	10
4.3 Reserved Rights	10
4.4 Governing Law	11
4.5 Conditional Proposals	11

1 Introduction

Established in 2009, pursuant to 30 V.S.A. § 8005a, the standard-offer program promotes the rapid deployment of small renewable generation. The Vermont Public Utility Commission (“Commission”) has implemented the program through Orders in Dockets 7523, 7533, 7780, 7873, 7874, 8817, Case 17-3935-INV, Case 18-2820-INV, and most recently, Case No. 19-4466-INV.

Under the program, Vermont distribution utilities are required to buy renewable power from an eligible generator at a specified price for a specified period of time. Program costs are distributed among Vermont utilities based on their *pro rata* share of electric sales. The program is administered by a statewide purchasing agent (“Standard Offer Facilitator”) appointed by the Commission.¹

Eligible plants can be no larger than 2.2 MW in size and include the following technologies: solar; wind with a capacity of 100 kW or smaller (“small wind”); wind with a capacity greater than 100 kW up to 2.2 MW (“large wind”); farm methane; landfill methane; food waste anaerobic digestion; biomass; and hydroelectric.

The standard-offer program was created with a 50 MW initial program capacity that was expanded to 127.5 MW in 2012. The available program capacity is distributed annually as follows: 5 MW in 2013-2015; 7.5 MW in 2016-2018; and 10 MW available in 2019-2022. A specific portion of each year’s capacity is reserved for plants proposed by Vermont utilities and is referred to as the Provider Block, with the remainder referred to as the Developer Block. Farm methane plants remain outside the program capacity cap (i.e., no restrictions on the number of plants that can participate in the program).

Since 2013, pursuant to the authority of Title 30 V.S.A. § 8005a(f)(1), the Commission has issued an annual request for proposals (“RFP”) to fill the available annual capacity under the program. Issued by the Standard Offer Facilitator, this annual RFP specifies annual program capacity, technology allocations, and avoided-cost price caps.² Under the RFP, lowest-priced proposals are awarded annual capacity.

For background information, proponents may review the Commission orders in Dockets 7873 and 7874, Docket 8817 and Case 17-3935-INV, including Order of 3/1/13 in Dockets 7873 and 7874, Order of 3/2/17 in Docket 8817 (with technical correction issued on 3/10/17), Order of 3/29/17 in Docket 8817, Order of 3/16/18 in Case 17-3935-INV, Orders of 8/2/18 and 1/16/19 in Case 18-2820-INV, and Order of 3/4/20 in Case 19-4466-INV.

This RFP outlines the terms and conditions under which eligible plants are to develop proposals and the evaluation framework that the Standard Offer Facilitator will use to select proponents that will be awarded standard-offer contracts.

¹ VEPP Inc. (“VEPP”) serves as the Standard Offer Facilitator under contract to the Commission.

² The Standard Offer Facilitator maintains a website for the program that includes the annual RFP and other information: <http://www.vermontstandardoffer.com/>.

The table below shows the approximate capacity allocation for the 2020 RFP.

2020 Standard-Offer Program Capacity Allocation	
<u>Developer Block</u>	
Price-Competitive Developer Block	4.810 MW
Technology Diversity Developer Block	
Biomass	1.8258 MW
Small Wind	1.8258 MW
Large Wind	1.8258 MW
Food Waste Anaerobic Digestion	1.8258 MW
Hydroelectric	1.8258 MW
<u>Provider Block</u>	
All provider plants	3.485 MW
Total	17.424 MW

1.1 General Requirements

All communication regarding this RFP will be conducted through the Standard Offer Facilitator’s website.³ Comments and questions regarding the RFP or standard-offer contracts should be directed to VEPP via the Q & A webpage.⁴ Successful proponents will be required to enter into the standard-offer contract that the Commission has mandated for use, posted on the website.

1.2 Contents of this RFP

This RFP is composed of four chapters, the first of which is this introduction. The second chapter provides an overview of the RFP process. The third chapter reviews the evaluation process, including the mandatory requirements, evaluation, and proposal selection process. The final chapter reviews the major terms and conditions of the RFP process.

³ <https://vermontstandardoffer.com/standard-offer/request-for-proposals/2020-rfp/2020-standard-offer-program-request-for-proposals/>

⁴ <https://vermontstandardoffer.com/questions/>

2 RFP Process Overview

This section provides an overview of the RFP process.

2.1 Schedule

The RFP schedule for 2020 is presented below.

Event	Date
Release of RFP	March 13, 2020
Deadline for Questions on RFP	April 16, 2020
Final Responses to Questions	April 23, 2020
Proposal Submission Deadline	May 1, 2020, 4:30 P.M. EST July 1 2020, 4:30 P.M. EST*
Proposal Opening	May 4, 2020, 2:00 P.M. EST July 6, 2020*
Announcement of Award Group	June 2020 TBD*
Execution of Standard-Offer Contracts by Award Group	Within 30 days of award group announcement

* Public Utility Commission Case No. 19-4466, Order of 4/8/2020.

2.2 Proposal Submission

Proposals including a fully completed application with appendices (attached to this RFP) are to be labeled as indicated below and delivered to the following address prior to the proposal submission deadline:

Vermont Standard-Offer Program RFP: Proposal

Mail Address:

VEPP Inc.
P.O. Box 1938
Manchester Center, VT 05255

FEDEX, UPS and similar Address:

VEPP Inc.
3452 Richville Road, Unit 1938
Manchester Center, VT 05255

The proposal submission packet must include a fully completed application with appendices indicating the full legal name of the proponent with its return address. Each proposal submission packet should be enclosed in a *separate envelope*. Once the proposal submission deadline has passed, proponents will not be allowed to withdraw proposals until after the award group announcement.

Proponents may not contact staff of the Commission, the Vermont Department of Public Service, or VEPP with respect to matters related to this RFP, once it has been released, except through the channels identified in this RFP (see Section 1.1). No proponent or project team member shall engage in any fraudulent, misleading, manipulative, collusive, or noncompetitive behavior with respect to the pricing of its proposal. Any such behavior may be investigated and prosecuted in accordance with any and all

applicable regulations and laws. Any such behavior may disqualify the proponent or the proposal of the proponent from the RFP. Proponents may sign up for communications regarding this RFP via ePUC.⁵

2.3 Confidentiality

Proponents should be aware that all materials associated with the RFP are subject to the terms of the Vermont Access to Public Records Act (1 V.S.A. Chapter 5, Subchapter 3) and all rules, regulations, and interpretations resulting therefrom, including those from the Commission, the office of the Attorney General of the State of Vermont, the office of the Vermont Secretary of State, and any other applicable rules, regulations, or judicial decisions regarding access to the records of government.

Proposals will be posted publicly on the Standard Offer Facilitator's website.

2.4 Proposal Security

Proposal security must be payable to and in favor of "VEPP Inc. - In Trust" in the amount of \$10 per kW of installed AC capacity. Proposal security must be in the form of a certified check or bank draft.

Proposal security will be returned to unsuccessful proponents. Successful proponents who fail to execute the standard-offer contract within 30 business days of notification that they have been awarded a contract will forfeit their proposal security. Proposal security will be returned upon commissioning of a standard-offer plant. Proposal security will be returned to proponents who withdraw from the reserve group (see Section 3.2.2) before January 1st. Proposal security will be returned to proponents not selected from the reserve group by January 1st.

2.5 Notification and Selected Proponents

VEPP will notify each selected proponent in the award group in writing, electronically, or verbally of its selection. Each selected proponent must execute the standard-offer contract and deliver same to VEPP within 30 business days of offer of contract. If the proponent fails to provide the contract deposit (see Section 2.6), administrative fee, interconnection application, or FERC Form 556, required under the standard-offer contract, or fails to execute the contract within the required time, the proponent may be disqualified and VEPP may select another proponent. Under these conditions the proponent will forfeit its proposal security.

The standard-offer contract will not be subject to negotiation after the proponent has been notified that it is being offered the opportunity to execute the contract. Pursuant to the September 30, 2009, Commission Order in Docket 7533, VEPP, acting as the Standard Offer Facilitator, does not have the authority to alter the standard-offer contract. Therefore, the proponent will be required to execute the standard-offer contract in the final form posted on the Standard Offer Facilitator's website.⁶

2.6 Notification to Proponents of Contract Requirements

Proponents who are awarded a standard-offer contract in this RFP will be required to file with the Commission a complete petition for a certificate of public good within one year of the effective date of

⁵ <https://epuc.vermont.gov/>

⁶ <https://vermontstandardoffer.com/standard-offer/request-for-proposals/contract-sample/>

the standard-offer contract. Additional information on the certificate of public good process is available at the Standard Offer Facilitator's website.⁷

Proponents who are awarded a standard-offer contract in this RFP will be required to provide a contract deposit in the amount of \$15 per kW of installed AC capacity. Contract deposit will be refunded upon commissioning of a standard-offer plant. Contract deposit will be forfeited, if standard-offer plant withdraws prior to commissioning, unless withdrawal is due to Commission denial of the certificate of public good petition.

Successful proponents may be responsible for executing any necessary transmission service applications and agreements required under the terms of the interconnecting utility's approved transmission tariff. Transmission service fees are billed to the Vermont distribution utilities participating in the Standard Offer Program. Example transmission service applications and agreements are available on the Standard Offer Facilitator's website.

2.7 Notification to Proponents of Transmission Limitations

According to information presented to the Commission, the electric transmission system in northern Vermont may not be able to integrate new generators without financial impact to existing generators. In 2013, ISO-NE demarcated the Sheffield-Highgate Export Interface ("SHEI") and established generator operation limits to ensure that the transmission system's capacity to function reliably remains intact.

During certain operational periods, these limits are reached and generation resources in areas of northern Vermont are required to curtail their output due to the lack of transmission system capacity to export power. Through the Vermont System Planning Committee ("VSPC"), Vermont utilities and other stakeholders are currently discussing ways that the SHEI limitations can be addressed to reduce or eliminate curtailments of generation located within the interface.

The VSPC maintains a webpage that provides information on the SHEI limitations.⁸ The webpage includes a description of the SHEI area, a description of impacts to existing generation, and a discussion of possible solutions.

The 2020 RFP does not include any restrictions on bids from plants proposed in the SHEI area. However, this notification reminds proponents that any plants in the SHEI area awarded a standard-offer contract in this RFP will be required to address these economic and transmission system concerns during the certificate of public good process.

⁷ <https://vermontstandardoffer.com/standard-offer/request-for-proposals/contract-requirements/>

⁸ More information on SHEI can be found at: <https://www.vermontspc.com/grid-planning/shei-info>

3 Proposal Evaluation

This section reviews: (1) the mandatory requirements that all proposals are required to satisfy; (2) the assessment criteria upon which proposals are to be ranked; and (3) the proposal selection process. All proposals must satisfy the mandatory requirements to proceed to the next step in the evaluation process.

3.1 Mandatory Requirements

Proposals must satisfy the mandatory requirements outlined in this section to be considered further in the evaluation process. Proposals that fail to satisfy these mandatory requirements shall be rejected. Proponents must demonstrate how they and their proposed plant satisfy each of these mandatory requirements.

3.1.1 Proposed Plant

The plant must:

- a. Be located in Vermont.
- b. Have an installed net AC capacity, defined in 30 V.S.A. § 8002(19), measured at the plant's location, no greater than:
 - 2.2 MW for plants in the Price-Competitive Developer Block or the Technology Diversity Developer Block; and
 - 2.2 MW for plants in the Provider Block.
- c. Not already be selling its output to VEPP or Vermont distribution utilities.
- d. Have a proposed price that is not higher than the relevant technology-specific avoided costs presented in Section 3.1.6.

3.1.2 Application and Appendices

Proposals must include the following:

- a. A proposal security check for \$10/kW.
- b. A signed, fully completed 2020 RFP Application.
- c. If the proposed plant is wood biomass, the proposal must include Appendix A: Wood Biomass Certification.
- d. If the proposed plant is food waste anaerobic digestion, the proposal must include Appendix B: Food Waste Certification.

3.1.3 Site Control

The proponent must certify that it has site control of the land on which the proposed plant will be constructed.

3.1.4 Independent Technical Facility

Pursuant to 30 V.S.A. § 8002(18), plant means “an independent technical facility that generates electricity from renewable energy. A group of facilities, such as wind turbines, shall be considered one plant if the group is part of the same project and uses common equipment and infrastructure such as roads, control

facilities, and connections to the electric grid. Common ownership, contiguity in time of construction, and proximity of facilities to each other shall be relevant to determining whether a group of facilities is part of the same project.”

If a proposed plant is located at, adjacent to, or near an existing or proposed renewable energy generation facility, the proponent must certify that the two facilities would be considered separate plants under 30 V.S.A. § 8002(18). Plants awarded standard-offer contracts will need to demonstrate that nearby facilities would be considered separate plants under 30 V.S.A. § 8002(18) as part of the certificate of public good process.

3.1.5 Proposal Pricing

Proponents must present prices to four decimal places in \$/kWh.

If there is a tie in the prices of two proposals and both proposals cannot be accommodated within the award group, then the proposal to be awarded the standard-offer contract will be randomly selected.

For the contract period, proponents may offer a price schedule for biomass and landfill gas plants and a single fixed price for solar, hydroelectric, wind, and food waste anaerobic digestion projects. The offered price schedule or fixed price should be consistent with the methodology used to set the avoided costs that serve as price caps solicited through the RFP (avoided-cost price caps in Section 3.1.6). For biomass and landfill gas projects, the offered prices may escalate 30% of the plant’s cost over the term of the contract to reflect inflation (not greater than 1.8%), and cannot be front-loaded and decrease over the term of the contract. Under the RFP selection process, the plants will be ranked according to the levelized price.

The levelized price of a price schedule will be calculated using an Excel spreadsheet.⁹ The formula for calculating the levelized price determines what annual payment would be required over the contract term if invested at the assumed weighted average cost of capital to produce the same net present value as the contract prices would realize over the contract term discounted by the weighted average cost of capital.

In the provided spreadsheet, the weighted average cost of capital is based on the assumed cost of debt and equity and the debt/equity ratio. The after-tax return on equity is 9.60%, which was used to calculate avoided costs for biomass. The debt/equity ratio, the cost of debt, and the weighted average cost of capital are the values used in the cash-flow analysis to calculate avoided costs for each technology. Using the cash-flow analysis, the weighted average cost of capital for biomass is 12.59%.

Formula in Excel: =PMT(WACOC, Contract Term + NPV(WACOC, Contract Prices))

Where: WACOC = Assumed Weighted Average Cost of Capital

Contract Term = 20-year term of the contract

Contract Prices = actual contract prices for each year of the contract

⁹ The spreadsheet can be found at <https://vermontstandardoffer.com/standard-offer/request-for-proposals/2020-rfp/2020-levelization-spreadsheet/>

3.1.6. Technology-Specific Avoided-Cost Price Caps

The following avoided costs will serve as price caps for the 2020 RFP for the Provider Block and Developer Block:

- Biomass: \$0.125 per kWh (levelized over 20 years)
- Landfill Gas: \$0.090 per kWh (levelized over 15 years)
- Wind > 100 kW: \$0.116 per kWh (fixed for 20 years)
- Wind ≤ 100 kW: \$0.258 per kWh (fixed for 20 years)
- New Hydroelectric: \$0.130 per kWh (fixed for 20 years)
- Food Waste Anaerobic Digestion: \$0.208 per kWh (fixed for 20 years)
- Solar: \$0.130 per kWh (fixed for 25 years)

The following table contains avoided-cost price schedules for biomass and landfill gas plants.

	Biomass	Landfill Gas
Year 1	0.121	0.088
Year 2	0.122	0.088
Year 3	0.122	0.089
Year 4	0.123	0.089
Year 5	0.124	0.090
Year 6	0.124	0.090
Year 7	0.125	0.091
Year 8	0.126	0.091
Year 9	0.126	0.092
Year 10	0.127	0.092
Year 11	0.128	0.093
Year 12	0.129	0.093
Year 13	0.130	0.094
Year 14	0.130	0.094
Year 15	0.131	0.095
Year 16	0.132	NA
Year 17	0.133	NA
Year 18	0.134	NA
Year 19	0.135	NA
Year 20	0.135	NA

3.2 Evaluation Criteria

Proposals will be reviewed and ranked based on the assessment criteria specified below.

3.2.1 Selection of Award Group

The program capacity for this RFP shall be awarded in the manner described in the table contained in Section 1.

For the Developer Block, the capacity of an individual plant shall not exceed 2.2 MW for plants competing in the Price-Competitive Developer Block or the Technology Diversity Developer Block.

For the Provider Block, the capacity of an individual plant shall not exceed 2.2 MW.

All plants are required to offer a price that is no greater than the relevant technology-specific avoided costs indicated in Section 3.1.6, above.

Selection of the RFP award group will begin with the Provider Block. Proposals will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until the Provider Block has been filled. Once the 3.485 MW allocation is approached but not exceeded, the proposal that would cause the size of the award group to exceed the 3.485 MW allocation **will** be included in the award group. An individual plant that exceeds the allocation for the Provider Block shall be eligible to submit an RFP proposal as long as the plant is not larger than 2.2 MW in capacity. In the event there is any unbid capacity within the Provider Block, that capacity will be allocated to the 2021 annual capacity increase for the standard-offer program.

After the Provider Block determinations have been made, selection of the RFP award group will continue with the Technology Diversity Developer Block of the Developer Block. The Technology Diversity Developer Block includes biomass, small wind, large wind, food-waste anaerobic digestion, and hydroelectric categories. For each technology category, eligible plants will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until each individual technology-specific allocation has been filled. Once a 1.8258 MW technology-specific allocation is approached but not exceeded, the proposal that would cause the size of the technology-specific award group to exceed the 1.8258 MW allocation **will** be included in the award group. Although each technology-specific capacity allocation is smaller than the 2.2 MW maximum plant capacity allowed, an individual plant that exceeds a technology category's capacity allocation shall be eligible to submit an RFP proposal as long as the plant is not larger than 2.2 MW in capacity.

After the award group for each individual technology-specific allocation has been determined, any unused allocated capacity within these five technology categories will be made available to the rest of the Technology Diversity Developer Block. All remaining developer proposals in the block will be grouped together and ranked based on price offered, ordered lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest proposal price until the remaining annual capacity allocated to the Technology Diversity Developer Block has been filled. Any allocated capacity that remains within the block after this step will be allocated to the Price-Competitive Developer Block.

After the Technology Diversity Developer Block selections have been made, selection of the RFP award group will continue with the Price-Competitive Developer Block. The Price-Competitive Developer Block will consist of any unused Technology Diversity Developer Block capacity plus the initial 4.810 MW Price-Competitive Developer Block capacity. All remaining unselected developer proposals will be ranked based on the levelized price offered, ordered from lowest to highest. Standard-offer contracts will be offered to those proposals with the lowest prices until the remaining annual capacity cap for the Price-

Competitive Developer Block has been filled. Once the annual capacity cap is approached but not exceeded, the proposal that would cause the size of the award group to exceed the annual capacity cap by no more than 2.2 MW **will** be included in the award group.

3.2.2 Reserve Group

If a proponent fails to execute the standard-offer contract within 30 business days and the award group does not already exceed the annual capacity cap without that plant, VEPP will offer contracts to proposals with the lowest price of offered capacity that would not cause the annual capacity cap to be exceeded by more than 2.2 MW.

VEPP will then establish a reserve consisting of no more than 6.6 MW of proposals with the lowest prices that were not awarded standard-offer contracts. If a plant withdraws from the award group prior to January 1st and the award group does not already exceed the annual capacity cap without that plant, then a standard-offer contract will be offered to the proposal within the reserve that has the lowest price and that does not exceed the annual capacity cap by more than 2.2 MW.

If a plant withdraws from the award group after January 1st but before April 1st, then the capacity associated with that plant will be solicited at the next annual RFP. The withdrawing plant would be disqualified from bidding in the next RFP. The reserve will be discontinued each year after January 1st. Plants in the discontinued reserve will be allowed to submit a proposal in the next annual RFP.

A reserve will not be established for proposals for the Provider Block. If a provider plant withdraws from the award group or from a prior RFP, then the capacity associated with that plant will be solicited at the next annual RFP.

4 Terms and Conditions

4.1 General Terms and Conditions

Neither VEPP, the State of Vermont, the Commission, nor the Vermont distribution utilities assume any contractual or other obligations as a result of the issuance of this RFP, the preparation or submission of a proposal by a proponent, the proponent's participation in any discussions or negotiations, or any other basis arising out of this RFP.

4.2 Proponent Costs and Limitation of Liability

Proponents will bear all costs and expenses in connection with their participation in this RFP. The proponent shall not have any claims against VEPP, the State of Vermont, the Commission, or the Vermont distribution utilities for any compensation of any kind as a result of participating in this RFP process.

4.3 Reserved Rights

VEPP shall have the discretion to:

- Make public the names of any or all proponents and members of their respective development teams.

- Verify with any proponent, or with a third party, any information set out in a proposal and may check references provided by any proponent as well as others.
- Disqualify any proponent whose proposal contains misrepresentations or any other inaccurate or misleading information.
- Disqualify any proponent or the proposal of any proponent who has engaged in conduct prohibited by this RFP (see Section 2.2).
- Suspend or cancel this RFP at any time with the approval of the Commission.
- Reject any or all proposals submitted in response to this RFP that do not comply with the terms of the RFP.
- With notice to the Commission, disregard minor deficiencies in a proposal if such proposal complies in all material respects with the requirements of this RFP.
- The Standard Offer Facilitator, as a contractor for the Commission, and the Commission may have communications regarding any proposal in response to this RFP that are not noticed to proponents.

4.4 Governing Law

This RFP shall be governed by and construed in accordance with the laws of the State of Vermont. Any disputes shall be resolved before the Commission.

4.5 Conditional Proposals

No conditional proposals will be accepted.