

# **Delaware Sustainable Energy Utility**

## **Request for Qualifications**

### ***SUSTAINABLE COMMUNITIES PROGRAM***

**An SEU Program for  
Bundling Distributed Renewables & Energy Efficiency  
in the Residential, Commercial, Industrial,  
Transportation & Farm Sectors**

**November 4, 2009**

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# 1 INTRODUCTION AND BACKGROUND

The Sustainable Energy Utility (SEU) was established as a non-profit organization by an act of the Delaware General Assembly in June 2007. The SEU was given a broad mandate under 29 Delaware Code, Section 8059 to develop and implement a state-wide portfolio of energy efficiency and renewable energy programs. As described in the report the “Sustainable Energy Utility: A Delaware First; A Report to the Delaware State Legislature by the Sustainable Energy Utility Task Force”, the SEU was designed to “to harness cost-effective, end-use energy efficiency and conservation options and customer-sited renewable energy applications across all sectors and fuels, including transportation.”

The SEU is a public-private partnership created to provide a ‘one-stop shop’ to help residents, businesses, farms and factories use less energy and generate their own energy cleanly. The SEU leverages capital and other resources to address the shortcomings of traditional approaches to sustainable energy financing.

The Sustainable Energy Utility in Delaware draws from lessons learned from initiatives in California and five Northeastern states: Connecticut, Massachusetts, New Jersey, New York and Vermont going back almost a decade. Rather than address specific segments of the supply infrastructure or limited “silos” of end users, the SEU enables and funds a competitive utility to cover the full incremental costs between standard and high-efficiency technologies and standard fuel services and those provided by distributed energy applications. Most importantly, the SEU accomplishes this with no new taxes, no new bureaucracy and without command-and-control regulation.

## 1.1 A Call for Third Party-led Bundled DREE

Recent legislation in Delaware and at the federal level (notably, the American Recovery and Reinvestment Act or ARRA) has positioned the distributed renewables and energy efficiency (DREE) markets to grow rapidly. One or more third parties are sought to work with the SEU Oversight Board and Contract Administrator to capture bundled DREE opportunities by leveraging SEU capabilities and collaborating with the SEU to drive market growth. One or more third party contractors will be responsible for project origination, project development, construction/implementation, operations, financing, administration, and coordination with the oversight of the SEU Board and Contract Administrator. Third party contractors must seek approval by the Board for its proposed market segment(s) in the residential, commercial and farm sectors in which it will perform the above duties and drive market adoption of bundled distributed renewable energy and energy efficiency products.

Success will be measured by significant contributions to the achievement of the SEU’s distributed renewables and energy efficiency goals. These include:

- *Energy Efficiency Goal:* The SEU aims to produce a 30% reduction in energy waste among participants by 2016.
- *Distributed Renewable Energy Goal:* The SEU will assist Delaware households, businesses and farms in installing at least 100 MW of customer-sited solar photovoltaics by 2019 through the use of incentives and other policy measures. These are to be a part of an overall 200-300 MW goal that additionally includes the use of solar thermal, wind, geothermal and other renewable

resources. With this RFQ, the SEU expresses no preference for a particular DRE technology. Its aim is to promote development and use of DREs.

The potential markets for energy efficiency services and renewable energy in Delaware are significant and achievable with credible action plans.

## **1.2 The Need for and Benefits of Bundled Development of Energy Efficiency and Renewable Energy**

On July 21, 2009, the U.S. Department of Energy approved 34 state plans for the use of State Energy Program grants under the American Recovery and Reinvestment Act. The prescribed in-service deadline is year-end 2011. States are required to invest funds in energy efficiency, conservation and distributed renewable energy. Performance criteria include reduced energy waste, lower pollution and increases in green jobs.

The SEU's commitment to aggressive DREE goals positions Delaware to be a leader among states under these performance criteria. SEU investments in renewable energy options will produce approximately twice as many new permanent jobs as the equivalent investment in conventional energy options; and its investments in energy efficiency and conservation are estimated to generate 4-5 times as many new permanent jobs as would result from investments in conventional energy options.

Bundling investments in these strategic resources will enhance the efficiency of program delivery while building market opportunities at a scale to attract private investment.

The SEU will select finalists with demonstrated experience and the requisite skills needed to develop and begin executing immediately bundled energy savings and renewable energy programs. Given the years of 'spade work' necessary to position the SEU to begin executing its mission, early momentum towards achieving its potential will be integral to its success in the minds of key stakeholders throughout the state, including the public at large.

## **1.3 RFQ Objectives**

The SEU's main objective for this RFQ is to identify one or more finalists with whom the SEU will negotiate specific terms for a bundled DREE program and possess the associated competencies required for DREE bundling that can propel Delaware on a path to achieving its distributed renewable energy and energy efficiency goals. The selected candidate(s) will be expected to effectively build on the momentum developed within the State for distributed renewable energy and energy efficiency. Respondents to this RFQ should provide both a well-defined business model and the requisite supporting infrastructure and equity financing to execute the SEU mandates in the RFQ for a three-year period. Longer program terms may be considered but will be subject to regular review and may be terminated before the completion of the program period.

The SEU is seeking responses that, at a minimum, demonstrate the following:

- Clear understanding of the Delaware and SEU objectives
- Commitment to collaboration with the SEU
- Approach and methods for supporting SEU objectives

- Competencies required to implement bundled DREE services
- Private equity investor commitments at a scale to achieve significant bundled DREE service delivery
- Other information that would demonstrate the likelihood for success.

This RFQ process is designed to facilitate these objectives by:

- Providing a structured process to ensure fair competition
- Providing sufficient flexibility in the process to allow respondents to identify creative and additive approaches
- Creating a transparent process fostering clarity and ease of assessment
- Defining and managing a process that efficiently utilizes the SEU's resources by identifying the best qualified candidate(s).

The SEU will require the detailed description of a business model and organization that can achieve the objectives outlined above.

## **1.4 Role of the SEU and Contract Administrator**

The Contract Administrator for the SEU is Applied Energy Group, Inc. (AEG). The Contract Administrator has several functions related to this RFQ including reviewing, qualifying, selecting potential awardees, and negotiating final contracts in conjunction with the SEU Board. Contracts will be executed between the successful bidder(s) and the Contract Administrator. The Contract Administrator will also be responsible for monitoring and managing the activities under one or more negotiated contract(s).

The SEU is prepared to offer the following to support the development of bundled DREE projects:

- The SEU is the only entity in Delaware that has the ability to acquire and hold solar renewable energy credits (SRECs) indefinitely. This allows the SEU to dampen potential price swings that could be detrimental to SREC prices in the short run, and also allows the SEU to sell SRECs into markets outside of Delaware to obtain favorable pricing.
- The SEU will have the ability to provide financing from several sources including tax exempt bonds (for qualifying projects) and revolving loan funds. Projects could be funded through the SEU, subject to qualification and negotiation of terms.
- The SEU is in the process of developing additional energy efficiency and renewable energy programs for individual households, businesses and other facilities. These programs can be leveraged, where appropriate, by respondent(s).

## **2 SUBMITTAL SCHEDULE AND CONTACT INFORMATION**

For the initial round of this RFQ, respondents shall email a PDF of their response package to the email addresses below by 5:00 PM Eastern Time, Tuesday, December 1, 2009.

Mr. Sean Finnigan  
[sean.finnigan@state.de.us](mailto:sean.finnigan@state.de.us)

Mr. Ralph Nigro, PE  
[rnigro@appliedenergygroup.com](mailto:rnigro@appliedenergygroup.com)

Questions about this RFQ may be submitted by e-mail no later than 5:00 PM Eastern Time, Friday, November 13, 2009. E-mailed questions must be submitted to both of the above e-mail addresses. Responses to all questions will be provided to all potential bidders no later than Friday, November 20, 2009.

The SEU expects to select finalists for the initial negotiation phase by Friday, December 11, 2009.

Additional bidders may be sought under future RFQs for delivery of DREE opportunities under the Sustainable Communities Program.

### 3 SUBMITTAL REQUIREMENTS

Applicant's submittal should identify and demonstrate the core qualifications and competencies needed to collaborate efficiently and effectively with the SEU, further driving growth in the markets for efficiency and distributed renewable energy applications. These competencies include, but are not limited to:

- An integrated organization that includes expertise and established performance in all of the following: energy efficiency delivery in one or more of the target sectors (i.e., residential, commercial, industrial, transportation and farm sectors); renewable energy delivery in one or more of the targeted sectors; the ability to deliver accurate monitoring and verification of impacts, and private equity financing to shoulder most or all of the capital requirement for a bundled DREE program;
- The ability to source DREE technologies and monitoring systems at competitive prices and from multiple suppliers, especially as industry costs continue declining;
- Clear plans for hiring Delaware contractors and workers to perform the variety of implementation tasks needed to carry out a bundled DREE program;
- A business model that efficiently uses the new Delaware law permitting the SEU to 'bank' and aggregate Solar and other Renewable Energy Credits in order to sell them at competitive prices to utilities and other "off-takers;" and
- A detailed sustainable energy strategy that ensures energy is first conserved, then consumed as efficiently as possible in conjunction with investments are made to generate clean energy from distributed renewable energy systems.

Qualification packages must be organized in the structure provided below.

1. Executive Summary
2. Applicant Qualifications (see Section 3.1)
  - Functional Capabilities and Experience
  - Relevant Market Expertise
  - DREE Bundling Concept
  - Organizational Capabilities
  - References
  - Other Attributes
3. Work Plan (see Section 3.2)
4. Supporting Documents, as appropriate

The qualification packages will be judged on the breadth and depth of relevant expertise and on the specificity of the supporting information. The DREE Concept and Work Plan sections should provide a clear case why the proposal should be regarded as a solution to the challenge of scaling sustainable energy development. Applicants should strive to be clear and concise and avoid unnecessary attachments, marketing materials, or elaborate presentations.

The SEU intends to contact references and may seek to verify representations made in the qualification packages. The inability to substantiate information provided could result in the disqualification of the respondent.

The SEU may reject any or all responses to this RFQs at its sole discretion and is under no obligation to select finalists.

*The SEU shall consider material provided by the respondent as non-confidential, unless clearly marked as “proprietary and confidential.” The SEU may be legally required to release confidential information in discovery or due diligence. Should the SEU be legally required to release confidential information, the SEU will notify the respondent.*

### **3.1 Applicant Qualifications**

Applicant shall describe their qualifications to organize and execute their proposed DREE Concept and Work Plan in the following categories.

#### **3.1.1 Functional Capabilities and Experience**

Applicant must describe the functional capabilities and experience of its organization including:

- Market development including the ability to work effectively with non-governmental and governmental entities
- Distributed renewable energy and energy efficiency project origination in residential, commercial and/or farm sectors
- A record of cost-effective delivery of energy efficiency and distributed renewable energy audits
- Distributed renewable energy project development and construction
- Renewable energy plant operating experience
- Aggregation and management of RECs and SRECs
- Capital sourcing

#### **3.1.2 Relevant Market Expertise**

Applicant must show that it has experience in local and regional energy markets including:

- Experience in PJM markets
- Experience in the energy markets and other relevant markets
- Experience working with electric and natural gas utilities

#### **3.1.3 DREE Bundling Concept**

The applicant must provide a thorough description of its proposed DREE bundling concept including:

- The market segment(s) proposed for bundling of DREE services
- The fuel(s) affected
- Key features that distinguish the proposed bundled DREE service from current market offerings
- The scale of energy savings and renewable energy supply per year and the expected lifetime of savings and supply
- Participant energy cost impacts projected over at least 10 years
- Pollutant impacts projected over at least 10 years
- Job creation potential by major job category
- Estimated permanent job impacts with a clear identification of the method used for their estimation, including job creation for Delawareans.
- Barriers removed and problems solved by the new concept

- Reasons why the market can be expected to scale faster than under existing market and policy conditions

### **3.1.4 Organizational Capabilities**

The applicant must describe the following organizational capabilities:

- Organizational structure, including experience and roles of key personnel
- Approach for interfacing with the SEU and the Contract Administrator
- Core competencies with a clear case why these competencies should be provided by a third party
- Expectations for SEU's role and functions
- Strategy for leveraging SEU funds by sourcing outside capital
- Strategy for managing solar and non-solar Renewable Energy Credits (RECs), if applicable
- Market development and marketing strategy, including the applicant's strategy for originating and developing projects
- Description of functions and services to be provided by partners, subcontractors and outsourcing, if applicable

### **3.1.5 References**

References are strongly encouraged. Applicants should provide no more than three references that may be contacted during the course of the evaluation. References should be familiar with the applicant's capabilities in areas relevant to this RFQ.

### **3.1.6 Other Attributes**

Applicant may describe other attributes and capabilities that it deems relevant to the successful planning and implementation of its proposed DREE bundling concept.

## **3.2 Work Plan**

Applicant must provide a work plan that provides sufficient detail for the SEU and Contract Administrator to verify progress and performance. Components of the work plan must address each of the following areas.

- Key planning and start up tasks
- Key implementation tasks
- On-going administrative tasks
- Performance monitoring and verification plans
- Description of key deliverables to the SEU
- Milestone schedule for completion of key tasks and deliverables
- Proposed budget tied to key milestone schedule

## **3.3 Other Supporting Documents**

Other supporting documents that clarify or supplement the written application may be submitted as appendices or attachments.

### **3.4 Evaluation Process and Criteria**

The RFQ process will provide respondents the opportunity to submit information and for the SEU to clarify responses as needed. The SEU will streamline this process in order to focus its due diligence on those candidates who clearly demonstrate the requisite capabilities to support the SEU mission. The SEU will evaluate the responses and may choose to schedule meetings to gather more information.

It is anticipated that the SEU will periodically issue an RFQ inviting respondents to address the need for bundled DREE program development. Lessons learned from each RFQ may result in modifications of future RFQ postings.

Applicants are expected to provide detailed qualifications and work plans that spell out their market focus, the DREE technologies and strategies to be emphasized, the scale of equity financing to be brought into the state, the creditworthiness of their organization, and their record of prior performance in the DREE field. The RFQ process will utilize criteria defined below to evaluate the respondent's capabilities to contribute to the achievement of the State's DREE goals through bundled delivery mechanisms and their capabilities to effectively execute their business model.

In this Request for Qualifications, the SEU will select one or more finalists based on the criteria listed below.

#### **Functional Capabilities**

- Market development including the ability to work effectively with non-governmental and governmental entities
- Distributed renewable energy and energy efficiency project origination in residential, commercial and/or farm sectors
- A record of cost-effective delivery of energy efficiency and distributed renewable energy audits
- Distributed renewable energy project development and construction
- Renewable energy plant operating experience
- Aggregation and management of SRECs
- Capital sourcing

#### **Relevant Market Expertise**

- Experience in PJM markets
- Experience in the energy markets and other relevant markets
- Experience working with electric and natural gas utilities

#### **Organizational Capabilities**

- Organizational structure and approach for interfacing with the SEU
- Experience of key personnel
- Core competencies with a clear case why these competencies should be provided by a third party
- Functions that may be outsourced
- Expectations for the SEU's role and functions
- Strategy for originating and developing the project
- Strategy for leveraging the SEU funds by sourcing outside capital
- Strategy for managing RECs and SRECs
- Relevant schedules

- Commercial terms between respondent and the SEU
- Other attributes

**DREE Bundling Concept**

- The market segment(s) proposed for bundling of DREE services
- The fuel(s) affected
- Key features that distinguish the proposed bundled DREE service from current market offerings
- The scale of energy savings and renewable energy supply per year and the expected lifetime of savings and supply
- Participant energy cost impacts projected over at least 10 years
- Pollutant impacts projected over at least 10 years
- Job creation potential by major job category
- Estimated permanent job impacts with a clear identification of the method used for their estimation
- Barriers removed and problems solved by the new concept
- Reasons why the market can be expected to scale faster than under existing market and policy conditions

## **4 TERMS AND CONDITIONS**

Once selected, a successful applicant will be expected to negotiate a final contract with the SEU and its Contract Administrator. Final terms and conditions are expected to reflect the size, scope and nature of each party's involvement in the proposed program. Because of the expected wide variety of proposals, specific terms and conditions are not included in this RFQ.

Applicants may propose preliminary terms and conditions with its response, however, final terms and conditions will be subject to negotiation and mutual agreement of the applicant, SEU and Contract Administrator.