

General Bidder Questions and EPE Responses
2019 RFP for Renewable Energy for New Mexico
June 26, 2019

Question 1

Does standalone energy storage qualify for your 2020 RPS requirement per SB 489, or does it need to be coupled with renewables?

Response 1

This is a renewable energy RFP and standalone storage is ineligible per SB 489. Storage must be coupled with a renewable energy resource. We recommend review of the New Mexico SB 489. The direct link to SB 489 is available on the Resource Planning web page on EPE's web site.

Question 2

I am reaching out to confirm my interpretation of the eligible "renewable energy resources" under the amended terms and conditions provided by SB489, which EPE is soliciting the latest RFP for.

In SB 489 Section 62-15-37 Subdivision D., it defines "renewable energy resources" as those technologies listed (solar, wind, geothermal, etc.) whose electricity is "delivered to a rural electric cooperative."

Can you please advise on whether EPE is requiring a renewable project to be connected to transmission infrastructure owned by a rural electric cooperative, or whether EPE is simply looking for projects whose electricity will ultimately be sold to NM retail customers?

Response 2

Please refer to the section 62-16-4, starting on line 16 on page 64, of SB 489 that pertains to public utilities.

It appears you inadvertently read the RPS requirements for rural electric cooperatives instead of the RPS requirements for electric public utilities. The renewable project proposed in response to this RFP is not required to be interconnected to a rural electric cooperative's transmission. EPE requires that the renewable energy be delivered to EPE's local transmission system where it then can be assigned to its New Mexico customers per the requirements of SB 489 as understood by EPE.

Question 3

There are two different Notice of Intent to Bid Due Dates listed on the page numbers below.

Should we submit our project NOIs on June 5th or June 28th?

- Page 7 & 8 = Friday, June 28, 2019
- Page ii (Attachment 9.1) = Wednesday, June 5, 2019

Response 3

Thank you for pointing out that discrepancy in the RFP document. The correct deadline for submission of the NOI is **Friday, June 28** per the schedule on page 7.

Question 4.1

Who is responsible for hookups to transfer/transmission lines?

Response 4.1

Proposals are required to bring the power to EPE's existing local transmission system and to provide those cost estimates in their proposals. Any selected project will be required to go through the applicable generator interconnection process.

Question 4.2

Do we have the option to sell and install the system as well as a PPA?

Response 4.2

Yes. As denoted in Section 4.1 of the RFP, EPE will consider proposals for short-term and long-term PPAs, build-transfer proposals for EPE to purchase the proposed generation resources for standalone solar and solar paired with battery storage, and proposals for EPE purchase or equity participation in the Bidder's existing eligible renewable energy facility.

Question 4.3

We have a leasing company who is more than willing to lease the equipment to us. That way EPE would not have to come up with any capital. Is this satisfactory?

Response 4.3

Please see the response to Question 4.2. Bidders should structure their proposals in the best way they see fit as long as the proposal conforms to the requirements of the RFP.

Question 4.4

What geothermal sites do you have and have the wells already been drilled?

Response 4.4

EPE has not performed any geothermal resource analysis in its region and does not have any geothermal wells. Bidders would be responsible to determine viable sites for their proposed projects.

Question 4.5

What does EPE pay per kWh on a PPA?

Response 4.5

This is a competitive RFP process soliciting proposals for projects to help EPE fulfill its RPS requirements which must include the energy pricing for the proposed proposal. EPE will not provide targets for any type of pricing.

Question 4.6

What city or towns with PRVs at the city gates are close to your transmission lines?

Response 4.6

We are not certain on the meaning of PRV in the context of this RFP. Please re-submit your question with more detail and an explanation.

Question 4.7

We do not have personal experience with any prior completed projects of this size. Would we still be eligible?

Response 4.7

It is important for EPE's evaluation that prior Bidder experience in delivering projects of comparable size and technology is established and provided. However, in determining a proposal's eligibility, EPE would take into consideration any additional supporting information provided in the bid that reflects bringing/adding experience to the project team such as affiliates, consultants or other means for the respective project. Furthermore, we will consider an entity's past experience in successfully completing and successfully delivering other technology type energy resource projects.

Question 5.1

Are interconnection applicants permitted to build network upgrades to EPE specifications if it improves the schedule estimate from the System Impact Study?

Response 5.1

Any selected projects will be required to go through the applicable FERC Interconnection Request process. EPE's Transmission System Planning department implements the generator interconnection process where such determinations will be made. The FERC interconnection process allows for certain opportunities for an

interconnection customer to build upgrades. Please see page 13 of the RFP for a list of contacts within EPE for any questions related to EPE's transmission system or services.

Question 5.2

Section 5.3 of the RFP document requests that solar and wind proposals provide an option with battery storage at 50% of the nameplate capacity. Does EPE have a preferred or required duration for this storage option?

Response 5.2

EPE requests a four-hour duration for the battery storage.

Question 6.1

Would you please share EPE's peak-hour-load profile for the months of May through September?

Response 6.1

EPE's peak load occurs in hour ending 16 MST. EPE would recommend that bidders review EPE's 2018 Integrated Resource Plan and associated presentations which are publicly available and posted on EPE's internet web site. Once in EPE's web site, simply search by typing in "IRP" in the search field.

Question 6.2

Would you let us know how much of this seasonal (May through September) peak load you will want to offset with the new renewable-battery resource?

Response 6.2

EPE is not seeking to offset a defined "peak load" with the new renewable resource per this RFP. The RFP is soliciting proposals to obtain 141,000 MWh of renewable energy to comply with the RPS requirements of the Energy Transition Act enacted by SB 489. However, as stated in the RFP, EPE would consider resources whose profiles complement its peak load profiles.

Question 6.3

Would you please share the May through September peak-hour-dispatch profiles of gas plant units that are scheduled to be shut down in 2022?

Response 6.3

The renewable resource(s) being solicited in this RFP is not for the purpose of replacing EPE's natural gas units retiring in 2022.

Question 6.4

If EPE decides to incorporate both solar and the battery storage option into the project scope, would it be beneficial to EPE to have the ability to dispatch both generation resources simultaneously at maximum power output?

Response 6.4

EPE would like the discrete dispatch control of both resources. The primary intention for the battery storage is to firm the variable generation output and to shift the energy output as necessary. EPE intends to dispatch up to or below the maximum peak output of the solar resource.

Question 6.5

If EPE elects to include battery storage in the project scope, would EPE desire to charge the batteries by solar, by grid, or by both?

Response 6.5

The intention for the battery storage is to complement the solar facility's output and is therefore not intended to be charged from the grid for at least the first five years of operation.

Question 6.6

Can you specify any additional operating mode(s) of the battery storage system? (such as frequency response, etc.)

Response 6.6

EPE would like the discrete dispatch control of both resources. The primary intention for the battery storage is to firm the variable generation output and to shift the energy output as necessary.

Question 6.7

Do you expect the life of the battery storage to match the expected life of the PV system?

Response 6.7

Yes.

Question 6.8

Is EPE looking for firm output only during the peak times of May through September, hours 13:00 – 18:00?

Response 6.8

EPE is requesting a 4-hour battery storage duration to firm the output of the renewable resource around EPE's hour-ending 16 MST.

Question 6.9

What alternative documents will be considered in the case of federal land?

Response 6.9

EPE recognizes that acquiring permits for BLM land has a defined process. EPE will evaluate any documentation that may be provided, such as applications or other documents, explaining the plan to use BLM land that may indicate viability. Federal land not under BLM jurisdiction would require some form of documentation demonstrating the ability for the bidder to obtain site control.

Question 6.10

Will the dispatch and/or curtailment of the output be used to meet the yearly energy output requirement, system balancing, or both?

Response 6.10

EPE's intention is to maximize output to obtain the energy for serving New Mexico load and to meet its 2020 RPS requirement as mandated. However, there may be reliability system balancing requirements that may require EPE to curtail the output at times.

Question 6.11

The RFP Summary section states: "Proposals seeking to provide the full requirement should provide a guaranteed minimum annual output of 141,000 MWh"; however, under section 2.4 and other sections the following is written: "EPE may choose to not consider proposals over 141,000 MWh per year".

Response 6.11

It is acceptable to submit a project with a guaranteed minimum output of 141,000 MWh for year one, but with an actual reasonably higher expected output due to the variability of solar and wind.

Question 6.11(a)

Can you please clarify?

Response 6.11(a)

See Response 6.11 above.

Question 6.11(b)

Does the energy output requirement have to be consistent throughout the life of the project?

Response 6.11(b)

No. EPE recognizes that systems will degrade over time. Please provide the expected annual degradation of your project in your bid submittal.

Question 6.11(c)

Considering some renewable energy technologies naturally degrade in output during their lifetime, oversizing the facility to meet the required minimal annual output is necessary, will these proposals be automatically discarded?

Response 6.11(c)

See Response 6.11 above.

Question 7.1

If a solar + storage proposal is presented, does the storage portion need to be installed at the same time and have the same COD as the solar portion of the project?

Response 7.1

For new projects, it is desired that both resources be installed and commissioned at the same time.

Question 7.2

Can the storage facility be installed later or earlier than the solar facility?

Response 7.2

If timing constraints do not permit a simultaneous COD, the storage facility may be commissioned after the solar facility. However, the storage facility should not precede the solar facility since the primary purpose of this RFP is to obtain renewable energy resources as required and defined by SB 489 for RPS purposes.

Question 7.3

Is it acceptable to include several solar locations to generate in the aggregate 141,000 MWh/year?

Response 7.3

Yes. The proposal(s) should clearly denote if the solar facilities are mutually inclusive or exclusive and if each facility will stand on its own. Please keep in mind that a project "proposal" is defined by location per the RFP and that a proposal fee will be applied to each "proposal".

Question 7.4

Is there a concern if the storage facility is DC- coupled with the solar facility?

Response 7.4

There is no concern with DC-coupling since the primary intention is to charge the storage facility with the solar facility.

Question 7.5

Can you share why EPE is requesting the energy storage resource scale is asked to be 50% of the generating resource nameplate rather than some other ratio, (i.e., 10%, 25% or some other percentage)

Response 7.5

EPE believes that the 50% rating of the renewable energy resource's nameplate capacity for the energy storage facility is a reasonable balance for providing firming and load shifting versus the availability of charging energy from the solar resource on a cloudy day during the early daytime hours for use in the afternoon hours.

Question 7.6

What is EPE's expected dispatch behavior for the energy storage resource?

Response 7.6

The energy storage resource will be dispatched to the solar facility's maximum output for firming the output during the late afternoon peak hours and to shift output into the evening hours after sunset.

Question 7.7

What is the expected primary discharge use of the energy storage resource, load shifting or regulation service for the balancing area?

Response 7.7

The primary use of the energy storage resource is for firming the output during peak hours and for load shifting. If the energy storage resource can provide regulation, please provide capability thresholds in the proposal.

Question 7.8

What are the expected tax abatements for the combined projects?

Response 7.8

Response pending.

Question 7.9

What is the preferred term of the long-term scenario, 15, 20, 25, or 30 years?

Response 7.9

The minimum long-term contract term is 20 years. The high end of the contract term may be defined by the bidder based on asset life and performance.

Question 7.10

Is there a preference for fixed pricing expressed in \$/MWh or a capacity style \$KW-Month coupled with /\$MWh VOM incremental charges?

Response 7.10

For intermittent resources such as solar or wind, EPE suggests that bidders provide pricing in the form of a fixed \$/MWh value or an initial \$/MWh price escalated by a fixed value (i.e. 2% per year). If offering a renewable plus storage option, the storage component may be priced as either a \$/MWh value or as a \$/kW-month value, coupled with a Variable O&M cost (if applicable) which should be proposed on a \$/MWh basis. Proposals may only propose capacity pricing if they include battery storage or some other method to firm up the energy output. Proposals that include capacity pricing must provide the basis for measurement to determine the firm capacity.

Question 8

In the RFP it states that the winning bidder must be a Network or Energy Resource but then it says that it must be registered at a Network Resource under EPE's OATT. Can you please elaborate on this? Is it necessary to be designated NR or are ER resources appropriate for the RFP as well?

"The winning Bidder(s) will be required to have in place or to secure Network or Energy Resource Interconnection Service in the manner set forth in the EPE Large Generator Interconnection Procedures or the Small Generator Interconnection Procedures, and sign a Generator Interconnection Agreement as specified in the EPE's OATT (<http://www.epelectric.com/transmission/transmission-tariff>). In addition, the resource must also be eligible to be designated by EPE as a Network Resource under EPE's OATT."

Response 8

Resources with Energy Resource Interconnection Service are eligible to submit bids into the RFP. EPE's consideration and evaluation of incoming bids will include consideration of whether the resource would be eligible for designation by EPE as a Network Resource under EPE's OATT.

Question 9

El Paso Electric's 2019 RFP for Renewable Energy states that "EPE may choose to not consider proposals over 141,000 MWh per year and will not consider proposals for renewable energy available only after 2022". Does this mean that proposals for renewable generators with an excess annual output of 141,000 MWh will be deemed non-compliant with the RFP?

Response 9

Projects may be sized to provide a guaranteed output of 141,000 MWh annually per the RFP and as such projects may be reasonably sized to be slightly larger to achieve this requested annual energy output. If projects are significantly larger, these projects will be considered in terms of price and value to EPE's customers. However, it is important to clarify that EPE does not currently have any additional capacity or energy resource needs and reaffirm that EPE is presently only looking for approximately 141,000 MWh to meet its New Mexico RPS requirement. Therefore, anything above that amount would only be considered if it provides a value to EPE's customers.

Pre-bid Questions and Responses on next page

Pre-bid Webcast Skype IM Bidder Questions and EPE Responses

June 7, 2019

Question 1

For the optional battery storage, what is the requested duration (in hours)?

Response 1

We are looking for 4-hour duration of the battery storage.

Question 2

How critical is the battery storage option to a successful bid?

Response 2

It was requested that any project submitted, either solar or wind or any variable resource, submit an option with battery storage. This will allow EPE to be able to consider the need for and use of the battery storage, i.e., either for firming of the output and/or for shifting of the renewable energy output. It is desired that the option for the renewable resource paired with battery storage be included in the submittal. However, this requirement is not applicable to existing facilities without battery storage.

Question 3

What is the PPA security requirement?

Response 3

The PPA security requirement is dependent on the size of the project and is variable, so it will have to be reviewed on an individual basis based on the proposal submitted.

Question 4

Is EPE considering standalone energy storage through this RFP?

Response 4

SB 489 or the Energy Transition Act does not refer to energy storage as a renewable resource by itself but does refer to it as a complement to a renewable energy project; therefore, a standalone energy storage project is ineligible and does not qualify for this RFP.

Question 5

What are the bid requirements for an out-of-territory project? I.e., a project in PNM territory?

Response 5

Bid requirements would depend on where the project interconnects, i.e., whether it interconnects to EPE's or PNM's transmission system. There is some description in the RFP document regarding the requirements bidders need to provide in their proposals, e.g., bidders need to provide a clear method of how they propose to deliver the energy to EPE's local transmission or distribution system as well as provide any associated costs needed to get the power to EPE's local transmission system.

Question 6

Does the project need to be designated as a network resource?

Response 6

Resources with Energy Resource Interconnection Service are eligible to submit bids into the RFP. EPE's consideration and evaluation of incoming bids will include consideration of whether the resource would be eligible for designation by EPE as a Network Resource under EPE's OATT.

Question 7

For the 4-hour duration battery, does EPE have a view on acceptable degradation?

Response 7

We do not have a threshold for an acceptable degradation percentage. Proposals must provide the project's degradation characteristics in detail since this will impact the overall project output and the associated economic value.

Question 8

If the project already has an IA without storage and is an early 2020 project, how do we add in the option for the storage?

Response 8

For purposes of this RFP, EPE would request you explore the possibility of adding battery storage to your facility and if it's permissible by the IA with EPE's transmission interconnection contact. The purpose of the battery storage is to firm up the renewable resource's output during the late afternoon hours or for load shifting. The intention for the battery storage is not to exceed the renewable resource's output. Therefore, the addition of battery storage should not increase the output of your facility beyond the IA amount.

If the IA does not allow the addition of battery storage, you may document as such and submit your proposal without the storage component, or, in the alternative, you may consider submitting a new interconnection request that includes battery storage.

Question 9

When you presented Slide 5 regarding EPE, you mentioned that EPE plans to add 200MW of solar in 2023. Can you elaborate please?

Response 9

EPE conducted an All Source RFP in 2017 to meet its peak capacity requirements beginning in year 2022 and year 2023. At the end of 2018, EPE announced it would pursue 200 MW of solar that resulted from that RFP process. A portion of that solar procurement will help fulfill EPE's New Mexico RPS.

Question 10

What is the desired price format for the storage component? Fixed capacity price in \$/MW-yr or \$/MWh bundled PPA rate?

Response 10

Please see the response to Questions 7.10.

Question 11

Does EPE prefer build-transfer options over PPAs?

Response 11

EPE does not have a preference but will consider options that best serve ratepayers.

Question 12

How many cycles does EPE want to see in the solar + storage proposals?

Response 12

EPE would like the year-round ability to cycle the energy storage as needed for firming purposes during its peak hours or for shifting output. The actual number of cycles would be dependent on actual daily loads and dispatch.

Question 13

For wind resources, would you like a battery to be added as well? Furthermore, what is the desired size (in terms of % of wind nameplate) and duration desired?

Response 13

Battery storage also applies for wind resources. EPE requests that the battery storage to be sized at 50% of the renewable resource's nameplate as well and have a 4-hour duration that complements its peak hours.

Question 14

Will there be a recording of this conference call available?

Response 14

The main purpose for recording pre-bid meetings is to ensure that all participant clarification questions and/or concerns are acknowledged, addressed and answered by the scheduled deadline in the RFP, in this case **June 26, 2019**.

Therefore, the pre-bid recordings are for internal use only and are not made available externally.

Question 15

Given the RPS requirements by year per SB 489 on slide 6, do you anticipate other RFPs after this one?

Response 15

We will assess EPE's requirements and thus any RFP need as we move to EPE's next integrated resource plan starting next year in 2020. EPE's New Mexico load is expected to continue to grow; however, those numbers have not been determined and the timing of future RFPs has not been determined.