

Solar Proposal Evaluation Report

Prepared for the:

**Hudson County Improvement
Authority:
Harrison Parking Center**

By:

**The Hudson County Improvement Authority Solar
Evaluation Team**

May 6, 2011

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Executive Summary

This Solar Proposal Evaluation Report (Evaluation Report) is being provided pursuant to the requirements of the competitive contracting provisions of the Local Public Contracts Law (N.J.S.A. 40A:11-4.1 et seq.) of the State of New Jersey (the "State"), all pursuant to: (i) Local Finance Board Notice 2008-20, December 3, 2008, Contracting for Renewable Energy Services; (ii) the Board of Public Utilities protocol for measuring energy savings in PPA agreements (Public Entity Energy Efficiency and Renewable Energy Cost Savings Guidelines, Dated February 20, 2009); and, (iii) Local Finance Board Notice 2009-10 dated June 12, 2009, Contracting for Renewable Energy Services: Update on Power Purchase Agreements and applicable law.

On January 25, 2011, the Hudson County Improvement Authority (HCIA) issued a Request for Proposals (RFP) for a Power Purchase Agreement (PPA) for the finance, design, installation, ownership, operation and maintenance of a solar system (the Project) at the Harrison Parking Center (the Facility) located in Harrison, NJ. Under the PPA approach, the Facility will realize electric savings through a reduced electricity price. The Project will be constructed and maintained by the successful proposer (Successful Proposer) for the term of fifteen years. HCIA will be responsible for payment obligations under the PPA for the electricity produced at the Facility.

HCIA intends to enter into a long-term (fifteen (15) year) PPA with a Successful Proposer to purchase solar electric power produced from the Project located at the Facility. At the conclusion of the fifteen year term, as discussed at the oral interview, HCIA will consider the following end of term options: 1) purchasing the Project from the Successful Proposer at fair market value; 2) extending the PPA term (if permitted by applicable law); or, 3) requiring the Successful Proposer to remove the Project at its sole cost.

HCIA retained the law firm of DeCotiis, FitzPatrick & Cole, LLP (DeCotiis) to provide assistance and counsel during the Proposal review process, the development of the Evaluation Report, and the development and execution of a PPA and site license agreement with the Successful Proposer. HCIA also retained the services of Gabel Associates (Gabel) as an energy and economic consultant to assist with the technical and financial evaluation of the Proposals, the development of the Evaluation Report, and the development and execution of a PPA and site license agreement with the Successful Proposer.

The HCIA Solar Evaluation Team (Evaluation Team) is comprised of:

- Norman Guerra and Mike O'Connor of the HCIA;
- Ryan Scerbo and Kevin Conti of DeCotiis; and,

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- Joe Santaiti and Alexis Kennedy of Gabel.

HCIA received Proposals from two solar proposers (Proposers):

- Borrego Solar; and,
- G&S Solar

However, by letter dated April 7, 2011, Borrego Solar withdrew its Proposal. Therefore, only the G&S Solar Proposal was reviewed. A legal, technical, management and financial review of the G&S Solar Proposal was conducted and G&S Solar took part in an in-person interview.

After reviewing all aspects of the submitted Proposal and conducting an interview with the Proposer, the Evaluation Team recommends that the Proposal of G&S Solar be accepted. The G&S Solar Proposal results in significant economic benefits for HCIA and meets all legal, technical, management, and cost requirements of the RFP.

G&S Solar possesses installation capabilities and sound solar development experience. In addition, G&S Solar has an organized and experienced Project Team.

Over the fifteen year term of the PPA, HCIA will realize \$1,388,641 in energy cost savings nominally and \$884,972 on a NPV basis, assuming a 6% cost of capital (**see Attachment 1**).

During the interview, G&S Solar introduced its financial partner, SunRay Power, LLC (SunRay Power). SunRay Power will be a member of a special purpose entity and will invest capital in and own the Project. G&S Solar will build the Project with this investor capital. Therefore, when the Project is completed, it would be lien free and owned by a special purpose entity whose members will include G&S Solar and SunRay Power. The special purpose entity will be responsible for all operation, maintenance and insurance costs associated with the Project. During the interview, G&S Solar clarified that both G&S Solar and SunRay Power will execute the PPA as members of the special purpose entity. The Evaluation Team believes that through SunRay Power, G&S Solar has adequate financing available to support the development of this Project.

Accordingly, the Evaluation Team recommends that HCIA select G&S Solar as the Successful Proposer.

G&S Solar has proposed to install and operate a solar system with a total capacity of 777.6 kW at the Facility. The basic terms and benefits of the G&S Solar Proposal are as follows:

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1. HCIA will obtain a fifteen year PPA, with a first year rate of \$0.04 per kWh and no annual escalation that results in a final price of \$0.04 in Year 15, which is significantly less than the current electric rate of the Facility.
 2. HCIA will obtain a stable and known cost of electricity for fifteen years that allows for budgetary certainty for HCIA.
 3. HCIA will realize an average rate reduction for electricity purchased through the Project of 56% relative to utility delivered power in the first year.
 4. G&S Solar will install a 778 kW Project that will generate approximately 855,360 kWh per year. The solar energy will serve approximately 102% of the load for the Facility (see **Attachment 2**).
 5. Based on the Proposal, HCIA will realize an annual energy cost savings of approximately \$69,281 in the first year and these savings are expected to grow to approximately \$120,736 in the last year of the PPA (see **Attachment 1**).
 6. Over the fifteen year term of the PPA, HCIA will realize \$1,388,641 in energy cost savings nominally and \$884,972 on a NPV basis, assuming a 6% cost of capital (**see Attachment 1**).
 7. A sensitivity analysis was conducted around the PSE&G electricity price escalation rate. The analysis demonstrates that if electricity rates increase at a higher or lower percentage than assumed in the analysis (3.7%), HCIA will realize nominal savings of between \$1,135,150 assuming an escalation rate of 6.5% and \$702,830 assuming no escalation rate (see **Attachment 3**).

With respect to environmental benefits, the sum of the greenhouse gas emissions reduced by the 778 kW Project is 591 Metric Tons of carbon dioxide equivalent. This is comparable to:

- Annual Greenhouse Gas Emissions from 116 passenger vehicles;
- CO₂ emissions from 66,262 gallons of gasoline consumed;
- CO₂ emissions from the electricity use of 71.7 homes for one year; or,
- Carbon sequestered annually by 5.9 acres of forest preserved from deforestation.

1. Overview of the RFP

On January 25, 2011, the HCIA issued an RFP for a PPA for the finance, design, installation, ownership, operation and maintenance of a Project at the Harrison Parking Center in Harrison, New Jersey.

The Successful Proposer will sell the output of the Project to HCIA on a long-term basis via a PPA. The Successful Proposer will finance the Project through a combination of revenues from the sale of the electrical output of the Project to HCIA, revenues from the sale of Solar Renewable Energy Certificates (SRECs) in the competitive SREC market, federal tax benefits (i.e. both investment tax credits and timing benefits associated with accelerated depreciation) and investor capital. Under State law, a PPA can have a maximum term of 15 years.

The qualified Proposal was evaluated on the basis of price and non-price criteria, in accordance with competitive contracting provisions of the Local Public Contracts Law (N.J.S.A. 40A:11-4.1(k)) of the State of New Jersey (the State), all pursuant to (i) Local Finance Board Notice 2008-20, December 3, 2008, Contracting for Renewable Energy Services, (ii) the Board of Public Utilities protocol for measuring energy savings in PPA agreements (Public Entity Energy Efficiency and Renewable Energy Cost Savings Guidelines, Dated February 20, 2009), (iii) Local Finance Board Notice 2009-10 dated June 12, 2009, Contracting for Renewable Energy Services: Update on Power Purchase Agreements and applicable law.

Project Size

Prior to the issuance of the RFP a preliminary feasibility assessment was performed by HCIA's engineering consultants, Birdsall Services Group, to identify the technical potential for a Project at the Facility. Based upon the preliminary assessment, the estimated Project size, as listed in the January 25, 2011 RFP, must be at a minimum, 600 kW. The RFP called for carport canopy-type designs that utilize the maximum available useable photovoltaic area at the facility.

Additionally, the RFP provided twelve months of electric usage data for the Facility. Gabel obtained updated electric usage data electronically from the local Electric Distribution Company (PSE&G) to calculate more accurate savings.

Evaluation Process

In evaluating the Proposals, the Evaluation Team must verify that the Proposals are compliant with the requirements set forth in the RFP. This evaluation process is undertaken in accordance with the competitive contracting

requirements of the Local Public Contracts law and applicable DCA guidance. The evaluation process includes two components:

1. Legal Compliance: DeCotiis will review the Proposals to determine if they include all required bid forms and documentation as set forth in the RFP as well as additional legal criteria summarized in Section 3.1. of this Evaluation Report.
2. RFP Requirements: The Evaluation Team will review the Proposals to determine if they are compliant with the Evaluation Criteria and Submission Requirements, including financial benefits, technical design, experience, qualifications, financial strength and other factors as set forth in Section 3 and 4 of the RFP.

The purpose of this Evaluation Report is to provide HCIA with a full evaluation of the qualified Proposal and to recommend if it should be accepted by HCIA.

2. Proposer Response to RFP

HCIA received Proposals in response to the RFP from the following two (2) Proposers:

- a. Borrego Solar; and,
- b. G&S Solar

On April 7, 2011, Borrego Solar retracted its Proposal. Therefore, only the G&S Solar Proposal was reviewed and evaluated. Accordingly, this Evaluation Report only reviews the G&S Solar PPA Proposal received by HCIA in response to the RFP.

Below is a summary of the key information from the conforming Proposal submitted by G&S Solar:

- Capacity: 777.6 kW
- Annual kWh (Year 1): 855,360 kWh
- Guaranteed kWh (Year 1): 855,360 kWh
- First Year PPA Price: \$0.04 per kWh
- Annual Price Escalator: 0.0%
- % Electric Load Served by Guaranteed kWh: 102%
- Nominal Estimated Savings Over 15 Year Term: \$1,388,641
- Net Present Value Estimated Savings Over 15 Year Term: \$884,972¹

¹ Net present Value of Benefits based on guaranteed production numbers and assumes a 6% cost of capital.

3. Proposal Evaluation

As stated in Section 1 of this report, the G&S Solar Proposal was evaluated based on two components: 1) Legal Compliance and 2) RFP Requirements. Below is a description of each of these components.

The Evaluation Team also conducted an interview with G&S Solar to clarify several items identified during an initial review of the RFP response. These items included but were not limited to; management team and various partners; subcontractors; prior experience with carport canopies; whether canopy lighting was included in its response; determining G&S Solar's understanding of the SREC market; G&S Solar's financial capabilities; and, additional information about G&S Solar and its Proposal.

3.1. Legal Compliance

The G&S Proposal was found to have complied with the following legal requirements of the RFP:

a. Required Proposal Forms

G&S Solar's Proposal included all required proposal forms contained in Appendix A of the RFP. These forms include: Proposal Checklist; Contractor Information Form; Proposal Transmittal Letter; Proposal Bond or Security; Consent of Surety; Subcontractors; Acknowledgment of Receipt of Addenda; New Jersey Business Registration Requirements; Statement of Ownership; Non-Collusion Affidavit; Guarantor Acknowledgement; Certificate of Authorization; Insurance Requirement Acknowledgement Form; Scheduled Commercial Operations Date; Guaranteed Production Level; and, Project Schedule.

It should be noted that G&S Solar did not include subcontractors in the Subcontractors form. During the interview, G&S Solar introduced its Project Team and followed up with an e-mail containing the names of all the subcontractors on the Project Team. This is further discussed in Section 3.2.1.

In lieu of a traditional performance bond, G&S Solar proposed to use a cash security for the \$1,000,000 required to secure its obligations prior to the Commercial Operation Date. During the interview, G&S Solar confirmed that this cash security will stay in escrow with the HCIA until the Commercial Operation Date of the Project.

b. Material Changes to Program Documents

G&S Solar proposed no material changes to the program documents.

c. Prevailing Wage

During the interview, G&S Solar confirmed that it will comply with the Department of Labor Prevailing Wage standards and the New Jersey Prevailing Wage Act.

d. Regulatory Compliance Requirements

During the interview, G&S Solar confirmed that it has not issued any material violations of any applicable regulatory requirements, including any that resulted in fines over \$50,000. Also, G&S Solar indicated in its Proposal and during the interview that it is not currently suspended or debarred from doing business with any governmental entity in the State.

3.2. RFP Requirements

In addition to the Legal Compliance requirements listed above, the Proposal was also evaluated based on other factors listed in the RFP under Section 3 and 4. These other factors were organized in three sections: Management Proposal; Technical Proposal; and, Cost Proposal and Financial Qualifications. The following sections summarize G&S Solar's responses.

3.2.1. Management Proposal

The evaluation of the management proposal includes; qualifications and experience of the participating firms (Project Team) and qualifications and experience of key personnel.

a. Qualifications and Experience of the Project Team

G&S Solar is an affiliate of G&S Investors, a large real estate development company with over three million square feet of commercial real estate properties in the New York metro area. G&S Solar has eight years experience installing PV systems.

G&S Solar will design, permit, construct, operate and manage the construction, operation and maintenance of the Project and provide a dedicated Project Manager. The Project Manager will work with a team of solar installers and subcontractors to complete the project. During the interviews, G&S Solar described its Project Team and subcontractors, who include: Avoca Engineers and Architects; McLaren Engineers; Sal Electric; and Clear Skies Solar. As described in Section 3.2.3., G&S Solar has also partnered with SunRay Power to finance the project.

Avoca Engineers and Architects will provide electrical engineering service to G&S Solar for this project. Avoca Engineers specializes in electrical contractor work, electrical engineering design, architectural engineering design, environmental planning, and construction contract administration services.

McLaren Engineers will provide structural engineering services to G&S Solar for this project. Founded in 1977, McLaren Engineers features multiple engineering divisions and is staffed with over 120 employees in five offices nationwide. It has completed over 8,000 projects, a figure that encompasses inspection, design, and management of many different project types.

Sal Electric will provide electric services to G&S Solar for this project. Founded in 1963, Sal Electric has expertise in power and lighting distribution, motor controls, lightning protection, site work, high voltage work, and other electrical work.

Clear Skies Solar will provide design consulting to G&S Solar for this project. Clear Skies Solar is a designer and integrator of solar power systems. Since its launch, Clear Skies Solar has installed solar power systems for municipalities, real estate developers, agricultural locations, office and residential complexes, manufacturing plants, and schools.

The Evaluation Team believes that the G&S Solar Project Team has the skills and experience needed to successfully implement the Project.

b. Qualifications and Experience of Key Personnel

William O'Connor will act as the job superintendent for the Project. Mr. O'Connor is a master electrician and has twenty plus years experience in managing construction projects. John Faltings, President of G&S Solar and Doug Riley, attorney for G&S Solar, add additional solar development experience to the Project Team. The electrical engineer is Kevin Leary, P.E., of Avoca Engineers and Architects and the structural engineer is Malcolm McLaren, P.E., of McLaren Engineers.

3.2.2. Technical Proposal

The evaluation of the technical proposal has several elements including the Proposer's technical experience, design strategy/equipment selection, warranty and vendor requirements, minimum system performance requirements, operations and maintenance requirements, building surface requirements, engineering evaluation requirements, permits requirements and construction schedule requirements.

a. Technical Experience

G&S Solar has created a Project Team that, together, has experience in design and construction of structured parking facilities, solar projects and, specifically, carport canopy systems. G&S has installed several roof top mounted systems including a retail development in Livingston, NJ, a ShopRite in Jersey City, Richard Catena Auto Wholesalers in Teterboro, NJ and others. It has completed multiple installations with a total installed combined capacity of more than 500 kW as required by the RFP. At least two projects were greater than 200 kW, also satisfying a requirement of the RFP. In its Proposal, G&S Solar provided five customer references.

As clarified during the interview, G&S Solar has also retained Clear Skies Solar as its consultant based, in part, on its experience with carport canopies. Clear Skies Solar constructed the "Loma Linda Civic Center" solar facility in Loma Linda, California, which included carport canopy systems.

b. Design Strategy/Equipment Selection

The following table describes the major system components proposed by G&S Solar and indicates whether this equipment is compliant with the technical specifications as set forth in the RFP:

Major System Components

System Component	Manufacturer	Compliance with Project Technical Specifications
PV Modules	Suntech	Yes
Inverters	PVPowered	Yes
Mounting Systems	TetraPort	Yes
Canopy System	Single post cantilever construction Proprietary but flexible with design	Yes
DAS	Draker	Yes

During the interview, G&S Solar acknowledged that the technical specifications of the RFP call for the replacement of existing lighting fixtures to maintain current

lighting levels. G&S Solar also stated that it would include an ice dam or “catcher” on the carport canopy arrays to reduce or eliminate incidents of property damage and/or injury related to ice or snow sliding off of the panels. G&S Solar is flexible with the design of the system and will work with HCIA to design a carport canopy system that complies with codes and the requirements set forth by the RFP, without changing the PPA price.

In addition, G&S Solar confirmed that although it intended on using and prefers to use the Draker monitoring system, it would be willing to consider other equivalent monitoring packages such as Fat Spaniel. Since the monitoring system is accessible online, HCIA will also be able to monitor the Project’s output in real time.

G&S Solar used a single post trapezoidal cantilever truss construction (with unirac sunframe or similar) as its basis of design. At the interview, G&S Solar confirmed that it is flexible with the design of the carport canopy system design.

c. Warranty and Vendor Requirements

All equipment and supplies proposed by G&S Solar are new and come with standard warranties for the panels, inverters, racking system, and monitoring system. G&S Solar did not include pricing for extended warranties as it determined the additional costs associated with the extended warranties were not economically justified. During the interview, G&S Solar stated that these warranties are transferrable.

d. Minimum System Performance Requirements

G&S Solar will install a 778 kW solar system that will generate approximately 855,360 kWh per year. The solar energy will serve approximately 102% of the load for the Facility (see **Attachment 2**). G&S Solar guarantees 100% of annual system projected output. During the interview, G&S Solar confirmed that if the guaranteed annual output is not met, it will credit HCIA for the guaranteed electricity that was not produced on its next bill. The true up for such adjustments would be completed on an annual basis.

New Jersey net metering regulations states that the generating capacity of the customer-generator’s facility cannot exceed the amount of electricity supplied by the electric power supplier or basic generation service provider to the customer over an annualized period. Therefore, G&S Solar has oversized the Project by 2%. G&S Solar has consented to approach PSE&G to determine if the over sized system is acceptable. If PSE&G requires G&S Solar to downsize the Project to 100% of the electricity consumed on site, G&S Solar has confirmed that it will hold the proposed fixed PPA price of \$0.04/kWh.

e. Operations and Maintenance Requirements

To maintain its annual system output guarantee, upon completion of construction, G&S Solar will monitor the Project through an agreed upon Data Acquisition System (DAS) (Draker, Fat Spaniel, or equivalent) on a daily basis. G&S Solar will provide all operations and maintenance for the Project. During the interview, G&S Solar confirmed that Project problems would be addressed within one business day, and resolved as circumstances dictate. In an emergency situation, problems will be addressed immediately.

f. Building Surfaces Requirements

During the interview, G&S Solar confirmed that the installation, operation, and maintenance of the Project will not cause damage or excessive wear and tear to the existing concrete surface of the Facility.

g. Engineering Evaluation Requirements

During the interview, G&S Solar confirmed that a wind load test, structural engineering evaluation and an electric distribution system evaluation will be conducted and is included in the PPA price. All three evaluations will be signed and sealed by a New Jersey licensed engineer.

h. Permits Requirements

During the interview, G&S Solar confirmed that it is responsible for obtaining all permits and interconnection applications, developing and providing all submittals, arranging for all inspections, and paying for all expense and fees associated with these activities. G&S Solar also confirmed that these activities are included in the PPA price.

i. Construction Schedule Requirements

A detailed construction schedule and project timeline was included in the G&S Solar Proposal. The construction schedule included the required milestones as set forth in the RFP. G&S Solar provided a project completion date of December 31, 2011. Total construction timeframe from award to commissioning is approximately eight months and therefore falls within the completion time period as set forth in Section 4 of the RFP.

Presently, G&S Solar maintains an unencumbered inventory of 10 MW of solar modules valued at \$17 million as well as several megawatts of inverters in a warehouse in Secaucus, New Jersey. Once the Project design is finalized, G&S Solar will order steel and begin construction.

3.2.3. Cost Proposal and Financial Qualifications

The evaluation of the cost proposal and financial qualifications has several elements including: electricity pricing form; compliance with BPU cost savings guidelines; inspection, measurement, and observation allowance; option to purchase; SREC sharing option; financial information; financial qualifications; maintenance bond; and, discounted price for excess electricity.

a. Electricity Pricing Form

G&S Solar proposed a 15 year PPA price of \$0.04 per kWh per year with no annual escalation.

b. Compliance with BPU Cost Savings Guidelines

The price proposal and energy generation cost savings estimates must comply with the Public Entity Efficiency and Renewable Energy Cost Savings Guideline established by the NJBPU Office of Clean Energy (OCE), pursuant to the BPU Order: *In the Matter of the Comprehension for Calculating Energy Efficiency and Renewable Energy Resources Analysis for the 2009-2012: Guidelines for Calculating Energy Savings*, Clean Energy Order, Docket No. EO09020128, New Jersey Board of Public Utilities, February 27, 2009.

In calculating energy cost savings for HCIA, Gabel prepared a forecast of the local utility tariff rate (PSE&G Large Power and Light on Secondary (LPLS) tariff) and compared it to the PPA rate proposed by G&S Solar. The difference between the forecasted utility rate (those components that are no longer paid to the local delivery utility as a result of purchasing solar energy from the solar developer) and the PPA rate multiplied by the expected solar output yields the projected savings in energy costs realized through the installation of the Project.

The Gabel forecast of the local utility tariff rate is the result of a detailed analysis of the tariff, by component, over the term of the PPA. This detailed analysis takes into account the following factors:

1. Those components of the utility tariff rate that are not avoided as a result of the solar installation. For example, the customer charge and the major portion of the demand charges are not avoided through the purchase of solar energy generated by the solar project.
2. The most recent energy market fundamentals (ex. New York Mercantile Exchange futures, Energy Information Administration long term escalation rates and environmental and RPS programs such as the SREC

program) are incorporated to provide the best indication of future energy market prices.

3. The impact on future energy costs of national, state and regional environmental initiatives currently being considered, for example, carbon cap and trade. The forecast includes the Environmental Protection Agency low estimate for carbon legislation originally slated to start in 2012 but pushed out to 2015.
4. The impact that general energy market escalation will have upon long-term energy prices.

HCIA realizes economic benefits from the installation of a Project through the savings in energy costs realized by purchasing electricity from the solar project through a PPA rather than from the local electric utility.

Over the fifteen year term of the PPA, HCIA will realize \$1,388,641 in energy cost savings nominally and \$884,972 on a NPV basis, assuming a 6% cost of capital (**see Attachment 1**).

A sensitivity analysis was conducted around the PSE&G electricity price escalation rate. The analysis demonstrates that if electricity rates increase at a higher or lower percentage than assumed in the analysis (3.7%), HCIA will realize nominal savings of between \$1,135,150 assuming an escalation rate of 6.5% and \$702,830 assuming no escalation rate (see **Attachment 3**).

Therefore, G&S Solar complies with BPU Guidelines as described above.

c. Inspection, Measurement, and Observation Allowance

During the interview, G&S Solar confirmed that the allowance of \$54,000 for installation observation, measurement, and verification, as set forth in the RFP, is included in the PPA price.

d. Option to Purchase

The RFP requested that the Proposers include end of term options for the PPA. During the interview, G&S Solar stated that it understood and agreed with the end of term options as set forth in the RFP. The end of term options include: 1) purchasing the Project from the Successful Proposer at fair market value; 2) extending the PPA term (if permitted by applicable law); or, 3) requiring the Successful Proposer to remove the Project at its sole cost.

e. SREC Sharing Option

One of the major sources of value of a solar project in New Jersey is the value of the SRECs that will be earned by the system owner. The RFP included an option for the Proposer to offer an arrangement for sharing of these benefits. G&S Solar did not offer any SREC sharing option in its Proposal.

f. Financing Information

During the interview, G&S Solar introduced its financial partner, SunRay Power. SunRay Power is the Managing Member of two capitalized operating companies, SunRay Power OPCO I LLC (OPCO I) and SunRay Power OPCO II LLC (OPCO II). The Project will be funded by OPCO II. As such, SunRay Power will be a member of a special purpose entity and will invest capital from OPCO II and own the Project. G&S Solar will build the Project with this investor capital. Therefore, when the Project is completed, it would be lien free and owned by a special purpose entity whose members will include G&S Solar and SunRay Power. The special purpose entity will be responsible for all operation, maintenance and insurance costs associated with the Project. During the interview, G&S Solar clarified that both G&S Solar and SunRay Power will execute the PPA as members of the special purpose entity. The Evaluation Team believes that through SunRay Power, G&S Solar has adequate financing available to support the development of this Project.

SunRay Power has experience in the renewable energy asset class and has a large capital fund to finance renewable energy projects. SunRay Power finances, owns, installs and operates solar electricity systems.

G&S Solar confirmed that its Proposal was not contingent on securing financing or SRECs sales agreements. G&S Solar and SunRay Power were also asked about their views of the SREC market. SunRay Power indicated that the solar supply remains in excess of the demand and while development continues at a rapid pace it is SunRay Power's opinion that the market will remain short through Energy Year 2014 and potentially beyond. It was SunRay Power's viewpoint that a significant amount of development relies on other factors such as the PJM process and on the ability to secure financing both of which may hinder the exponential growth of solar, thus creating the demand for SRECs to exceed the supply of SRECs. While the views of G&S Solar and SunRay Power with respect to the SREC market may not be realized, since they state that the Project is not contingent on SREC sales agreements being secured, this SREC market risk falls on G&S Solar and SunRay Power and not HCIA.

g. Financial Qualifications

As discussed in the previous section, G&S Solar and SunRay Power will utilize a special purpose entity to own the Project once the Project is completed. While G&S Solar and SunRay Power (OPCO I and OPCO II) provided acceptable financial statements, the financials for G&S Solar and SunRay Power do not reflect the financial qualifications of the special purpose entity. HCIA is financially protected in two primary ways. During construction, HCIA is protected by security of \$1,000,000. As stated in Section 3.1. of this report, in lieu of a traditional performance bond, G&S Solar proposed to use a cash security for the \$1,000,000 required to secure its obligations prior to the Commercial Operations Date. During the interview, G&S Solar confirmed that this cash security will be placed in escrow that will be held by the HCIA until the Commercial Operation Date of the Project. Over the contract duration, HCIA is also protected because it has no capital investment at risk and all project costs, including operations and maintenance, are the responsibility of the PPA provider. Therefore, in a worst case scenario of vendor default, HCIA has no capital at risk and maintains the right to take power from the Project.

h. Maintenance Bond

During the interview, G&S Solar confirmed that it would provide a maintenance bond or equivalent cash security, similar to the performance bond, and maintain it for the entire term of the agreement.

i. Discounted Price for Excess Electricity

G&S Solar did not include a discounted price for excess electricity above the guaranteed production level. The guaranteed production amount is 102% of the total output of the system and therefore, no discounted price is available.

4. Recommendation – Successful Proposer

In recommending that a contract be awarded to G&S Solar as the Successful Proposer, the Evaluation Team reviewed the G&S Proposal for legal compliance, as well as whether it met management, technical, and cost requirements as set forth by the RFP. The Evaluation Team also conducted an interview to allow G&S Solar to present and clarify its Proposal to HCIA.

Over the fifteen year term of the PPA, HCIA will realize \$1,388,641 in energy cost savings nominally and \$884,972 on a NPV basis, assuming a 6% cost of capital. The Evaluation Team believes that G&S Solar has assembled a Project Team with the experience and technical capability to work as a partner with HCIA to successfully implement its solar initiative.

Accordingly, the Evaluation Team recommends that HCIA award the solar PPA to G&S Solar.

Attachment 1 summarizes cost savings for the G&S Solar Proposal. The energy cost savings shown in Attachment 1 reflect both nominal dollar and NPV dollar savings; however, the most appropriate way to compare the value of the Proposal is on a NPV basis to recognize the time value of money.

Attachment 2 summarizes system size and production for the Facility for the G&S Solar Proposal and includes the percentage of total displaced electricity for the Facility.

Finally, **Attachment 3** is a sensitivity analyses around changes in the escalation of the retail electric rates. The sensitivity analyses was completed for the G&S Solar Proposal, to illustrate to HCIA the impact on future changes in the electric market on the G&S Solar PPA price. The benefits are positive over a wide range of retail electricity escalation rates.

Attachment 1

**Hudson County Improvement Authority
 Harrison Parking Center
 Solar Initiative
 G&S Solar
 Forecasted Energy Cost Savings
 April 28, 2011**

	Life of Project NPV Savings	Nominal Annual Savings Total	Nominal Annual Savings Year 1	Nominal Annual Savings Year 15	Nominal Savings Energy Purchased Year 1	Nominal Savings Energy Purchased Year 15	Nominal Savings Total Electric Costs Year 1	Nominal Savings Total Electric Costs Year 15
Local Unit Facility								
G&S Solar	\$1,388,640.67	\$884,972.02	\$69,280.76	\$120,735.53	56%	69%	56%	64%

Attachment 2

**Hudson County Improvement Authority
Harrison Parking Center
Solar Initiative
G&S Solar
Solar Statistics
April 28, 2011**

Local Unit Facility	Annual Electric Load (KWH)		Solar System Size Annual Generation (KWH)		Electric Load Served by Solar Generation (%)	
			(KW)			
G&S Solar	834,640		778	855,360		102%

Attachment 3

**Hudson County Improvement Authority
Harrison Parking Center
G&S Solar
Savings Summary Sensitivity Analysis
April 28, 2011**

Savings Summary @ 3.7% Electric Escalation

Proposer		Solar Savings	
	NPV @ 6% (\$)	NPV @ 6.25% (\$)	NPV @ 5.75% (\$)
G&S Solar	\$884,972.02	\$870,154.76	\$900,170.71

Savings Summary @ 0% Electric Escalation

Proposer		Solar Savings	
	NPV @ 6% (\$)	NPV @ 6.25% (\$)	NPV @ 5.75% (\$)
G&S Solar	\$709,829.99	\$699,030.14	\$720,895.78

Savings Summary @ 6.5% Electric Escalation

Proposer		Solar Savings	
	NPV @ 6% (\$)	NPV @ 6.25% (\$)	NPV @ 5.75% (\$)
G&S Solar	\$1,135,149.91	\$1,114,339.80	\$1,156,518.14