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From: Local Power Inc.  
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RE: CS-920R-B, Task 3, Subtask F: Procurement Outline

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## Introduction

A number of renewable energy generation and efficiency technology types are being evaluated by the CleanPowerSF program. These technologies are being considered from a number of perspectives, including functional characteristics, cost, finance, siting, risk, and customer and community participation, among others. The collective results of these evaluations will form the basis for the procurement phase of the CleanPowerSF Program – technologies selected for implementation following this evaluation process will be advanced to the procurement phase. This Procurement Outline describes the processes for procuring the selected technologies. The outline assumes that the following conditions have been met:

- The technology has been determined to be appropriate for implementation from the functional and technological perspectives, meaning that the technology has been determined to be likely to be effective in terms of its functional outputs and reliability, and that there are appropriate sites for installation available;
- The technology has been determined to be feasible from the financial perspective, including consideration of capital and operations phase costs, the expected value of power or energy savings, the costs associated with H Bonds and other financing or external funding sources, as collectively reflected in the Financial Model.

## Foundational Procurement Criteria

The procurement process for any type of technology selected for implementation will begin with the establishment of the foundational criteria relevant to the procurement process. These criteria include: a) the selection of the contracting method, b) the establishment of the funding and financing sources for the capital costs, c) the development of the scope of the procurements, and d) the identification of procurement schedule(s) and order quantities, if applicable<sup>1</sup>. Once the foundational criteria have been established for the procurement and implementation of a given technology, there needs to be an evaluation of the management practices and staffing needs required to support the procurement and the subsequent implementation processes. Each of the procurement criteria processes are described in more detail below.

## Selection of the contracting method

In LPI's Initial Contracting Analysis, five types of contracting methods that could potentially be used for the CleanPowerSF renewable generation and efficiency deployments were identified; 1) Design/Build, 2) Design, Build Operate, Maintain, 3) Job Order 4) Power Purchase Agreement, and 5) Supply Contract. The possible choices of contracting approach that could be

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<sup>1</sup> For Supply Contracts only

used for each type of technology under consideration for deployment were identified in a table in the report. Prior to initiating the procurement for each type of technology, a final determination will need to be made by the CleanPowerSF staff on which contracting method to use. In addition to consideration of internal policies, the contracting method selection process should take into account and address the commercial factors identified in the Risk Report and Initial Contracting Analysis.

## **Establishment of the funding and financing sources for the procurements**

There are a number of potential funding and financing sources that can be used to fund the capital costs of the deployments, including the revenue bonding authority approved by voters for inclusion in the City Charter through Proposition H. Prior to conducting each CleanPowerSF deployment procurement, the funding (at the level of the estimated costs of the procured deployment technologies) needs to be in place.

## **Development of the scope of the procurements**

The factors associated with selecting the appropriate contracting method for the implementation of each type of technology under consideration for the CleanPowerSF program are discussed in the Initial Contracting Analysis. Some of the technology projects may be larger, more complex and thus unique installations, and some may be simpler, repetitive type installations. In all instances, the contractor's scope must be defined, both as to the direct supply and installation obligations, and also as to indirect responsibilities, such as whether the CleanPowerSF Program will be responsible for providing a site, or whether the contractor will need to make the siting selection and associated rights acquisitions.

## **Identification of procurement schedule(s) and order quantities**

For procurements with repeatable elements, such as job order or supply contracts, the procurement schedule should be developed to align with the timing of funds availability, site selections, the establishment of agreements with property owners, and other known time constraints. For example, establishing a few planned phases for the selection of job order contractors would be sensible if it was known that there would be a limited number (say 30) installations of a given type in Year 1, and then a significantly greater number in Year 2 (say 250). In the first year, it might make sense to engage 5 job order contractors to be able to handle the 30 installations, and then to plan to conduct another round of job order contractor selection procurements for the second year.

Similarly, for supply contracts, order quantities should be associated with the pace of the installation process, so that excessive inventory and the associated costs and disadvantages are avoided.

## Evaluation of the management practices and staffing needs

As described in the Initial Contracting Analysis, there are a number of important management practices that will be required for successful completion of the CleanPowerSF deployments. The management practices will vary depending on the contracting approach used, and the related staffing levels will need to be assessed relative to the volumes of deployment work anticipated to be under contract at any given time.

## Procurement Process

For all procurements, the necessary procurement documentation will need to be developed. Under separate deliverables, LPI is preparing draft Term Sheets and RFPs. To prepare for procurement release, the final versions will need to be developed, taking into account funding, deployment schedule and other factors that will not be known at the time the LPI draft versions have been completed.

Conducting Industry outreach efforts prior to the release of procurement documents is usually beneficial in improving the level of effective competition, and the overall results of a procurement. Given the wide range of supply sourcing anticipated for the deployments, the types of industry outreach efforts needed will vary significantly. For more complex projects, early contact with potentially interested larger-scale specialized firms can help ensure that a sufficient number of capable bidders are prepared to bid once the procurement is initiated. For Job Order contractors, a different, 'Town Hall' style information session that covers the requirements for participation would be effective in helping local small contractors understand the deployment program and to identify any administrative requirements they may need to take steps to prepare for in advance of the procurement. For supply contracts, given that many of the supply firms may be located outside of the San Francisco area, a targeted contact process will similarly help ensure that there will be sufficient participation in the supply procurements.

Once the foundational procurement criteria have been established, any Industry outreach efforts have been conducted, and the procurement documents have been prepared, the sequences and periods for procurement processes and bid submissions will vary depending on the type of project and contracting approach used. Representative procurement sequences for the five types of contracting approaches described in the Initial Contracting Analysis are provided below. It should be emphasized that a range of project or supply factors such as complexity, site selection obligations, value and risks associated with a project will need to be considered in establishing the actual procurement timelines.

## Design/Build

Release RFP

1 Month – Conduct Pre-Bid Conference (for more complex projects)

1.5 Months – Deadline for submission of bidder questions, requests for revisions

2.5 Months – Proposals due

3 Months – Complete proposal evaluations

4 Months – Award to selected firm

### **Design, Build Operate, Maintain**

Release RFP

1 Month – Conduct Pre-Bid Conference

2 Months – Deadline for submission of bidder questions, requests for revisions

3 Months – Proposals due

4 Months – Complete proposal evaluations

5 Months – Award to selected firm

### **Job Order Contractors**

Release Advertisement for bids

2 Weeks – Conduct pre-bid conference

1 Month – Deadline for submission of bidder questions

1.5 Months – Sealed bids due

2 Months – notify selected contractors of eligibility to perform deployment work orders, complete job order base agreement

### **Power Purchase Agreement**

Release RFP

2 Months – Deadline for submission of requests for contract revisions

3 Months – Proposals due (assumes bidder responsibility for site selection)

3.5 Months – Complete proposal evaluations

4 Months – Award to selected firm

### **Supply Contract**

Release RFP

1 Month – Price Proposals due

1.5 Months – Issue supply order