

Request for Proposals For Wind Resource

issued by

Minnesota Power
30 West Superior Street
Duluth, Minnesota 55802
www.mnpower.com



Released: July 27, 2016

Complete information on this RFP can be found at:
<http://RFP.mnpower.com>

TABLE OF CONTENTS

1.0	BACKGROUND	2
2.0	ELIGIBLE PROPOSALS/MINIMUM REQUIREMENTS	2
2.1	NAMEPLATE CAPACITY	2
2.2	PROVEN AND COMMERCIALY-AVAILABLE TECHNOLOGY	3
2.3	COMMERCIAL OPERATION DATE	3
2.4	CAPACITY ACCREDITATION	3
2.5	ENVIRONMENTAL ATTRIBUTES	3
2.6	POWER DELIVERY REQUIREMENTS	3
2.7	CONTRACT TERM	4
2.8	FIRM, BINDING PRICES	4
2.9	STATEMENT OF MATERIAL EXCEPTIONS	4
2.10	CREDIT RATING	4
2.11	LEGAL CERTIFICATIONS	5
2.12	PROPOSAL SUBMISSION DEADLINE	5
2.13	ADDITIONAL ELIGIBILITY CONSIDERATIONS	5
3.0	SCHEDULE	5
4.0	COMMUNICATION WITH MP	6
5.0	PROPOSAL SUBMISSION	6
5.1	PROPOSAL SUBMISSION REQUIREMENTS	6
5.2	PROPOSAL CONTENT	7
5.3	CONFIDENTIALITY	9
6.0	EVALUATION PROCESS	9
6.1	SCREENING FOR COMPLETENESS/COMPLIANCE WITH MINIMUM ELIGIBILITY REQUIREMENTS	10
6.2	PRELIMINARY AND DETAILED ECONOMIC ASSESSMENT	10
6.3	NON-ECONOMIC/RISK ASSESSMENT	10
6.4	ADDITIONAL DUE DILIGENCE	11
7.0	RESERVATION OF RIGHTS	12

1.0 BACKGROUND

Minnesota Power (MP), a division of ALLETE, Inc., is seeking power supply proposals for up to 300 MW of wind generation, including Community-Based Energy Development (C-BED). This request is part of MP's broader evaluation process that considers the costs and characteristics of different power supply types (e.g., wind, solar, natural gas, demand response, and distributed generation) to optimize the mix of resources to meet customer needs. MP's current resource strategy calls for a diversified mix of resources to meet customers' needs reliably and cost effectively in an environmentally responsible manner.

MP seeks cost-effective wind resources that utilize the Federal Production Tax Credit. Proposals must offer capacity that is accreditable under current Midcontinent Independent System Operator (MISO) resource adequacy rules in MISO Local Resource Zone 1. Proposals must reflect the cost and characteristics of the resource delivered to MP's load zone. Proposals must offer an initial contract term of 20 years or longer. Purchase agreements are contingent upon Minnesota Public Utilities Commission (MPUC) approval.

Proposals must be received by MP (described in Section 5.1) by the Proposal Submission Deadline shown in Section 3.0. MP reserves the right in its sole discretion to modify this schedule for any reason.

MP will not be submitting a self-build wind resource proposal into this Request for Proposals (RFP). In connection with this RFP, MP has retained the services of an independent third party evaluator (Sedway Consulting, Inc.) to work with MP in the evaluation of all proposals. However, MP will make the final decision (subject to MPUC review and approval, as applicable) in MP's sole discretion.

2.0 ELIGIBLE PROPOSALS/MINIMUM REQUIREMENTS

Proposals must meet the general minimum eligibility requirements described below. MP will screen all proposals for compliance with these requirements. Proposals that fail to meet one or more of these requirements may be disqualified from further consideration.

2.1 *Nameplate Capacity*

Proposals must offer wind generation supplies with a nameplate capacity of no greater than a nominal 300 MW.

2.2 *Proven and Commercially-Available Technology*

Proposals must offer capacity and energy that will be generated from proven and commercially-available wind technology. A proposal must include information on at least one project using the stated technology.

2.3 *Commercial Operation Date*

Proposals must offer wind generation supplies with commercial operation dates anytime between January 1, 2018 and December 31, 2020.

2.4 *Capacity Accreditation*

Proposals must offer capacity that is accreditable under current MISO resource adequacy rules in MISO Local Resource Zone 1.

2.5 *Environmental Attributes*

Proposals must provide the environmental attributes (e.g., renewable energy credits and carbon-free attributes) associated with the generation of wind energy from the project.

2.6 *Power Delivery Requirements*

Network upgrade costs that are assessed to the project shall be the responsibility of the bidder and must be included in the bidder's proposed pricing. The bidder shall identify in Exhibit B the interconnection and network upgrade costs included in their proposed pricing.

The cost of obtaining firm transmission service, any interconnection equipment, congestion costs, and losses up to the point of delivery shall be the responsibility of the bidder and must be included in the bidder's proposed pricing. The bidder shall be responsible for all operational related costs, penalties, and charges assessed by MISO. See Transmission Delivery Plan (Item 5) in Section 5.2, Proposal Content, for additional information. MP has a preference for proposals that provide for firm transmission service with delivery to MP's MISO load node, currently MP.MP.

One of the goals of this RFP is to determine the overall cost to MP's retail customers of the selected resource(s). MP's economic evaluation of the proposal will take into account the cost of interconnection and delivery of power from the proposed resource to MP's native load.

NOTE: MP has an approved interconnection with MISO for a 100 MW (nominal) wind generating facility connecting to the Tri-County Substation in southeast Mercer County, North Dakota. This interconnection can be made available for this RFP to bidders with viable projects in that area. If interested, contact MP for details (refer to Section 4.0 for communication details).

2.7 Contract Term

Proposals must offer an initial contract term of at least 20 years. Proposals may also include option(s) for MP to purchase of the facility after at least 10 years.

2.8 Firm, Binding Prices

Proposals must include pricing that is firm and not subject to any revisions during MP's evaluation and negotiation process. Bidder's may propose escalation rates that are either fixed or, if appropriate and defensible, annually indexed to publicly-published indices acceptable to MP; however, the formulaic adjustment of indexed prices must be clearly described in the proposal and the formulaic mechanism itself may not be subject to revision during MP's evaluation and negotiation process. All prices must be in United States dollars and not subject to currency exchange rate adjustment. The proposal must be signed by an officer of the bidding firm who is duly authorized to commit the firm to carry out the power supply proposal should MP accept the proposal. All prices must be firm and binding through May 31, 2017.

2.9 Statement of Material Exceptions

Proposals must provide the bidder's material exceptions to MP's Model Wind Power Purchase Agreement.

2.10 Credit Rating

A bidder must have a credit rating for its senior unsecured debt of **BBB** or higher (for Standard & Poor's) or **Baa2** or higher (for Moody's). If a bidder is unrated or does not meet this minimum credit rating requirement, the bidder may provide credit support from a corporate guarantor that meets the requirement. Alternatively, if a bidder is unrated or does not meet the above minimum credit rating requirement and the bidder does not provide credit support from a suitable corporate guarantor, the bidder must certify and state in its proposal that, if selected, it will provide to MP within two weeks of short list notification cash or a letter of commitment from an acceptable bank for \$5/kW of the proposed capacity of the project in the form of an irrevocable letter of credit.

2.11 Legal Certifications

A bidder must certify that:

1. there are no pending legal or civil actions that would impair the bidder's ability to perform its obligations under the proposed PPA,
2. the bidder has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal,
3. the bidder has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal, and
4. the bidder has not sought by collusion to obtain any advantage over any other respondent.

2.12 Proposal Submission Deadline

To be eligible for consideration, a proposal must be received by MP as described in Section 5.1 by the Proposal Submission Deadline shown in Section 3.0.

2.13 Additional Eligibility Considerations

Proposals must include sufficient information to allow MP to evaluate an offer. Section 5.2 (Proposal Content) includes further instructions on what must be included in a proposal. Proposals that are deficient or incomplete may be rejected by MP.

3.0 SCHEDULE

Table 1 represents MP's expected timeline for conducting this resource request. MP reserves the right to modify this schedule as circumstances warrant and/or as MP deems appropriate.

Table 1: Schedule/Timeline	
Event	Anticipated Date
Release of RFP	July 27, 2016
Proposal Submission Deadline	September 7, 2016, 4:00 p.m. (CDT)
Proposal Evaluation	September 8 to October 14, 2016
Negotiations with Selected Bidder(s)	November - December 2016
Application for Regulatory Approval	January 2017

4.0 COMMUNICATION WITH MP

Website <http://RFP.mnpower.com> has been created for downloading the RFP and Exhibits and to provide uniform communications, including updates and other details as may be provided throughout the bidding process.

All communications and questions from potential respondents regarding the RFP shall be submitted in written form and sent via e-mail to MPWindRFP@mnpower.com with the Independent Evaluator copied at: Alan.Taylor@sedwayconsulting.com.

Phone inquiries and verbal conversations with respondents regarding this RFP are not permitted before the submittal deadline. Individual questions submitted by a respondent to MP before the submittal deadline will be answered and responses sent back via email to the respondent as soon as practical. Responses to frequently asked or broadly applicable questions may be placed on the RFP Website for the benefit of all respondents, with any identifying information redacted.

5.0 PROPOSAL SUBMISSION

5.1 Proposal Submission Requirements

All proposals submitted in response to this RFP must be received by MP and the Independent Evaluator at the email addresses below no later than the Proposal Submission Deadline shown in Section 3.0. MP will not evaluate proposals as part of this RFP process if submitted after this date and time. MP does not anticipate an opportunity in the schedule for respondents to refresh or update their pricing before the final selection(s) are made.

Respondents shall email an electronic copy of its proposal to MPWindRFP@mnpower.com with the Independent Evaluator copied at: Alan.Taylor@sedwayconsulting.com.

1. Each proposal must contain the following:
 - a. Exhibit A: Energy Generation Profile (in Excel form)

- b. Exhibit B: PPA Pricing (in Excel form)
 - c. Additional materials that address the requirements of the RFP
- 2. Do not send any files in compressed formats, such as .zip.
- 3. Respondents should undertake efforts to avoid excessively large emails/attachments; in any case, individual email size must be less than 10 MB. If the emailed information exceeds this limit, then respondents should break their submission into multiple emails.
- 4. Financial statements, annual reports, and other large documents should be referenced via a website address.
- 5. Multiple proposals by the same respondent must be identified separately.

5.2 *Proposal Content*

Bidders must submit the following information:

1. **Project team experience.** Bidders must describe the experience of the principal members of the project team. For existing projects, proposals must include information on who will be responsible for on-going operations and maintenance (O&M). For new projects, in addition to the O&M issues, proposals must also include information on who will be responsible for design, siting, permitting, financing, and construction of the facility. Each member that will lead key aspects of the project should have experience in leading those tasks on previous projects that are similar to the proposed project. Proposals must include descriptions of these previous projects for each key team member and references who may be contacted by MP's evaluation team.
2. **Bidder's financial status.** Proposals must include the bidder's (or guarantor's, if applicable) most recent audited annual report and any 10Q filings since the period covered in the annual report. If such report and filings are not available, the bidder should note this and provide unaudited financials for the last three fiscal years. All financial statements, annual reports, and other large documents may be referenced via a website address.
3. **Project schedule and current status.** For new projects, proposals must include a project schedule that shows the expected commencement, duration, and completion of all significant project development tasks. If some of the tasks are already underway, the bidder should describe the current status of those tasks. Note that specific major project milestones will be the responsibility of the bidder and will be incorporated into the PPA should the bidder's offer be selected by MP.
4. **Siting plan.** For new projects, bidders must describe the status of the site for the proposed project (i.e., whether or not the bidder owns or is leasing the land, has the land under option for purchase or lease, the current zoning of the land, and any rezoning actions, if applicable). The bidder must provide a map of the proposed project site and surrounding territory and indicate the expected point of interconnection. The bidder must indicate whether there are any sensitive attributes

(e.g., residential dwellings, wetlands, state/national parks or wildlife preserves, eagles, endangered or threatened species, cultural or archeological landmarks) on or near the site and, if within one mile, note their proximity to the site. The bidder must provide proof that local community authorities have been notified of the bidder's intention to develop the proposed project and indicate the degree of acceptance by the local community. The bidder should describe any plans for community education and outreach concerning the proposed project, including outreach to non-participating landowners. C-BED proposals will be considered pursuant to the requirements of Minn. Stat. § 216B.1612.

5. **Transmission delivery plan.** If the project is not or will not be in MP's control area, the bidder must provide a transmission delivery plan that demonstrates that the project's output will be deliverable to MP's MISO load node (MP.MP). The bidder shall identify the project's interconnection status and include the applicable MISO queue number(s). The bidder must state all assumptions or actualities concerning the availability and cost of the delivery plan and/or other delivery expenses between the source and MP's MISO load node. Specifically, the bidder must indicate what cost assumptions have been incorporated into the proposed pricing, including those for curtailment, congestion and losses. MP reserves the right, in MP's sole discretion, to reject any proposals that do not adequately address the delivery of the project's output to MP's MISO load node.

NOTE: Bidders will be required to demonstrate within 30 days of being notified of being on MP's Resource Request short list that the delivery plan, if applicable to the bidder's proposal, can with reasonable certainty be secured.

6. **Permitting plan.** For new projects (or for existing projects with significant on-going permitting requirements), bidders should describe the permits that they will need to secure for the facility's development and discuss their plans for acquiring those permits including timing and any expected contingencies that would need to be included in a PPA.
7. **Financing plan.** For new projects, bidders should describe their plans for acquiring the necessary funds for developing and operating their projects. Such plans should include a discussion of the project's legal ownership structure, whether there will be a guarantor standing behind any specific financial obligations, the expected percentage of debt and equity capital that the bidder has committed to secure, and the identity and credit rating of firms that are likely to provide such financing. If available, letters of interest or letters of commitment from such firms should be provided.
8. **Design and construction plan.** For new projects, bidders should provide information on what firm(s) will be involved with the design and construction of the facility and describe any relevant issues that may positively or negatively influence the project's design and construction. MP has a preference for the use of local prevailing wage for labor cost. The qualitative evaluation will take into

account whether the proposal includes a written commitment to paying local prevailing wages.

9. **Resource supply plan.** Bidders should provide hourly estimates of net generation for an average day of each month (24 hours of estimates for each of 12 months). Such bidders should also provide supporting information (e.g., wind turbine power curve, production data, expected degradation over time, description of data-gathering and data-synthesizing processes) that would allow MP to understand how the hourly generation estimates were derived. Additional hourly net generation and other performance information may be requested by MP from bidders that are shortlisted.
10. **O&M plan.** Proposals should include a discussion of the bidder's O&M plan and what firm(s) would provide such services.
11. **Scheduling.** Bidders must describe how they will provide accurate forecast information to MP for scheduling the unit into MISO if the generation will be scheduled by MP.
12. **Statement of Exceptions to MP's PPA.** As noted in Section 2.9, each bidder must review MP's Model Wind PPA and document all material exceptions to the terms and conditions that are relevant to the bidder's proposed resource and that the bidder wishes to take in substantiating the fundamental terms and conditions of its power supply offer.
13. **Proposal Limitations.** Please describe in reasonable detail any existing regulatory, legal, economic, operational, or systematic conditions that might affect the respondent's ability to deliver capacity and energy as offered.

5.3 Confidentiality

Note that any portion of a bidder's proposal that the bidder deems to be confidential must be clearly marked. MP and its consultants will take reasonable precautions to maintain the confidentiality of such information. However, MP is rate regulated by the MPUC; bidders must recognize that their confidential information may have to be shared with regulatory agencies and provided in MPUC regulatory proceedings as well as other regulatory or legal proceedings. MP will employ reasonable efforts to ensure that such confidential information is not publicly disclosed in such proceedings but can give no guarantees of such protection.

6.0 EVALUATION PROCESS

MP's evaluation of power supply proposals will involve the following steps:

1. Screening for completeness and compliance with minimum eligibility requirements
2. Preliminary and detailed economic assessment
3. Non-economic/risk assessment
4. Selection of short list
5. Further due diligence
6. Final selection

Note: MP reserves the right to eliminate any or all proposals during any of these steps. Any proposal advancing any one or more steps does not create any entitlement or reasonable expectation that the proposal will ultimately achieve a PPA. All obligations between MP and a bidder relating to a proposal will be governed by an executed and effective PPA for which all negotiated conditions precedent have been satisfied.

6.1 Screening for completeness/compliance with minimum eligibility requirements

MP's evaluation team will perform an initial screening of each proposal to ensure that the proposal is complete and complies with the Resource Request's minimum eligibility requirements. Proposals with substantial deficiencies will be rejected. For proposals with marginal deficiencies, MP may request that the bidder promptly provide missing information or appropriate clarifications; failure to provide such information may result in a proposal being rejected. All proposals that are deemed to be reasonably complete and compliant will be passed to the economic and non-economic/risk assessment steps.

6.2 Preliminary and detailed economic assessment

MP may perform a preliminary economic screening analysis to identify proposals that are clearly uneconomic and thus do not warrant further detailed evaluation. If performed, such an analysis will involve the use of resource evaluation spreadsheets to review and rank the proposals based on pricing and operational information from the proposal.

The evaluated cost of each proposal will be determined by considering the price under the proposed PPA, the estimated value of energy and capacity from the project based on the project's energy production profile and projected locational marginal prices (LMPs) at the delivery point, and a quantification of the financial costs to MP of rating agencies' treatment of long-term PPA payment obligations as imputed debt. Project costs will be present-valued and/or levelized back to a base year.

6.3 Non-economic/risk assessment

In parallel with the economic assessment, MP's evaluation team will also assess each resource's or portfolio's non-economic characteristics and risks. Such analysis will involve a qualitative consideration of such issues as:

- Bidder’s project team experience and financial strength,
- Feasibility of schedule and current status,
- Status of site control, zoning, and local acceptance,
- Interconnection complexities,
- Transmission delivery complexities,
- Size of resource relative to MP’s overall resource need of up to 300 MW (particularly applicable to relatively new technologies and/or development teams with little experience or financial strength),
- Likelihood of permitting,
- Environmental impacts,
- Likelihood of getting financed,
- Quality of design and construction plan,
- Assessment of acceptable wind technology,
- Quality of O&M plan,
- Ability to provide MP timely and accurate information to schedule the unit into the MISO market, and
- Exceptions taken to MP’s PPA.

MP’s evaluation team will rank the potential power supply portfolios by levelized total system cost and supplement each portfolio’s place in the ranking with a qualitative assessment of the above risks in developing a final set of resources that will be recommended for inclusion on a short list.

6.4 Additional due diligence

Bidders of shortlisted projects will be notified and face-to-face meetings and/or conference calls will be held to perform additional due diligence. Such meetings or calls will provide both MP and the bidder an opportunity to identify and clarify any remaining uncertainties that would complicate the finalization of a PPA or the development of the project. Following this process, MP will select one or more finalist projects that, in total, are sufficient to meet MP’s customer needs.

7.0 RESERVATION OF RIGHTS

MP makes the following reservations in undertaking this power supply solicitation:

1. MP reserves the right to modify or withdraw this Resource Request.
2. MP reserves the right to reject any and all responses to this Resource Request.
3. MP's Resource Request does not equate to an offer to purchase any capacity and energy.
4. All proposal preparation costs must be borne by the bidder.
5. Proposals will not be returned to the bidders.
6. MP may select proposals that total more or less than the stated need.
7. MP may accept a proposal that is not the lowest cost proposal(s).
8. MP may seek clarification from bidders and may request additional information from bidders beyond that which is specifically identified in the Resource Request.
9. MP reserves the right to waive bidder noncompliance with any aspect of its Resource Request.
10. MP may conduct negotiations with selected bidders and may terminate negotiations at any time.
11. Any and all decisions are conditioned on the approval of MP's management and Board of Directors as well as all required regulatory and other approvals.
12. MP reserves the right to modify or supplement this Resource Request at any time during this process. Any such modifications or supplements shall become part of this process and shall be addressed as part of any proposal submitted.