

# **Cleco Power LLC**

## **Informational Filing, Containing Cleco Power's Final Request for Proposals for Biomass Fuel Resources**

**February 17, 2012**



**Cleco Power LLC**  
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Request for Proposals for Biomass Fuel Resources

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**ATTENTION BIDDERS!**

1. **Revisions** – After the final issuance of this RFP, any subsequent revisions to any of its contents, including the Appendices, will be published and maintained on a bulletin board created specifically for that purpose on the Company's RFP Website, which all bidders should follow closely and read carefully. While every effort will be made to finalize this RFP after the Technical and Bidder's Conference, so that this RFP does not require further revision, the Company reserves the right to revise it, in consultation with the LPSC Staff, if appropriate to do so in the judgment and discretion of the Company.

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## **Section 1 – General Information**

### **1.1 Introduction**

Cleco Power LLC (“Cleco Power” or the “Company”) is a wholly owned subsidiary of Cleco Corporation. Cleco Power is an operating electric public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy in portions of north central, south central, and southeast Louisiana. Cleco Power provides wholesale and retail electric service to more than 277,000 customers. Cleco Power’s retail electric rates and services are regulated by the Louisiana Public Service Commission (“LPSC” or the “Commission”). Cleco Power’s wholesale electric rates and services, as well as its rates, services, and facilities for transmission, are regulated by the Federal Energy Regulatory Commission (“FERC”). This Informational Filing, containing Cleco Power’s Final Request for Proposals for Biomass Fuel Resources (this “RFP”), is submitted in compliance with the Commission’s Corrected General Order, issued December 9, 2010, in LPSC Docket No R-28271 Subdocket B (In re: Re-study of the feasibility of a renewable portfolio standard for the State of Louisiana) (the “Renewable Energy Order”), and Attachment A thereto, the LPSC Renewable Energy Pilot Program Implementation Plan (the “Implementation Plan”).

All documents and communications related to this RFP, including the Commission’s Renewable Energy Order, can be accessed at Cleco Power’s RFP Website: <http://www.cleco.com>, by selecting the link for Cleco Power’s RFPs.

In order to comply with the Commission’s Implementation Plan at the lowest reasonable cost to its customers, Cleco Power is issuing this RFP seeking to secure biomass fuel supplies to co-fire generation at its Madison Unit 3 generating facility (“Madison 3”). Cleco Power’s Madison 3 utilizes circulating fluidized bed technology and was designed to be capable of burning biomass fuel to generate electricity. Section 2.1 of this RFP contains a detailed description of what constitutes an eligible biomass resource under the Implementation Plan.

### **1.2 LPSC’S Renewable Energy Pilot Program**

Through the Renewable Energy Order and the Implementation Plan, the Commission has set forth various policy objectives related to renewable generation resources for Louisiana, including: (1) providing additional resources that result in a reliable and economical long-term electric supply; (2) diversifying Louisiana’s fuel mix; (3) creating greater energy security through the use of indigenous resources; (4) encouraging private investment; (5) improving air quality; (6) developing additional in-state renewable resources; and (7) encouraging job creation and retention, while avoiding the uncertainty associated with the costs of a long-term policy decision.

The Implementation Plan contains requirements and guidelines for a renewable energy pilot program for LPSC-jurisdictional electric utilities. The pilot program is intended to

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help prepare Louisiana utilities to meet the requirements of a federal renewable portfolio standard, should one be implemented. The pilot program consists of two components: (1) a research component; and (2) an RFP component for larger-scale renewable resources. The RFP component of the pilot program applies generally to all LPSC-jurisdictional electric utilities and requires each utility to conduct an RFP for new long-term renewable resources that are expected to be online in the 2011-2014 time frame. LPSC-jurisdictional electric utilities are required to solicit bids for a total aggregate amount of 350 MW of nameplate renewable capacity. Each utility's portion of that capacity is allocated in proportion to the utility's 2009 retail sales in Louisiana. Cleco Power's share is 43 MW of renewable capacity. Generally, utilities must seek renewable capacity from technologies and sources approved in the Implementation Plan, including: biomass energy, geothermal energy, solar photovoltaic, solar thermal, low impact hydropower, wind, and wood and wood waste.<sup>1</sup>

Section 4.1 of the Implementation Plan, however, contains an "Exception to the Self Bid Requirement", under which a utility that owns an existing solid-fuel-fired generating unit designed to burn biomass fuel may defer conducting a capacity RFP for renewable resources, in order to first evaluate the additional requirements necessary to make the existing unit ready for co-firing operations. As part of such an evaluation, a utility may conduct an RFP for biomass fuel resources. Because Cleco Power's Madison 3 unit qualifies for the Section 4.1 exception, Cleco Power is proceeding with an evaluation of the costs of co-firing generation at Madison 3 with biomass fuel. This RFP for Biomass Fuel Resources is a part of that evaluation process.

## **Section 2 – Cleco Power's Biomass Fuel RFP**

### **2.1 Overview of The Biomass Fuel RFP**

By means of this RFP, Cleco Power wishes to secure the lowest-cost source or sources of biomass fuel deliverable to Cleco Power's Madison 3 Unit. Cleco Power's biomass fuel supply selections in this RFP will be subject to the prior authorization of the LPSC, pursuant to the Commission's Renewable Energy Order and the Implementation Plan. Though a wide variety of biomass resources are eligible under the Commission's Implementation Plan, for a number of economic and technical reasons, Cleco Power is seeking a narrower group of potential biomass fuel resources, as described in detail below.

### **2.2 Basic Requirements for Biomass Fuel Supplies**

#### **Acceptable biomass fuels**

Cleco Power is seeking proposals from qualified bidders capable of providing Cleco Power's targeted biomass fuel resources. Cleco Power's primary target biomass fuel for co-firing at Madison 3 is forest biomass consisting of harvesting residues (branches

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<sup>1</sup> See Implementation Plan Section 5.1.

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and tops), rough/cull material, small diameter saplings from pre-commercial thinnings, and other material that is generally not utilized by existing forest products companies to manufacture primary wood-derived products, such as paper, lumber, or engineered wood products.

Cleco Power will also consider other woody feedstocks, such as wood processing residuals (e.g., slabs and cut-offs that have been chipped), clean storm debris, clean urban woody debris, non-merchantable material damaged by fire, insects or disease, right-of-way clearings, or woody material removed from a tract of land for timber stand improvement or for purposes other than as fuel supply, where said material is generally not utilized by existing forest products companies to manufacture primary wood-derived products, such as paper, lumber, or engineered wood products. Cleco Power's use of any such materials would be subject to feedstock quality standards established in each fuel supply contract and further subject to the sustainability criteria that will guide acquisition and utilization of all feedstocks.

Cleco Power will give consideration to potential suppliers offering dedicated woody energy crops produced specifically for the biomass fuel market. The quantity of material to be used will depend on the material's physical and chemical composition, seasonal availability, cost, and other factors.

Cleco Power is not seeking agricultural biomass as a part of this RFP.

### **Sustainability considerations**

The Renewable Energy Order states that "sustainable forest practices should be used to the extent possible" (p.3). Cleco Power is in full agreement with this statement, and has designed this RFP to achieve the objective of securing renewable biomass fuel resources on a sustainable basis. Cleco Power notes that numerous sustainable forest management practices are already being followed by Louisiana's existing forest landowners and forest products industry; Cleco Power intends to build on these practices as further described below.

Accordingly, Cleco Power will require that all aspects of its biomass fuel supply chain comply with appropriate sustainable forest management practices. Removals of forest biomass from forestlands shall be undertaken from land for which the landowner has a written forest management plan, from land that is enrolled as a Certified Tree Farm, from land that is a part of the US Forest Service's Forest Stewardship Program (administered by state agencies such as the Louisiana Department of Agriculture and Forestry), or from land that is certified under a sustainable forest management program, such as those established by the Sustainable Forestry Initiative ("SFI"), or the Forest Stewardship Council.

Written forest management plans shall be developed by a professional forester certified by the Society of American Foresters, by a full member of the Association of Consulting Foresters of America, by a Registered Forester with the State of Arkansas or

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Mississippi, or by a degreed forester from an SAF-accredited institution, such as Louisiana State University or Louisiana Tech University.

Written forest management plans shall, at a minimum, adhere to recommended Best Management Practices (“BMPs”) set forth in the document “Recommended Forestry Best Management Practices in Louisiana.” The document is available for download at: <http://www.ldaf.state.la.us/portal/offices/Forestry/ForestryManagement/BestManagementPractices/tabid/232/Default.aspx>.

Each harvesting team obtaining forest biomass under a supply contract with Cleco Power must include at least one Master Logger, as registered with the Louisiana Logging Council.

No forest biomass may be obtained from land clearing activities unless such clearing is prescribed in the tract’s written forest management plan and is based on removal of forest biomass for silvicultural reasons, from right-of-way clearings or similar land management activities, or in response to damage from fires, pestilence, or natural disasters.

Each biomass fuel supplier engaged by Cleco Power shall maintain documentation, books and records sufficient to verify compliance with the foregoing sustainability requirements and shall make such documentation, books and records available to Cleco Power, or Cleco Power’s designated representative, as Cleco Power may request from time to time. Cleco Power reserves the right to engage an independent professional forester to conduct audits of compliance with the sustainability requirements described above, and each biomass fuel supply contractor shall facilitate any such audit. The results of such an audit will be provided in writing both to Cleco Power and to the biomass fuel supply contractor.

All of the foregoing sustainability requirements shall be incorporated into each biomass fuel supply contract. In addition, Cleco Power is considering obtaining certification for its forest biomass supply chain and biomass co-firing facility under SFI, and the SFI certification process may result in minor modifications or additions to the sustainability requirements for Cleco Power’s biomass fuel supply chain set forth above.

### **2.2.1 Quantity**

Based on the LPSC’s requirement that Cleco Power seek 43 MW of renewable capacity, as set forth in the LPSC’s Renewable Energy Order and the Implementation Plan, Cleco Power estimates that its biomass fuel requirement may be up to approximately 350,000 green tons per year. Cleco Power anticipates that this quantity of biomass fuel will be required over a 10-month period of each year, as Cleco Power expects that it may typically schedule two monthly outages for maintenance of Madison 3 (one in the spring and one in the fall) each year.

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## 2.2.2 Quality

Regardless of the source of the biomass fuels, Cleco Power will require all deliveries to comply with the following biomass fuel specifications:

1. Wood fuel shall be defined as any wood (hardwood and/or softwood) that is delivered in bulk, chipped form; Cleco Power will not accept any round wood, stumps, bundles, or bales. Bulk material forms that are acceptable include:
  - a. Clean chips that are derived from processing residues or round wood that has been segregated from bark and/or logging slash.<sup>2</sup>
  - b. Dirty chips that are derived from logging slash, small diameter saplings from pre-commercial thinnings, cull trees or woody material, underbrush, or species that are not utilized by existing forest products companies to manufacture primary wood-derived products, such as paper, lumber, or engineered wood products.
  - c. Dirty chips that are derived from baled or bundled logging slash or from an entire tree<sup>3</sup> in one pass without segregating bark, round wood, and leaves or needles (if any).
2. Bulk wood fuel material shall be created by passing solid wood or bundles through a knife-type size reduction machine; ground or hogged material will not be accepted, unless the resulting material can meet the particle size requirements and other fuel specifications set forth herein.
3. At no point shall the bulk fuel come in contact with the ground; the fuel shall be chipped and conveyed directly into a truck or other storage system for delivery to the site. Any intermediate storage site(s) shall use a clean, dense pad so as to avoid contamination of the woody fuel with soil particles.
4. All biomass fuel chipping equipment should be configured and operated so that wood chip particle size distribution as delivered to Cleco Power shall be as follows:
  - a. 95% of all material shall pass through a 2 inch (50 mm) ASTM-certified test screen using an ASTM-compliant particle size test.
  - b. A maximum of 20% of all material shall pass through a 0.25 inch (3 mm) ASTM-certified test screen using an ASTM-compliant particle size test.
5. Average delivered fuel moisture content per truckload shall not be greater than 55% wet basis. Average delivered fuel moisture content per day shall not be greater than 47.5%.
6. Ash content: ash content of the fuel as delivered shall not exceed 2% dry matter basis.

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<sup>2</sup> Logging slash is defined as tops and branches (and a small fraction of leaves/needles, depending on the timber stand harvested, time of year, and other factors) that are left after the round wood has been harvested.

<sup>3</sup> No material from below the stump cut will be permitted in the delivered fuel.

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### 2.3 Moisture Content and Pricing Considerations for Biomass Fuel Supplies

Woody biomass has a relatively constant energy content on a BTU per dry pound basis.<sup>4</sup> However, Cleco Power anticipates that the moisture content of biomass fuel delivered to Madison 3 may vary based on harvesting conditions, storage and shipping methods, weather conditions, and other factors. Such differences in fuel moisture content may impact the amount of electric energy Cleco Power can generate from a given amount of biomass fuel. As a practical matter, this means that Cleco Power's woody biomass pricing structure must be adjusted on the basis of the moisture content of the fuel, as delivered.

Accordingly, Cleco Power will closely monitor the moisture content of delivered biomass fuel and adjust the price paid for the fuel as delivered (based on its average moisture content) so as to ensure a constant price on a dry basis, regardless of average delivered moisture content. This also means that Cleco Power will pay a constant price for the fuel on an energy content basis (i.e., \$/MMBtu). The cost per dry ton of fuel can be calculated, based on the delivered cost per wet (green) ton and the average delivered moisture content. To further simplify biomass fuel payment, Cleco Power intends to make payments on fuel content ranges; more specifically, within five percentage points (e.g., a fixed rate for fuel averaging 40%-45% moisture content, a lower fixed rate for fuel averaging 45%-50% moisture content, and so forth). For illustrative purposes, Cleco Power includes the following table and chart depicting how the value of biomass fuels varies with moisture content, reflecting a uniform value for the fuel's energy content:

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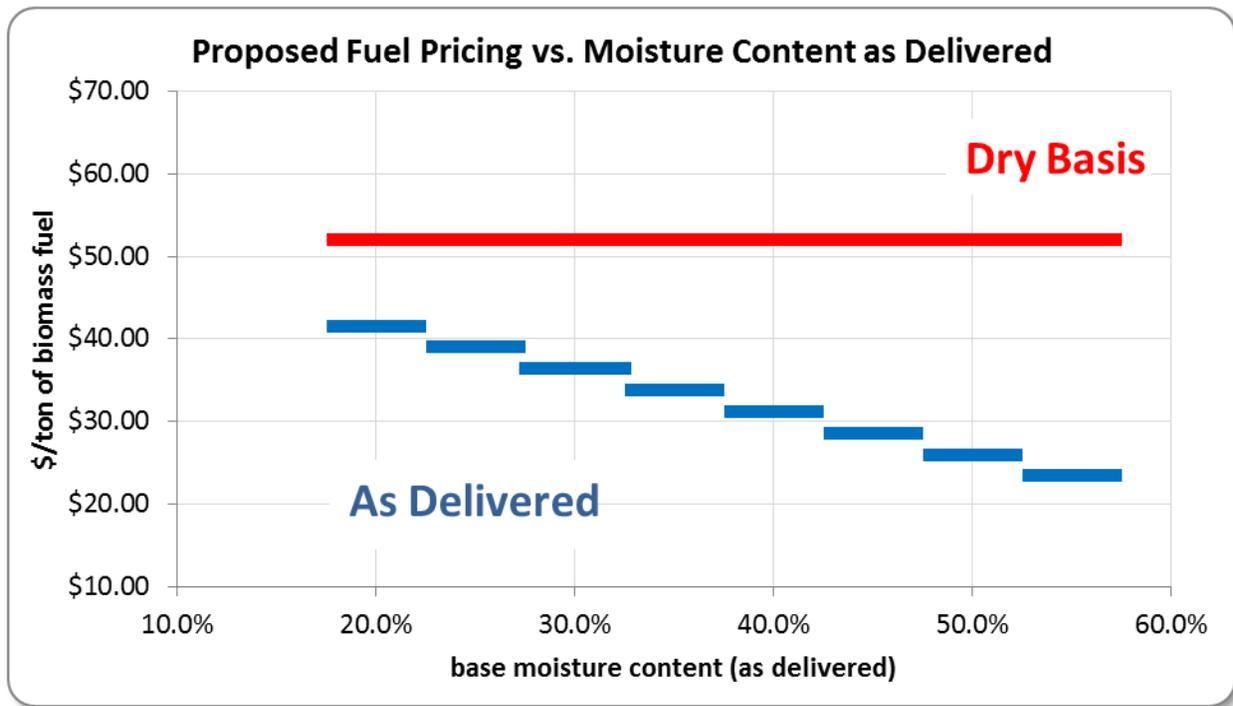
<sup>4</sup> I.e., when calculated at zero percent moisture content.

**ILLUSTRATIVE PAYMENT SCHEDULE REFLECTING ENERGY PRICE BASIS  
pricing schedule with m. c. ranges**

table of prices per proposed moisture content ranges

moisture content range			\$ / ton as delivered	\$ / dry ton	\$ / MMBtu
low	mid	high			
17.5%	20.0%	22.5%	\$41.60	\$52.00	\$3.13
22.5%	25.0%	27.5%	\$39.00	\$52.00	\$3.13
27.5%	30.0%	32.5%	\$36.40	\$52.00	\$3.13
32.5%	35.0%	37.5%	\$33.80	\$52.00	\$3.13
37.5%	40.0%	42.5%	\$31.20	\$52.00	\$3.13
42.5%	45.0%	47.5%	\$28.60	\$52.00	\$3.13
47.5%	50.0%	52.5%	\$26.00	\$52.00	\$3.13
52.5%	55.0%	57.5%	\$23.40	\$52.00	\$3.13

*Based on an average energy content of 8,300 Btu per pound dry basis.*



Note that the above illustrative payment schedule reflects an assumed base price of \$26/ton at an assumed base moisture content of 50% (refer to Section 2.4 for definitions of base price and base moisture content); the actual payment schedule will

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be adjusted to reflect the base price and base moisture content as agreed upon between Cleco Power and the fuel supplier(s).

Each truckload of biomass fuel delivered to Madison 3 will be tested for moisture content, with the results used to determine the dry matter content of the delivered material and the price Cleco Power will pay for the biomass fuel. Material received will also be tested for ash content; the frequency of such testing will be at the discretion of Cleco Power's receiving facility staff.

Moisture content testing may be accomplished using a continuous, real-time moisture content testing system located immediately after the receiving hopper and prior to co-mingling of the biomass with material from other loads.<sup>5</sup> Alternately, Cleco Power may elect to use a non-continuous sampling and test method. In addition, physical samples of the biomass will be taken periodically and analyzed on-site by Cleco Power to cross-check and calibrate the continuous testing system and to test the biomass for ash content and particle size distribution.<sup>6</sup> Additional samples will be taken periodically and sent to an independent certified laboratory for analysis and additional verification of the on-site testing systems.

## 2.4 Pricing

All fuel will be purchased on a per ton basis as delivered, subject to the pricing adjustments discussed below. The bidder must propose a base price and a base moisture content (e.g., \$26/ton at a moisture content of 50%). Cleco Power will then establish a payment schedule similar to the illustrative schedule above, reflecting a uniform \$/MMBtu price based on the bidder's base price and base moisture content. Each bidder must agree to Cleco Power's energy-based pricing structure, which assumes no significant variation in energy content and, therefore, is based on a price per ton dry matter basis.

For any biomass delivered to Cleco Power which has an ash content exceeding 2.0% on a dry weight basis, there will be a corresponding reduction in the price paid for the biomass of 5% for each one-half of a percent increase in ash content above 2%. For example, with reference to the illustrative pricing schedule set forth above, the price paid for biomass fuel delivered at 50% moisture would be \$26.00 per green ton (\$52.00 per ton dry matter basis). If the biomass has an ash content greater than 2.0% and less than or equal to 2.5%, then the price paid by Cleco Power will be reduced by 5% to \$24.70 per

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<sup>5</sup> As of June 2011, several continuous moisture content testing technologies are in various stages of pre-commercial development, and Cleco Power anticipates that one or more of these technologies will be available for commercial use by the time the biomass receiving facility is constructed at Madison 3. In the event that no such technology is available at that time, then commercially available equipment will be installed to collect and analyze physical samples of biomass from each truckload received, using a materials handling protocol to be mutually developed between Cleco Power and the biomass fuel supplier(s).

<sup>6</sup> The size of each sample and the method of obtaining representative samples will be determined primarily from the sampling and analysis equipment vendors' recommendations and will be included in a detailed sampling and analysis protocol to be mutually developed between Cleco Power and the biomass fuel supplier(s).

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green ton (\$49.40 per ton dry matter basis). However, frequent deliveries of material with ash content above 2% will be considered a breach of contract, and Cleco Power may require the biomass fuel supplier to remedy said breach within a stated period of time.

In accordance with the requirements of the LPSC's Implementation Plan, bids may not be tied to a fuel price index, although bids may be tied to a producer price index ("PPI") or a consumer price index ("CPI"). Since the U.S. Department of Labor tracks hundreds of consumer/producer price indices on a monthly basis, bidders proposing to use the PPI or CPI must specify exactly which index will be used; provided, however, that bidders may not specify an index that is principally or primarily a fuel index as a means to circumvent the foregoing prohibition against tying bids to a fuel index. Any adjustments to bid price pursuant to a PPI or CPI will be made not more frequently than on an annual basis.

## **2.5 Alternate Bid For Informational Purposes**

Under Section 4.1 of the Commission's Implementation Plan, Cleco Power is required to submit a report to the Commission of the Company's evaluation of the requirements necessary for co-firing biomass fuel at Madison 3. That report will include a discussion of the proposals submitted in response to this RFP. This RFP has been designed to meet the requirements of the Implementation Plan, including those relating to proposals for biomass fuel resources.

As part of its report, Cleco Power desires to also provide the Commission with a discussion of the prevailing market conditions for biomass fuel resources in Louisiana. Accordingly, for informational purposes, Cleco Power is requesting and encouraging bidders to also submit an alternate bid, with the following proposal elements: (i) a price per ton basis as described above, but without an adder for fuel incorporated into that price; (ii) a contract term of at least one (1) year; and (iii) a mechanism to adjust the price based upon a fuel index (the proposal should specify the fuel index that would be used). Bidders should note that this alternate bid is requested in addition to, and not in lieu of, the required bid. As noted above, information derived from the alternative bids will be included as comparative information in the report that will be submitted by Cleco Power to the Commission.

## **2.6 Contract Term; Multiple Suppliers**

In accordance with the requirements of the LPSC's Implementation Plan, the term of each biomass fuel supply contract will be between 10 and 20 years. Cleco Power anticipates executing agreements with multiple biomass fuel suppliers.

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## **Section 3 – Instructions to Bidders**

### **3.1 Single-Phase Proposal Process: Binding Proposals**

Cleco Power has posted the Biomass Fuel RFP document and all related bidder forms and appendices on Cleco Power's RFP Website. Cleco Power is conducting a single-phase RFP process; a bidder's initial RFP proposal will be binding upon the bidder.

As described in Section 3.10, bidders are required to submit their proposals by April 17, 2012; please see also the RFP Schedule in Section 3.3. All proposals must be signed by an officer of the bidder who is duly authorized by the bidder's authorizing governance body to sign and submit such proposals.

Cleco Power will evaluate all proposals, pursuant to the evaluation methods described in Section 3.12, and will notify bidders of their selection or rejection, and commence definitive contract negotiations.

### **3.2 Confidential Information and Confidentiality Agreements**

Cleco Power and LPSC Staff will treat as confidential all proposals submitted by bidders. Bidders shall submit their proposals, however, with the knowledge and understanding that any information submitted by them may be subject to disclosure in order for Cleco Power to cooperate with LPSC Staff's informational requirements in this RFP, and to seek the Commission's authorization of any accepted and fully negotiated bids pursuant to the Commission's Renewable Energy Order and the Implementation Plan (provided that during any such authorization process, Cleco Power and the LPSC Staff will exercise good faith efforts to maintain the confidentiality of bidder information). Cleco Power has developed and implemented protocols regarding confidential treatment and protection of bidder information and questions received from the market.

In the event that Cleco Power, in its sole judgment and discretion, determines that information contained in any question, response, or other communication between it and a bidder, which is not contained in the bidder's proposal, requires confidential treatment, an appropriate Confidentiality Agreement, in the form attached as **Appendix A**, will be submitted to the bidder. Otherwise, Cleco Power will ensure that all bidders have access to the same information from Cleco Power, and that no bidder will have selective or otherwise preferential access to non-public, market-sensitive information from Cleco Power through this RFP.

### **3.3 RFP Schedule**

The schedule for the Biomass Fuel Resources RFP is shown below. As circumstances warrant, Cleco Power, in its sole judgment and discretion, may change this schedule, and in that event, Cleco Power will inform all participants as far in advance as reasonably possible by posting any change on its RFP Website. Cleco Power will

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consult with the LPSC Staff prior to determining and announcing any significant change to the schedule shown below.

<b>RFP Schedule (Updates will be posted on the Cleco RFP Website):</b>	
File Informational Filing Containing Draft RFP for Biomass Fuel Resources	11/18/2011
Technical and Bidders' Conference (at Brame Energy Center)	12/15/2011
Bidder Comment and Q&A Period on Draft RFP	11/21/2011 through 01/12/2012
Deadline for Bidder Comments on Draft RFP	01/12/2012
LPSC Staff Files Comments	On or about 01/12/2012
File Informational Filing Containing Final RFP for Biomass Fuel Resources	02/17/2012
Bidder Q&A Period on Final RFP	02/17/2012 through 04/17/2012
<b>Proposal deadline at 5:00 PM Central Time</b>	04/17/2012
Bid screening and evaluation period begins	04/17/2012

### **3.4 Modification or Cancellation of the RFP**

Cleco Power reserves the right, in its sole judgment and discretion, but subject to prior consultation with LPSC Staff, to modify or cancel this RFP. In such event, Cleco Power will post a notice on its RFP Website. Cleco Power, however, shall have no liability or responsibility for failing to notify any potential participants of any modification to or cancellation of this RFP.

### **3.5 Technical and Bidders' Conference**

On December 15, 2011, at the Brame Energy Center, in Lena, Rapides Parish, Louisiana, LPSC Staff conducted a Technical and Bidders' Conference for Cleco Power and any person interested in this RFP. The primary purposes of the Technical and Bidders' Conference were to review the RFP and to afford interested persons the opportunity to ask questions and make suggestions about it. In addition, Cleco Power reviewed and explained its bid evaluation methodologies and bid pricing requirements. Potential bidders for Cleco Power's Biomass Fuel RFP were encouraged, but not required, to attend and participate actively. Following the Technical and Bidders' Conference, Cleco Power's complete presentation at the Conference was posted on Cleco Power's RFP Website.

### **3.6 Question and Comment Process and Issuance of Final Version of the RFP**

Effective upon Cleco Power's filing of the draft version of this RFP with the LPSC and posting on Cleco Power's RFP Website, all communications between potential or actual bidders and Cleco Power will be conducted by means of the procedures specified in this RFP. Interested persons are encouraged to submit questions or comments regarding this RFP to Cleco Power's RFP Administrator (see Section 3.8). Potential

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bidders may continue to ask questions, to request clarification, or to request additional information regarding this RFP in accordance with the procedures described in this Section 3.6 and in Section 3.7. Questions or requests for clarifying or additional information must be directed in writing to Cleco Power's RFP Administrator using the form on Cleco Power's RFP Website. Any unsolicited contact with any Cleco Power personnel by potential bidders concerning this RFP, other than Cleco Power's RFP Administrator for this RFP, is not and will not be permitted and may constitute grounds for disqualification.

Cleco Power will post all questions submitted by bidders, as well as Cleco Power's responses to such questions, on its RFP Website. Cleco Power's objective in posting these questions and responses is to ensure all bidders have equal access to non-confidential information that may be potentially relevant to their proposals. Bidders are encouraged to continue to submit questions about the RFP as far in advance as possible of the bidding deadlines, in order to allow Cleco Power to have adequate time to respond to the inquiries.

### **3.7 Additional Questions and Comments**

Bidders are encouraged to continue to send questions related to the substance of the RFP to the RFP Administrator until April 17, 2012. Bidders are required to submit those questions through the Cleco Power RFP Website.

### **3.8 RFP Administrator of Cleco Power LLC**

Cleco Power's RFP Administrator for this RFP is:

Richard L. Sharp  
Cleco Power LLC  
2030 Donahue Ferry Road  
Pineville, LA 71360  
Telephone: (318) 484-7755  
Fax: (318) 484-7106  
E-mail: RFPBiomassFuel@cleco.com

### **3.9 Joint Proposals**

No bidder may act through a partnership, joint venture, consortium, or other association or organization, or otherwise act in concert with any other person, with respect to the RFP, unless as part of its proposal it provides written notification to Cleco Power of such and fully identifies the other partner(s), joint venture(s), member(s) of the consortium, association, organization, or such other persons, and, as part of the evaluation process, such other entities provide any other information required by Cleco Power to identify and evaluate the partnership, joint venture, consortium, or other association, organization, person, or group.

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### 3.10 Submission of Proposals

**Cleco Power will accept proposals through 5:00 PM Central Time, April 17, 2012. Bidders are required to submit their completed proposals by such date to the RFP Administrator. Proposals may be submitted in accordance with any of the options described on p. 9 of the Proposal Form (Appendix B). PROPOSALS WILL BE ACCEPTED NO LATER THAN 5:00 P.M., CENTRAL TIME, APRIL 17, 2012. ANY PROPOSALS RECEIVED LATER THAN THIS DUE DATE AND TIME WILL BE CONSIDERED NON-CONFORMING AND WILL BE REJECTED.**

All proposals must be submitted in accordance with the instructions and on the Proposal Form provided in **Appendix B**, and all proposal terms and conditions shall be specified in detail as required by the Proposal Form.

Proposals must be signed by an officer, or other agent of the bidder duly authorized to make such proposals by the bidder's board of directors or comparable governing body for an unincorporated bidder. Proposals with the required signatures must be delivered by the April 17, 2012 proposal deadline, as provided on p. 9 of the Proposal Form (**Appendix B**).

Proposals submitted in response to this RFP will not be returned to bidders. At the conclusion of the RFP, all proposals will be archived by Cleco Power until at least the conclusion of the LPSC certification process related to this RFP, and until the conclusion of any other related regulatory review and approval process. All proposals will be treated confidentially, as discussed in this RFP, and will be subject to all governing regulatory requirements.

### 3.11 Screening for Threshold Requirements

Cleco Power's RFP Administrator and his review team will thoroughly review and assess all proposals to ensure that each:

- is received on time with all forms complete in their entirety;
- is signed by a duly authorized officer or agent of the bidder;
- includes a properly completed proposal; and
- meets the informational requirements and other conditions specified in **Appendix B**.

Proposals that are submitted timely and meet the threshold requirements of the RFP shall be considered conforming.

Proposals may be deemed non-conforming if they do not meet the requirements specified in **Appendix B**. Except for proposals not received by the proposal submission deadline specified in Section 3.10, at Cleco Power's sole judgment and discretion, proposals that are non-conforming may be given 3 business days to remedy their non-conformity. Cleco Power reserves the right, however, not to consider any

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proposal that is non-conforming. Cleco Power will not, however, permit bidders to change any pricing elements specified in their proposals after the proposal submission deadline specified in Section 3.10, except solely to correct obvious arithmetical errors.

Cleco Power reserves the right to contact bidders to clarify proposal terms or request additional information.

### **3.12 Evaluation Methods**

Cleco Power will conduct all proposal evaluations with review and consultation with LPSC Staff. In the course of such evaluations, the RFP Administrator may contact bidders individually in order to obtain clarification of their proposals, as needed. Using the process outlined below, Cleco Power will evaluate each proposal and/or combinations of proposals as potential supply alternatives.

Cleco Power's evaluation seeks to identify biomass fuel supply resources that meet the requirements of the LPSC's Renewable Energy Order and the Implementation Plan at the lowest reasonable cost, while considering the objectives of reliability and risk mitigation.

This process should be viewed as a general framework for evaluation and not as a prescriptive procedure.

Bidder information and resulting rankings are considered confidential and proprietary and will not be shared with bidders, even after the RFP has concluded.

#### Economic Evaluation

Proposals will be evaluated using a fundamental economic analysis based on spreadsheet models. Costs will be measured on a dollar per dry ton (0.0% moisture) (\$/ton-dmb) and will reflect the levelized cost in \$/ton-dmb for each proposal over the evaluation period.

#### Viability Assessment

In addition to the economic analysis, Cleco Power will analyze non-price factors in connection with its analysis of the proposals. Non-price factors may be used to identify key issues requiring further clarification from the bidder, and identify risks or issues that may require mitigation during the negotiation process.

Non-price factors may include, but not be limited to:

(i) storage capability - does the bidder have existing or planned storage capability with respect to woody biomass fuel storage, and the location of that storage;

(ii) monthly volume reliability – is the bidder capable of supplying biomass fuel each month, or will the bidder need to adjust the volume seasonally or

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monthly due to certain events, such as weather or demand from other customers;

(iii) existing operation – qualification of bidder’s existing operations including lines of business, years in business, annual revenues, number of employees, type of equipment fleet, relevant experience, and other comparable information relating to the bidder’s operations;

(iv) sustainability – does the bidder possess the ability to comply with the sustainability considerations described in Section 2.2, and does the bidder participate in any related industry programs;

(v) best management practices – does the bidder follow or contract with suppliers with documented best management practices;

(vi) transportation equipment – qualification of bidder’s transportation resources, including types and sizes of trucks to be used, biomass tonnage that can be loaded into the specified trucks, how precisely can the tonnages be controlled, and flexibility of the truck delivery schedule; and

(vii) woody biomass supply – qualification of acreage available to bidder including average haul distance to Brame Energy Center, sources of woody biomass supply (owned or contracted), and a description of tract sources.

### Ranking of Proposals

Proposals will be ranked based the results of the economic evaluation and viability evaluation along with other available qualitative assessments, information, or analyses, with an objective of identifying biomass fuel supply resources that meet the requirements of the LPSC’s Renewable Energy Order and the Implementation Plan at the lowest reasonable cost while considering the objectives of reliability and risk mitigation.

### Credit Assessment

Cleco Power may evaluate certain bidders to determine the bidder’s credit worthiness, Cleco Power’s exposure to the bidder, and the requirement for credit support that may be required from the bidder. This evaluation will not disqualify a bidder’s proposal from the economic evaluation and viability assessment identified above.

Bidders undergoing a credit assessment will be notified and provided with a listing of required documents to provide, including but not limited to audited financial statements and bank references.

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### **3.13 Notification of Evaluation Results and Negotiations**

Upon selection of proposals by Cleco Power for negotiation, Cleco Power will contact each bidder to notify it of the status of its proposal and whether due diligence steps and/or additional discussions or negotiations are warranted. Negotiations for contracts and due diligence will commence as soon as practicable after selected bidders are notified.

Upon conclusion of negotiations, if successful, Cleco Power will confect with the bidders definitive and mutually agreeable contracts for submission to the LPSC for review and authorization pursuant to the Commission's Renewable Energy Order and Implementation Plan. Cleco Power also will retain written documentation of its decision-making process for proposals that are selected or rejected, including the reasons for Cleco Power's decisions.

### **3.14 Summary of Principal Terms for Biomass Fuel Contracts**

**Appendix C** contains a Summary of Principal Terms for Biomass Fuel Contracts.

### **Section 4 – Regulatory Approvals**

Generally, the results of this RFP will be subject to regulatory approvals, as discussed herein. Any contractual arrangements between Cleco Power and prospective bidders will be conditioned upon prior LPSC authorization that is satisfactory in form and substance to Cleco Power, in its sole judgment and discretion. Cleco Power reserves the right to reject any proposed contracts that result from the RFP, if subsequently issued regulatory approvals or authorizations are subject to terms or conditions, including ratemaking treatments, that are unacceptable to Cleco Power in its sole judgment and discretion.

### **Section 5 – Reservation of Rights**

A bidder's proposal will be deemed accepted only when a definitive agreement has been executed and delivered by Cleco Power to the chosen bidder and the bidder also has executed that agreement and delivered the thus fully-executed agreement to Cleco Power. Cleco Power has no obligation to accept any proposal, whether or not the stated price in such proposal is the lowest price offered in the RFP, and may reject any proposal, in its sole judgment and discretion, for any reason whatsoever, without any obligation to disclose the reason or reasons for rejection.

By participating in this RFP, each bidder agrees that (i) except as expressly and specifically provided in any representations and warranties contained in a fully executed definitive agreement with Cleco Power, any and all information furnished by or on behalf of Cleco Power in connection with the RFP is or will be provided without any

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representation or warranty, express or implied, as to the usefulness, accuracy, or completeness of such information, and (ii) except as otherwise expressly and specifically provided in a fully executed definitive agreement with Cleco Power, neither Cleco Power nor any of its personnel or representatives shall have any liability to any bidder or its personnel or representatives relating to or arising from the use of or reliance upon any such information or any errors or omissions therein.

This RFP does not commit or obligate Cleco Power to pay any costs incurred by the bidder in the preparation of a proposal in response to this RFP or to contract for any products or services bid by any bidder. Cleco Power reserves the right to modify or withdraw this RFP, to negotiate with any and all qualified bidders to resolve any and all technical or contractual issues, or to reject any or all proposals and to terminate negotiations with any bidder at any time. Cleco Power reserves the right, at any time and from time to time, without prior notice and without specifying any reason and, within its sole judgment and discretion, to:

- cancel, modify or withdraw this RFP, reject any and all responses, and terminate negotiations at any time during the RFP process;
- discuss with a bidder and its advisors the terms of any proposal submitted by the bidder and obtain clarification from the bidder and its advisors concerning the proposal;
- consider all proposals to be the property of Cleco Power, subject to the provisions of this RFP relating to confidentiality and any confidentiality agreement (**Appendix A**) that may be executed in connection with this RFP, and destroy or archive any information or materials developed by or submitted to Cleco Power in this RFP;
- request from a bidder information that is not explicitly detailed in this RFP, but which may be useful for evaluation of that bidder's proposal;
- determine which proposals to favor, pursue, accept or reject;
- reject any proposals that are not complete or contain irregularities, or waive irregularities in any proposal that is submitted;
- accept proposals that do not provide the lowest evaluated cost;
- determine which bidders to allow to participate in the RFP, including disqualifying a bidder due to a change in the qualifications of the bidder or in the event that Cleco Power determines that the bidder's participation in the RFP has failed to conform to the requirements of the RFP;
- conduct negotiations with any or all bidders or other persons or with no bidders or other persons; and
- execute one or more definitive agreements with any bidder that submits a proposal or with any other person or with no one.

If, at any time, Cleco Power determines that there is a defect in the RFP process or a deviation from the requirements of the RFP, or that collusive or fraudulent bidding has occurred or appears to have occurred, Cleco Power, in its sole judgment and discretion, in consultation with LPSC Staff, may suspend the RFP in whole or in part as to any bidder or bidders so involved.

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Under all circumstances, each bidder is responsible for all costs and expenses it incurs in connection with the RFP. Under no circumstances, including Cleco Power's termination of the RFP at any time for any reason, whatsoever, will Cleco Power or any of its representatives be responsible for any costs or expenses of any bidder incurred in connection with the RFP.