CLEAN COAL POWER INITIATIVE (CCPI) QUESTIONS & ANSWERS

These questions and answers are for guidance purposes and are not part of the solicitation.

General Questions

Proposal Preparation Time

GT-1. Can DOE delay the release of this solicitation until approximately March 5, 2002? This does two positive things: (1) Allows more time for larger complex proposals already in preparation; and (2) Most proposers will charge proposal preparation costs to a holding account until selection. If selection is in December 2002, losers must charge their costs to expenses in the last month of 2002 versus January 2003 if selection is in January. A large expense item is much easier to deal with in a company's budget in January (beginning of year) versus December (end of year).

A. At this time, DOE is not considering any extensions.

GT-2. Northern Indiana Public Service Company (NIPSCO), an Indiana-based electric and gas utility, supports the Bush Administration's commitment to working with industry to meet power generation goals while simultaneously protecting the environment by complying with all applicable air emission regulations. NIPSCO provides electric service to the northern third of Indiana with predominantly coal-fired generation. These NIPSCO facilities are all ISO 14000 certified as an example of our commitment to environmental stewardship.

In furtherance of the White House National Energy Policy Development Group's recommendations, the US Department of Energy (DOE) released a draft CCPI solicitation in December 2001. The draft solicitation requests comments regarding the technical and administrative aspects of the document. NIPSCO believes the solicitation as it is currently envisioned misses a fundamental opportunity. Twenty-two states are affected by the Environmental Protection Agency's NO_x SIP Call, a regulation with stringent compliance timeframes. Coal-based power generators will be making multi-million dollar, long-term technical improvements to their plants to meet the SIP Call requirements. NIPSCO alone is expected to spend over $200 million to comply with these time-sensitive regulations. Electric generators affected by the NO_x SIP Call faces tens of billions of dollars in compliance costs.

DOE's proposed selection date in December 2002, with actual awards to be made by mid-2003, which is far too late for most utilities working to comply with EPA regulations. We seek to have DOE amend and expedite its CCPI time-line and process so that time-sensitive, fast track projects could be selected in August/September 2002. NIPSCO believes that the CCPI solicitation should be bifurcated to allow these projects with regulatory constraints to submit proposals within three months instead of six. Accordingly, the CCPI team could fast track their selection process. Such a step would ensure that the Administration's goal of developing

technology options to regulatory mandates, while simultaneously allowing DOE to manage a portfolio of technologies, awards, and funding allocations. We would appreciate your consideration and support with regard to this issue.

A. Separating out NO_x control applications would require pre-allocating the DOE funds and would limit DOE's ability to select the best mix of projects. Additionally, the current schedule with 150 days for proposal preparation was set by Congress taking stakeholder needs into account. Once an application is selected, the applicant may request authorization to incur pre-award costs. Pre-award cost authorization may mitigate some of the concerns raised in the question.

GT-3. The published schedule for submittal of applications, review of applications, and award, restricts the opportunities to develop and demonstrate technologies that can benefit industry with their compliance strategies for Phase II of the Clean Air Act (NO_x SIP Call). The NO_x SIP Call has a demanding compliance timeframe. The solicitation timeframe, unless it can be accelerated to address NO_x reduction technologies, will be too late for industry to take advantage of technologies that are developed and demonstrated, and therefore we believe these technologies will not be developed.

A. See answer GT-2 above.

GT-4. My firm represents a number of electricity generators and technology innovators. These companies are concerned about the timing of the CCPI solicitation with regard to the NO_x SIP Call. In order to demonstrate technologies in time for future widespread deployment before the May 2004 deadline, the solicitation schedule must be accelerated.

A. See answer GT-2 above.

GT-5. On behalf of Mitsui Babcock, one of the world?s oldest and largest energy technology and engineering firms, we support the Bush Administration?s commitment to working with Industry to meet power generation goals while simultaneously protecting the environment and complying with air emission regulations. Mitsui Babcock has been developing energy generation technologies since 1895 and in total has provided plants generating 105,000 MW. In furtherance of the White House National Energy Policy Development Group?s recommendations, the US Department of Energy (DOE) released a draft CCPI solicitation in December 2001. The draft solicitation requests comments regarding the technical and administrative aspects of the document. Mitsui Babcock believes the solicitation as it is currently envisioned misses a fundamental opportunity. Twenty-two states are affected by the Environmental Protection Agency?s NOx SIP Call, a regulation with stringent compliance timeframes. Scores of coal-based power generators will be making multi-million dollar, long-term technical improvements to their plants to meet the SIP Call requirements. Electric generators affected by the NOx SIP Call face tens of billions of dollars in compliance costs. DOE?s proposed selection date is December 2002, with actual awards to be made by mid-

2003, which is far too late for most utilities and technology manufacturers to comply with EPA regulations. We seek to have DOE amend and expedite its CCPI time-line and process so that time-sensitive, fast track projects could be selected August/September 2002. Mitsui Babcock believes that the CCPI solicitation should be bifurcated to allow these projects with regulatory constraints to submit proposals within three months instead of six. Accordingly, the CCPI team could fast track their selection process. Such a step would ensure that the Administration?s goal of developing technology options to regulatory mandates, while simultaneously allowing DOE to manage a portfolio of technologies, awards and funding allocations. We appreciate your consideration of this matter and hope you will support our request. Sincerely, [signed] Adam W. Hunter President Mitsui Babcock (US) LLC"

A: See answer GT-2 above.

GT-6. Page 1-A and cover letter The cover letter indicates that DOE plans to issue final solicitation on or about February 18, 2002. While Congress completed their work on the Interior Appropriations conference report on October 11, 2001 (which is consistent with DOE?s February 18 goal, i.e. ?no later than 120 days following enactment of this act?), President Bush did not sign the Act until November 5, 2001. This date could mean that DOE has until approximately March 5, 2002 to issue the final solicitation. This additional two weeks could be critical in helping businesses plan which calendar year winning project might be announced. {For projects that are NOT selected, expenses associated with preparation of proposals will have to be expensed (rather than capitalized for winning projects) in the year in which the proposal is not selected. If awards are announced toward the end of a calendar year, expensing proposal preparation will be more difficult.}The additional time would also be helpful in developing better quality proposals, particularly for large, complex projects."

A: See answer GT-1 above.

Number and Size of Anticipated Projects

GS-1. What is the focus of the solicitation in terms of project size - small projects versus large full scale plants (small project maybe subscale).

A. DOE has no pre-determined preference for large or small projects. The demonstration project must be at a scale to prove the commercial viability of the technology.

GS-2. Re: “allow larger awards... 2 or more projects” - is the DOE leaning strongly toward larger awards ($50M+), or are smaller projects ($5-50M) considered a key part of CCPI strategy? Does DOE anticipate several awards to smaller projects?

A. See answer GS-1 above.

GS-3. In the Pre Proposal Conference, it was stated that DOE intends to award ?two or more

projects?. We are concerned that the tone of this statement implies that DOE intends to favor very few large projects in lieu of several smaller projects. From a programmatic perspective, we believe that awarding only a very few projects in the first round would have negative impacts on the public acceptance of this very important program and its future support. The Department has expressed its desire to receive many high quality proposals in response to this initiative. If this effort results in awarding most or all of the first-round funds to a couple of large projects as opposed to several smaller projects, constituent support for the future of this program would likely decline in the future. Further, awarding very few projects would disincentive developing and proposing projects in future rounds. Therefore, we urge the Department to establish a goal of awarding several (five or more) projects in this first round.

A. The "two or more" statement does not imply that DOE is favoring large projects over smaller ones.

Program Areas of Interest

GP-1. U.S. coal exports have declined significantly since the mid 90's and show no inclination of increasing in the foreseeable future. Under the planned CCPI, Phase I, is credit likely to be given for projects that offer the potential for improving coal quality to make it more competitive in the international market place?

A. Projects that offer potential for increasing exports of coal and other products would receive credit under the commercialization criteria in the solicitation. However, the goal of CCPI is to accelerate commercial deployment of advanced technologies to ensure the United States has clean, reliable and affordable electricity. Any technology proposed must be consistent with this goal.

GP-2. In this solicitation is the emphasis to seek carbon management and carbon reduction primarily through efficiency gains or are carbon capture and sequestration process demonstrations desired?

A. DOE will consider and encourages all coal-based options for carbon management including capture, reduction, and sequestration under this solicitation.

GP-3. Mercury is not currently regulated and most likely a project receiving funds will not be required to control Hg at completion. However, we recognize that future regulation is contemplated. Since there are few technologies demonstrated for mercury control Today, will a project be penalized for not including Mercury control as part of its process?

A. No, a project will not be penalized for not including mercury control as part of its process.

GP-4. Section II of the draft solicitation states “Technologies must be available to accommodate a

diverse fuel mix and coal plays a dominant role in the fuel mix throughout the United States." Does DOE's definition of "diverse fuel mix" (in terms of this solicitation) include: (a) use of fuels such as biomass, tire-derived fuel, and coal wastes in combination with coal; (b) use of different coals- bituminous-subbituminous- lignite (with same technology); and (c) use of coal instead of other fossil fuels, i.e., natural gas and fuel oil?

A. Yes.

GP-5. Section II - Program Areas of Interest mentions that "a great opportunity exists to retrofit and repower existing plants with Clean Coal Technology." It also mentions a growing interest in coal-based power generation for new plant projects. Will DOE consider both greenfield plant projects and repowering/retrofits of existing plants for this solicitation?

A. Yes.

GP-6. In reviewing the solicitation we were interested to know if area 1 or area 6 would be interested in funding research to develop novel heat recovery technology that would inexpensively convert waste heat to usable electricity? The general idea would be to design this unique technology that captures IR radiation and converts it directly to electricity for specific applications within industrial power plants where cooling and/or waste heat are significant issues. Also, if interested, please provide the specific area of interest for submission.

A. The solicitation is not divided into "areas" for applicants to submit against. However, the system you describe sounds like it would raise the efficiency, or the electrical output of a powerplant. Proposals for demonstrations to improve the efficiency or electric output from coal-powered powerplants would meet the solicitation objectives.

Evaluation and Selection

GE-1. CCPI Evaluation Criteria - Commercialization is 20% of overall criteria. What portion of this 20% is the evaluation of the Repayment Plan?

A. Weights are not assigned to subcriteria.

GE-2. The technical evaluation criteria weights appear to be different in CCPI versus the Power Plant Improvement Intiative (PPII). Why? What is the thought behind the change?

A. PPII and CCPI are not identical programs. The criteria were designed with the requirements of CCPI in mind.

Administrative Matters

GA-1. Are DOE National Laboratories eligible to participate in the Clean Coal Power Initiative? If so, are National Laboratories eligible to participate as principal investigators? Or only as co-investigators?

A. National Laboratories, M&O contractors, and FFRDCs will be permitted to participate as team members on CCPI projects to the extent such participation is consistent with DOE policy and allowed by the terms of the organization's operating contract. These organizations are not eligible to receive an award as the prime recipient. Instructions for addressing National Laboratory, M&O, and FFRDC participation are found on the NETL homepage at http://www.netl.doe.gov/business/faapiaf/volume1/asr.html.

GA-2. Is it the intent of DOE to bar the use of any technology licensed from a National Laboratory, M&O, or FFRDC in proposals and projects under this solicitation? The language of Section III.A. could have that effect, even if unintended, since a technology license, without any capacity for technical support, is often of little interest.

A. Technology licensed from a National Laboratory, M&O contractor, or FFRDC may be used on a project; however, any license fee or royalty associated with the use of the technology will not be an allowable cost of the project, because DOE retains a royalty-free license for inventions made at National Laboratories, M&O contractors, and FFRDCs.

GA-3. Would an application including participation by a National Laboratory be eligible for award if all funds to the National Laboratory were provided by the applicant? Would these funds be considered as cost-sharing by the applicant?

A. See answer GA-1 above.

GA-4. Some operators of National Laboratories and other potentially barred organizations are non-profit organizations, universities, or other institutions of higher learning that may have specific statutory rights in inventions and other intellectual property under the Stevensen-Wydler Act and other laws. The language of Section III.A. may preclude the use of such intellectual property or greatly diminish its value. How will DOE accommodate these statutory rights?

A. See answer GA-2 above.

GA-5. Although it was not our intent to submit a proposal, we have had numerous inquiries about participating with industrial partners. However the statements in the "Applicant Eligibility" section of the solicitation seems unequivocal that a national laboratory cannot participate in any way whatsoever. Is that lack of equivocation the intent of this solicitation and does it apply only to the DOE funding? In some of the inquiries we have had, we would provide certain technical support for the applicants. In other inquiries, certain intellectual property, i.e., patents, we hold would be used in the proposed project. Could the applicant provide private funds to us through a Work for Others arrangement or would that approach result in disqualification of the applicant's proposal?

A. See answers GA-1 and GA-2 above.

GA-6. Are "Joint Ventures" or "Limited Liability Companies" encouraged to submit proposals?

A. There are no limitations on Joint Ventures or LLC's participation; however, they must be able to demonstrate financial capability.

GA-7. Will external reviewers (for technical proposals) that work for companies or organizations with competing CCPI proposals be disqualified?

A. External reviewers are screened for perceived and actual conflicts of interest. We will not use external reviewers who are also applicants.

GA-8. HR4, the Energy Bill passed in the House, makes CCPI selections ineligible for the proposed Investment Tax Credit for Clean Coal plants. This ITC may be of similar magnitude or greater than the CCPI award. Where the CCPI project technology application is limited to certain parts of the project, is there a way to structure the remainder of the project to make it eligible for ITC?

A. DOE is not in a position to offer advice on the tax ramifications of HR4 and other pending legislation related to these types of incentives.

GA-9. Mr. Mundorf indicated that much of CCT precedents are being followed. Funding for CCPI were appropriated under R&D rather than CCT. What is the basis for following CCT?

A. The CCPI appropriations language references Clean Coal statutory authority.

GA-10. Is a project located in U.S. territories allowed: i.e., U.S. Virgin Islands, Guam.?

A. Yes, in Section III.C. Solicitation Definitions, the "United States" is defined as The United States of America and its 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and any possession or trust territory of the United States.

GA-11. The draft RFP says DOE expects 2-6 year projects. This is too short for large, complete generation projects. These may require up to 10 years from contract signing given NEPA and a 3-4 year test program. Comment on DOE's willingness to accept proposals that require longer periods.

A. The 2-6 year project period is a guideline. No proposal will be disallowed because it is longer or shorter than the 2-6 year period.

GA-12. Can multiple applications be submitted by the same organization for the same project? Multiple applications would be for multiple retrofit process alternatives, and only one process would be completed depending on the success of these multiple applications.

A. Multiple applications are permitted and, in fact, must be submitted for different projects. However, if the concern is that DOE will not select an application because it includes many features, please note that DOE reserves the right to select all or portions of an application. Stand alone applications are evaluated independent of one another.

GA-13. There is a requirement for Federal flood insurance if the project is in a flood plain. Does a self insured Government agency (state university) need to secure Federal flood insurance if that has never been a requirement for flood plain construction in the past?

A. No, provided the state's self-insurance policy is satisfactory to the Director of the Federal Emergency Management Agency pursuant to 42 U.S.C. 4012a(c).

GA-14. What are plans for future solicitations if this solicitation is missed? (Will solicitations be annual, bi-annual?) With some technology, a window of opportunity may be missed if solicitations are too far apart. Suggest at least annual solicitation till program (CCPI)

gets off the ground, then less often).

A. At this time we do not know the timing of future rounds.

GA-15. Are multiple proposals a problem?

A. See answer GA-12 above.

GA-16. Page 11-X and Page A-14 What is the legal extent of ?assurances? to be obtained from all evaluators that proprietary information will be kept confidential, or in other words, will? assurances? include written confidentiality agreements? Even with a written confidentiality agreement, many companies (ours included) would not consider allowing an evaluator from an outside company that is a competitor to view labor rates, financial details, etc. While on this subject, on page A-14, the draft model agreement, under Confidential Business Information, says data represented as being confidential business information? shall be submitted as an attachment to the required reports? Again, many companies consider their labor rates, financing factors and details, and some other cost estimate details as confidential. Does including such information as an attachment conform to DOE?s proposal contents structure (e.g., see mandatory files for Volume III ? Cost Application)?"

A: See answer GA-7 above. Applicants should follow the application preparation instructions in Section IV of the solicitation and mark information confidential as required.

GA-17. Page 18-C and D.1 The submitted proposal is to consist of 3 volumes with Volume I being ?Offer and Other Documents?. This page appears to limit this volume to 10 electronic files and on page 20 the mandatory file names are listed. In the first paragraph of D.1, page 18, there is the mention of including any other business information. Where in these listed files is this information required to be placed? Also in D.1.A.4, the applicant is instructed to include an Acknowledgment of Amendments. Since this is not shown on the files on page 20, where is this to be included?

A: This area will be clarified in the final version of the solicitation.

GA-18. Page 22-(Project Feasibility-e) It appears that resumes are to be included in this section. But elsewhere the draft shows resumes being in the Appendix for the Volume

II. Can DOE clarify intent?

A: This area will be clarified in the final version of the solicitation.

General/Miscellaneous

GM-1. What is a "Site Guarantee"? (reference slide 5 of Lawrence Ruth's presentation)

A. The slide should have read "Site Commitment" not "Site Guarantee". Please refer to Section IV D.2 Project Feasibility. It defines the type of information that should be included as part of the site documentation.

GM-2. How long is the Demonstration Period?

A. There is no predefined Demonstration Period; however, the applicant should show that the demonstration period is sufficiently long enough to verify the proposed technology/concept. The applicant must also justify why the proposed amount of time is needed.

GM-3. Project Definition Phase - What's purpose?

A. The project definition phase is defined in Section III.C of the solicitation.

GM-4. Is this phase a requirement?

A. Project Definition Phase is not required if the requirements are satisfied prior to award.

GM-5. Will the presentations be available in electronic form?

A. The presentations are available on the NETL website at www.netl.doe.gov.

GM-6. Will the names/telephone numbers/e-mail addresses of the presenters be available?

A. Presenters should not be contacted for solicitation information. All questions or comments must be submitted through the IIPS System.

GM-7. If your project is a new full size plant with a demo phase before transitioning to a commercial plan, is there a dollar value cap on DOE's 50% cost share?

A. There is no preset value cap on DOE's cost share. However, DOE is limited by the amount of appropriated funds and DOE expects to make multiple awards.

GM-8. Since awards are not expected until December 2002, will $150M appropriated for FY02 be carried over to FY03 and beyond?

A. Yes. Selections are expected in December 2002. Awards are expected within 8 months after the notification of selection.

GM-9. There is a clean coal focus (slide #6 on Dr. Larry Ruth's presentation). This states "75% of fuel input must be U.S. coal".

Please confirm two points:

1) Is this determined by weight or by Btu;

A. Btu basis/thermal input to the process

2) the definition on U.S. coal includes coal found in previously discarded refuse (i.e., gob or culm piles).

A. Yes. Coals mined in the United States and refuse coal sources (e.g., culm and gob) that are derived from U. S. Coals.

GM-10. Is it necessary to have signed MOU's from each partner in the solicitation, i.e., commitment from a gasifier vendor even though a change may be made as review and analysis is conducted? Or the vendor defaults?

A. No, it is not necessary to have signed MOU's from each partner; however, letters of commitment from team members will be considered in evaluation of applications under the project feasibility criteria.

GM-11. If the maximum of $300-400M is all that is for this first round of CCPI funding, and that two or more awards are expected. Does that mean that maximum project cost is limited to only $300 to $400M maximum (assuming 50% cost share)?

A. Your example is correct only if the two projects are of equal cost to DOE. Historically, demonstration projects under the Clean Coal Program included cost sharing greater than 50% by the applicant.

GM-12. With 50/50 cost share, the first plant may meet our (utility) discount rate. However, subsequent projects will not. Why should a utility host a CCPI project without a future potential supply development prospect?

A. Each utility/proposer must evaluate the future economic viability of the technology. The objective of CCPI is for prospective projects to show the potential for market penetration upon successful demonstration of the technology or concept. Many utilities have participated as host sites for DOE funded projects.

GM-13. Section III.D states that approximately $180 million have been appropriated and are currently available for this solicitation...additional funds will be appropriated in FY 2003 such that the total funds available for the solicitation will be $300-$400 million. Is it intended that the total $300-$400 million appropriated for FY 2002 and FY 2003 would be awarded through this solicitation and the proposals submitted in mid-year 2002 or would a future solicitation (or alternatively, another round of proposals) be used to award the FY 2003 appropriations?

A. The DOE intends to make available the $180 million that has been appropriated in addition to those dollars that may be appropriated for FY 2003 for awards resulting from this solicitation. Project selection is anticipated to be made by late December, 2002 which is in DOE's Fiscal Year 2003.

GM-14. What do you expect the average award to be: Government $_____; Total $____?

A. DOE has no pre-set or expected average amount for awards.

GM-15. Are international technologies eligible for this solicitation?

A. Yes.

GM-16. Can you just demonstrate gasification improvements as applications to Power Generation?

A. An application to demonstrate significant improvements to a gasification/power system would be allowed.

GM-17. Would a coal demonstration project be disqualified, or otherwise downgraded, if commercial electricity were not generated during the demonstration? What if successful demonstration of the coal based technology could be shown to lead toward long term electricity generation?

A. As its title suggests the Clean Coal Power Initiative is focused primarily on power generation. The CCPI is open to any technology advancement related to coal-based power generation that results in efficiency, environmental, and economic improvement compared to currently available state-of-the-art alternatives. The solicitation is also open to technologies capable of producing any combination of heat, fuels, chemicals, or other useful byproducts in conjunction with power generation. DOE has opted against establishing a threshold minimum power generation requirement in the solicitation. While power generation is not an essential element of the project, keep in mind that power generation is a primary objective of the program and must be addressed in your application.

GM-18. How much power generation is required if your project was a full size coal gasification plant designed for producing byproducts but included demonstrating improved gasification technologies?

A. See answer GM-17 above.

GM-19. For the project is electrical power generation really needed or could you generate byproduct by coal, showing improvements in gasification and technologies that will produce electricity with zero emissions, but not actually produce that electricity?

A. See answer GM-17 above.

GM-20. For a demonstration project is power generation really needed or can you generate byproducts from coal, H2 and CO2 and show how you would use H2 to generate electricity? 2) How much power generation is required for a demonstration ? Could you have a full size plant using coal gasification for byproducts and generate 5-10MW of electricity? 3)If you use coal 75% of the time and pet coke 25%, when the demonstration period is finished can the plant continue operating using only pet coke ? 4)How long is the demonstration period? Can you just demonstrate gasification improvements that have application to power? 5)How far along, in the site acquisition, do we need to be when we submit a proposal? 6) What is the focus of the solicitation in terms of the project size, small projects versus large full scale plants? (small projects maybe subscale) 7) Is there a cap on the dollar value of DOE's 50% cost share? 8) What if the solicitation and the contract is administrated by a company that is used to dealing with DOE but is not the prime contractor (prime contractor is a large commercial power contractor who is not used to working with government agencies.)"

A:
1) See answer GM-17 above.
2) See answer GM-17 above.
3) Yes. However, continued operation on non-coal fuels may not be perceived as supporting the commercialization coal-based technology. Any time the project operates with less than 75% thermal input from coal, all operating costs are considered unallowable project costs.
4) See answers GM-2 and GM-16 above.
5) Prior to award of a cooperative agreement, applicants who are not the owner of the host site, will be required to provide DOE a fully definitized Host Site Agreement. However, the quality and availability of the host site is evaluated under Technical Evaluation Criterion 2 : Project Feasibility.
6) See answer GS-1 above.
7) See answer GM-7 above.
8) The recipient will be responsible for all cooperative agreement obligations. The recipient may subcontract with other organizations for various project functions. Official documentation, i.e., reports and invoices, must be submitted by the recipient.

GM-21. The solicitation appears to favor technologies that are already mature, and only need one more step to reach commercial deployment. There does not appear to be strong support for technologies that are not as far along. Can you please provide an

explanation?

A: The goal of the CCPI is to accelerate commercial deployment of advanced technologies to ensure the United States has clean, reliable, and affordable electricity. The prospective projects must also show the potential for rapid market penetration upon successful demonstration of the technology or concept. The CCPI is just one component of the DOE Coal and Power Systems Program which includes other elements such as a core research and development program, Vision 21 technologies, and carbon sequestration research. A technology not ready for demonstration in this round will have future rounds in which to compete. In addition the provider of that technology is encourage to see if their technology would be a better fit under a different solicitation in which they would be able to further develop their technology in preparation for the next round.

GM-22. Would it be possible to allow maximum flexibility to small businesses for development of all contract terms, project plans, etc. during Phase I? 1) Allow small business the time, and support them in their efforts to pull together a solid plan, with good partners. Allow small business to include formation of the project team in the Phase I work scope, in addition to the detailed planning and project baseline definition work. 2) Consider deferral of selection of the ?Demonstration? site until one of the later phases. This would allow potential teaming partner(s) time to fully evaluate the proposed technology, and to work the project into their overall business plans for out-year work. 3) Negotiate the government?s liability for cost overruns during Phase I based on technologies proposed, and potential nation-wide benefits from commercial introduction of that technology. [See Section J.] 4) Defer selection of the ?Demonstration? phase site until Phase III. Require the applicant to provide examples of potential host sites for Phase IV in their proposal. [See Section TT.]

A: DOE requires the information requested in order to fully evaluate the project. DOE must have an understanding of the technical objectives of the project, who will perform the project, and where the project will be located in order to determine whether or not the project will be a success and a wise use of public funds. Small businesses are encouraged to participate in our core research program and SBIR program to develop technologies in preparation for future CCPI solicitations. These programs generally require less cost share and do not require repayment.

GM-23. It appears that the solicitation is written to favor large companies with existing commercial businesses, products, land (site for deployment), etc. Would it be possible for the solicitation to include/establish small business set aside with special terms and conditions? Some examples are provided below. 1) Provide more flexible cost share

terms that will be finalized during Phase I ? Project Definition. [See Section I.] For example: a. Time-phase the cost share plan based on the project phases instead of budget periods. b. Reduce total project cost share for small businesses to 20%; or c. Move all cost sharing to Phase IV for small businesses; or d. Include cost sharing in each phase, but move the majority of the cost share to Phase IV. This should increase the probability that the host company/site for the ?Demonstration? phase will support installation of new (technology) systems that have been designed, fabricated, and tested prior to installation at their site. 2) Defer finalization of payback provisions until Phase I planning is complete, and the project teams are finalized. [See Section SS.] 3) Increase the fraction of government funding allowed for ?Project Specific Development Activities? to match the overall % of government funding during each phase. [See Section UU.] 4) Reduce the proposal validity duration from 365 days to 90 - 120 days. [See Section DD.] 5) Allow cost sharing credit for all day-to-day operating costs for design, equipment fabrication and assembly, and test facilities that are dedicated to the project work. Note that the demonstration site probably will not be the same site used for the other project phases. [See Section I.]

Answer: See answer GM-22 above.

GM-24. Section III, A (Applicant Eligibility) states: "Any non-profit..., or non-federal agency or entity is eligible to apply... Therefore, are federally-owned utilities eligible to serve as the host site for the demonstration?

A. Utilities owned by Federal agencies or entities may serve as the host site for a project conducted by a non-federal entity. Please note that Federal government funds (with an exception for certain Tennessee Valley Authority funds), equipment, facilities, and/or labor cannot be considered as cost sharing in any project under the Clean Coal Power Initiative nor can Federal funds be considered part of an applicant's funding plan for a project.

Environmental Questions

E-1. It would be helpful for DOE to provide a time line for an EQ, EIV, EA (4-6 mos.) and EIS (15 mos.)

A. Typical time line details for an EA or EIS are provided below:

Typical EA timeline (months from EIV receipt and decision to prepare):

Initiate notifications and State/tribal consultations		+0.5
Complete initial consultations	+1.5	
Complete draft EA		+3
Distribute draft EA		+3.5
Announce availability to public	+3.5	
Close public comment period	+4.5	
Complete Final EA		+5.5
Distribute Final EA		+5.5
DOE Decision (EIS or Finding of No Significant Impact)		+6

Typical EIS timeline (months from EIV receipt and decision to prepare):

Complete initial EIV review		+1
Visit proposed site		+1
Initiate notifications and State/tribal consultations		+1.5
Issue Notice of Intent (NOI) in Federal Register		+2
Complete initial consultations	+2.5	
Conduct public meeting		+3
Complete preliminary draft EIS for internal review		+6
Complete final draft EIS		+7
Issue Notice of Availability in Federal Register	+7.5	
Distribute draft EIS		+8
Conduct public hearing	+9	
Close public comment period	+10	
Finalize EIS and draft Record of Decision (ROD)		+12
Prepare Mitigation Action Plan, if needed		+12
DOE Approval of Final EIS		+13
Issue Notice of Availability in Federal Register	+13.5	
Distribute Final EIS		+14
Close Comment Period and prepare Record of Decision		+15
Approve ROD and Announce Decision		+16

These timelines are targets; the complexity and scope of individual projects ultimately drive the schedules for completing EA or EIS processes. A project time line progressing from EQ to EIV to EA to EIS would not be appropriate, since these four environmental activities do not represent a continuum of work.

The EQ stands alone as an element of the offeror's proposal and is evaluated, but not point-scored as part of the proposal evaluation process.

The EIV would be a probable requirement for delivery by awardees following selection. DOE will work with awardees as necessary to develop the EIV, but the time line for preparation and delivery is controlled by the awardee.

An EA provides a basis for decision-making on the need for an EIS. However, any initial decision by DOE to prepare EAs will be based on projects that would not be likely to result in significant impacts, and thus would not require a follow-on EIS.

E-2. How do you recommend to provide NEPA information for multiple sites under one proposal into the IIPS system?

Include multiple NEPA documents in sequence within one electronic file.

E-3. Under what circumstances are NEPA considerations waived or relaxed?

A. DOE does not possess the authority to waive or relax NEPA requirements.

E-4. Section III - Clause OO - Post Selection - If a proposer incurs costs before NEPA, will DOE cost share these expenses after NEPA is done, even if the costs cannot be shared before the document is done?

A. Awardees can, at their own risk, incur costs that are precluded by regulation from Federal support until NEPA requirements have been completed. Upon completing NEPA requirements, the incurred pre-NEPA costs that are consistent with results of the NEPA analysis can be shared.

E-5. Under environmental, if mitigation actions are required, who pays? How are these extra costs

handled?

A. If the mitigation action results from the NEPA process, cost of mitigation could be an allowable project cost.

If mitigation is required to correct a known, pre-existing noncompliance condition, that cost would be the responsibility of the awardee.

E-6. How will a technology developed in this solicitation effect NSR Requirements?

A. NSR could apply if the project's emissions show net increases for Federal criteria pollutants or other State regulated pollutants. Refer to EPA regulations at 40 CFR 51, 52 & 60, for further definition of the applicability of the Clean Air Act exemptions to the proposed project.

E-7. What provisional (environmental) steps are taken if the technology doesn't work/or takes time to work out bugs?

A. Clarification of this question is needed in order for DOE to provide an adequate response.

Cost & Financial Questions

C-1. Please clarify the statement concerning incremental operating and management (O&M) cost for allowable cost share. Can we assume that for a repowering project all allowable incremental O&M cost above those for the older facility are allowable for cost sharing?

A. Yes.

C-2. The RFP says "day-to-day operating costs of the demonstration site will not be recognized as an allowable cost -- only the operating costs directly associated with the proposed work effort --- may be recognized, etc. Please comment on the intent of this for a slip stream unit at an existing site versus an entire stand alone facility built in its entirety under the CCPI.

A. For a slip stream unit at an existing facility, the day-to-day operating cost of the facility is not an allowable cost, only the incremental O&M costs associated with the slip stream unit may

be allowable. For a new stand alone facility built under the project, the day-to-day operating cost of the facility is allowable to the extent and duration necessary to demonstrate the operation of the facility.

C-3. On page 31 of the solicitation - E. Cost Application Evaluation... Criteria 1: “The funding and financial evaluations, which will be adjectively rated... Is this a word? Please clarify.

A. Adjectively means the cost application will not be numerically rated. For example: typical adjectival ratings are acceptable, marginal, and unacceptable. The cost application containing the Funding Plan, Business Plan, Financial Statements, and Financial Commitments is not point scored. Funding and financial information is adjectively rated.

C-4. In terms of cost sharing, Design Fuels Corporation is also a fuels supplier as well as in the business of project development, project management and construction management and DFC also as a Small Business also has qualifications and cost, schedule and budget controls and experience in subcontracting to various other companies and technology developers in the coal mining, coal cleaning, power generation and other businesses when and where a variety of expertise is necessary on a project by project basis. In the past our main source of income has been in the recovery of coal tailings from gob piles, coal refuse piles, cleaning plant circuit slurry pond impoundment's, etc. which are environmentally polluting to the air, ground water and surrounding environment in the location of the specific project site where we are recovering and cleaning waste coal tailings. As a fuel supplier DFC takes a negative value waste and invests time and US$ in developing each site specific project which results in improvement of the environment (an "externality" value added US$ amount), and produces a "value added product" which is sold at a profit over and above our expenses and operating and capital equipment costs. To what degree of acceptability would our discounted fuel costs be allowed as "cost sharing" in the DFC Project Team's proposal addressing the subject solicitation over the life of the project. For instance. if the spot market cost of US coal in Pennsylvania or West Virginia is $35/ton and DFC provides recovered waste coal tailings (from the same coal seam) to the CCPI project (if awarded) at a price of $20/ton - we would assume that $15/ton of clean fuel supply would be considered as a cost share amount as well as some estimated US$ amount per ton associated with avoided externality costs. Can you clarify that this would be the case in terms of this solicitation and provide some quantification for the costs of externalities (CH4, SO2, Toxics air emission reduction resulting from removal of the environmentally polluting waste coal impoundment)."

A: The $15/ton differential between the price of the market coal and the price of the recovered waste coal tailings would not be allowable for cost sharing purposes. The reason that this differential is unallowable is that it does not meet the definition of an allowable cost under the cost principles located in the Federal Acquisition Regulations and it does not meet the criteria

established under 10CFR600.123 for cost sharing. In addition, the $20/ton "price" would not be allowable, as only the actual costs incurred to produce the "value added product" would be recognized as allowable costs. The "price" of the recovered waste coal tailings is unallowable based on the language found in the next to last bullet under Section III-I, Cost Sharing, of the solicitation. This bullet states that "fee or profit paid to any member of the proposing team having a substantial and direct interest in the commercialization of the demonstration technology is unallowable." Lastly, the "avoided externality costs" would also be unallowable. Once again these costs are unallowable because they do not meet the definition of an allowable cost under the cost principles located in the Federal Acquisition Regulations and it does not meet the criteria established under 10CFR600.123 for cost sharing.

Intellectual Property Questions

IP-1. In light of the minimum 50% cost share and 75% cut-off for repayment, will DOE consider issuing a class waiver for patents?

A. DOE does not plan to issue a class waiver under this Program because of the diverse nature of the technologies that may be proposed.

IP-2. Participants should retain rights to software modified or enhanced for CCPI specific project. Source code should be protected (and algorithms).

A. If modifications are minor, the revised software can still be considered to be restricted computer software. If not, permission to assert copyright for revised software can be requested from DOE. Rights to software are determined under the Federal Acquisition Regulations data provisions.

IIPS Questions

PS-1. The DOE IIPS Question/Answer feature is difficult and very time consuming to navigate (see Coal, Oil, Gas Energy Resource Solicitation for an example). Will DOE consider posting all questions and answers on one Icon with most recent questions on the top?

A. Yes, this suggestion is currently being considered for implementation by DOE Headquarters in a future upgrade. Your concerns will be forwarded to Headquarters.

PS-2. Will DOE accept alternate versions of software? Word 97, Excel 97, Acrobat PDF 4.0 versions are obsolete and currently unavailable at our site. Suggest Acrobat 5.0, Excel/Word 2000. Software does all save as downgraded version, but potential for format loss/changes.

A. No. The specific software will be identified in the final version of the solicitation. Those are the tools that are available to us. If you use other software or other versions, we may not be able to open your files.

PS-3. If there is a problem during the uploading of a proposal into IIPS (i.e., server outage, power failure, etc.) Can I delete previous "partial" proposal upload and resubmit? If yes, how is it done?

A. Yes. Contact the DOE Help Desk @ 800-683-0751. They will remove your previous submission and you can resubmit. This must be done before the due date of submission of proposals.

PS-4. In the past, information exchange of confidential information via the internet has been considered a "public release" (because anyone can intercept and read internet exchanges). However, if the exchange is encrypted, it may not be a public release. The CCPI submission using IIPS is over an internet connection. Are these submissions to IIPS considered public releases?

A. No. The applications are treated the same as paper submittals. Proprietary information is not released.

PS-5. Are the submittals encrypted?

A. Yes, they are protected by Secure Socker Layer Technology, 120 Bit Encryption which is the strongest that is publicly available.

PS-6 . Dear Specialist JoAnn Zysk; In section 3 application preparation "Applicants are advised that the submission of your application in an electronic format is required utilizing the Industry Interactive Procurement System (IIGS) through the Internet at http://e-center.doe.gov/. IIGS provides the medium for disseminating solicitations, receiving applications, and evaluating applications in VOLUME" and' ORIGINAL(Paper) ELECTRONIC FILES Volume I -- Offer and Other Documents 1 10 Volume II -- Technical Application 1 3 Volume III -- Cost Application 1 does this mean that both paper original and electric copy are required"

A: Yes. The electronic file submitted through the IIGS System is the official submission of the application. In addition to that electronic file, I am requesting a paper copy to be sent to me.

Repayment Questions

R-1. Do other governmental agencies such as universities fall under the repayment requirement?

A. Yes. Repayment is on a project basis rather than an organizational basis.

R-2. The repayment requirement is a significant problem when recruiting potential private sector partners. There should be options for repayment only if there is profit derived from the technology and then only a portion, i.e., the first 2%, etc. Many good technology providers stay away from this Program due to the inflexible repayment requirement.

A. DOE has attempted to build flexibility into the repayment for this solicitation.

R-3. CCPI's plan to not require repayment for costs share greater than 75% is a radical departure from previous Clean Coal and PPII solicitations. How certain is DOE that waiver of repayment will hold in the final solicitation?

A. This and all provisions of this solicitation are under review by stakeholders that are internal and external to the Government.

COMMENTS RECEIVED BY DOE DO NOT REFLECT THE DOE'S VIEWS ON THE SUBJECT.

1. Comment The DOE is to be commended for its proposal to make up to 25% of the project cost as a grant from DOE. This is an appropriate and necessary element to demonstrate advanced clean coal technologies. The very nature of a public sponsored demonstration project results in higher costs due to project requirements such as reporting, testing, and NEPA. In addition, it is well understood that first-of-a-kind technology demonstrations (as is the goal of CCPI) carry inherent high cost and risk (two separate issues). We recognize that industry will share in the cost and risk associated with these first-of-a-kind technology demonstrations. It is important that the government help subsidize these technology demonstrations to accelerate adoption by the marketplace. The approach requiring repayment if the demonstration is successful is helpful in addressing risk - but does not address cost. The 25% project cost as a

grant provides the subsidy needed to get the market place to demonstrate first-of-a-kind technologies. Following a successful demonstration, the technology may be deployed in subsequent applications at lower costs, but even for the second, third, maybe fourth installation, additional subsidies may be needed. Eventually, demonstrated technologies will be adopted by the marketplace once the technology is proven, reducing risk, and costs are reduced such that economics are favorable over competing existing technical approaches.

2. Dear Ms. Zysk: The U.S. Department of Energy (DOE) released a draft CCPI solicitation in December 2001. The draft solicitation requests comments regarding the technical and administrative aspects of the document. Ameren believes the solicitation as it is currently envisioned misses a fundamental opportunity. Twenty-two states are affected by the Environmental Protection Agency's NOx SIP Call, a regulation with stringent compliance timeframes. The State of Missouri will be included in this rule very soon. Coal-based power generators will be making multi-million dollar, long-term technical improvements to their plants to meet the SIP Call requirements. DOE's proposed selection date in December 2002, with actual awards to be made by mid-2003, is far too late for most utilities working to comply with EPA regulations. Ameren believes that DOE should amend and expedite its CCPI time-line and process so that time-sensitive projects associated with NOx controls in Missouri and states to the east could be selected in the Fall, 2002. Such a step would ensure that the Administration's goal of developing technology options is consistent with regulatory mandates. We would appreciate your consideration and support with regard to this issue. Sincerely, [signed] Paul A. Agathen Senior Vice President Ameren Services As Affiliated Agent for Ameren Energy Generating Company"

   Response: See answer GT-2 above.

3. There needs to be a category to qualify projects offering new fuel forms and other pre-combustion technologies that reduce emissions and/or improve power plant efficiencies through improved fuels.

4. It would be very helpful in the commercialization of some former clean coal technology projects if additional funds above the original 25% overrun allowance could be made available as part of CCPI. Additional funding should only be available for new technology additions and demonstrations of those new technologies that represent the key to commercialization for the project. Solicitations for these funds should be on a smaller scale than most new CCPI projects, should compete for the funds and should help DOE and industry recover value from their significant prior investment in the clean coal technology program.

5. I suggest setting up a forum to match potential applicants with qualified proposal preparers.

This could be done through the web page. A form could be developed to briefly outline the technology and scope of the project. A second form could be set up for preparers to briefly outline their qualifications.

6. Moderation of repayment agreement that results in the potential of 25% project as a grant is a big help in developing projects and addressing a key issue with CCPI projects. That is that first-of-a-kind technology demonstration will have inherently higher cost in addition to risk. Repaying the government investment helps risk, but, not cost.

7. The draft solicitation does not clearly and adequately define those program policy factors that might be dispositive to choosing a "well-rounded" project. While the preliminary and technical evaluations may highly rank a project (in addition to the cost and other proposal documents), the most highly ranked proposal may not be selected due to program policy factors. The evaluation criteria for this section should be more clearly defined as this could be the weight of the project selection.

8. In the CCPI public meeting held 1/17/02 DOE clarified their intent to make sure the selected portfolio of awards achieved the program objectives and represented a balanced program geographically and technically. Since the CCPI program represents one of the very few vehicles to encourage the major, capital intensive demonstration projects that will advance technology, we urge DOE to include large, breakthrough projects even if this means awarding fewer projects. DOE's vision 21 program and various industry roadmaps (including EPRI's) show the need to develop advanced technology and demonstrate it at full scale. Major demonstrations of technology are both high risk and costly, hence the need for a program like the CCPI. EPRI believes the public would be well served to have DOE foster the significant scale demonstrations of advanced coal-based generation such as advanced coal gasification and advanced steam condition supercritical plants (so-called Ultrasupercritical PC plants) with near zero emissions. If numerous small projects are awarded with no new large-scale demonstrations, the US will lose a unique opportunity and window to commercialize this technology in the next decade. Thank you for this opportunity to comment on the CCPI.

9. Page 1-A, 15-SS, 23, Attachment D The purpose of the CCPI is to promote the development and commercialization of advanced coal-based technologies. Regarding the Repayment Plan, it is our understanding that Congress did not require recoupment in the establishment of these programs. Repayment is counterproductive to the purpose of the CCPI and is not warranted in this solicitation. However, if recoupment is maintained in this solicitation, we applaud the concept DOE has outlined in their model repayment formula. This is superior to any of the repayment plan alternatives in previous programs.

10. We wish to state our objection to the repayment provision as contained in the Draft Solicitation. While adding the flexibility of forgiving any repayment requirement if the Participant provides at least 75% cost sharing is a positive move, we believe that the repayment provision should be softened even more or eliminated. The CCPI Program is intended to provide cost sharing to the demonstration of a new technology to offset the higher cost and risk associated with the commercialization of new technologies. The repayment requirement reduces this benefit to basically an interest-free loan. The repayment requirement places an undue burden on all classes of proposers: · If the proposer is a non? profit public institution such as a state university, the repayment provision would not be able to be met since there are no profits generated from the demonstration facility. · If the proposer is a public utility, it is not likely that the Public Utility Commissions would allow the repayment costs to be passed on to the customers, especially in the changing marketplace. The repayment obligation would likely become a stranded asset. · If the proposer is an Independent Power Producer (IPP), the repayment provision would lead to difficulties in obtaining project financing, since the banks would consider the repayment requirement as a financial obligation which would be considered in the debt coverage equation. · If the proposer is a manufacturer, the repayment provision would place that manufacturer, who is championing the first-of-a-kind technology at a competitive disadvantage in the future since experience has shown that other suppliers would likely offer competitive alternatives to the demonstrated technology without the burden of repayment that the proposing manufacturer would undertake. Therefore, we urge the Department to eliminate the onerous repayment requirement.

02/13/02