

Enhanced Use Lease
Naval Support Facility Indian Head

Questions and Answers

1. Q: Can the Navy expand the Site 1 perimeter to include areas east of the original boundary?

A: The Navy has elected to expand the Site #1 to comprise approximately 35 acres. Site #1 includes approximately four acres comprised of the water treatment facility that supports the Goddard Power Plant, which may be included as part of Site #1 at the Developer's option. Site #1 also includes two acres currently encumbered by explosive safety arcs; those two acres will be available for development subject to Navy approval of the reduction of the arcs.

2. Q: What level of NEPA review do you anticipate will be required for Site 1 and Site 2?

A: The required level of NEPA review is anticipated to be an Environmental Assessment (EA). However, the ultimate level of review required will depend on specific development proposals received, which may necessitate that an Environmental Impact Statement (EIS) be completed. The Navy will ultimately decide what level of NEPA is required.

3. Q: Is the Developer responsible for covering the cost of the NEPA review required during the negotiation of a lease agreement?

A: In the event that an Environmental Assessment (EA) is required, the Navy would expect the Developer to fund that cost. If an Environmental Impact Statement (EIS) is required, the Navy may elect to contribute funding. The NEPA documents will be subject to the Navy's approval, and the final Finding of No Significant Impact (FONSI) or Record of Decision (ROD) would be signed by the Navy.

4. Q: Does NSF Indian Head have an existing wildlife management plan that addresses bald eagles?

A: Yes. There is an active bald eagle management plan that was developed and signed out in coordination with Fish and Wildlife Service approximately three to four years ago. The Bald Eagle Biological Opinion provided by Fish and Wildlife Service can be made available upon request.

- 5. Q: What restrictions are in place on Site 2 based on the active eagle's nest? Will the Navy make available any Eagle Management agreements it has with any state or federal agencies governing this site?**

A: Refer to Question #4.

- 6. Q: Who will be responsible for identified and later discovered environmental or historical issues?**

A: The Navy's intent at this point is for the developer to do the abatement and remediation of the site, but the cost would be negotiated during phase two. Please see Section 2.4.2 of the RFQ for further details.

- 7. Q: The draft RFQ indicates hazardous materials on Site 1. Based on government knowledge and studies, what buildings or soils are contaminated and with what materials? To what degree and what areas of the ground site are contaminated and with what materials?**

A: The Navy's most current and complete understanding of any building and soil contamination present on Site 1 is contained in the preliminary environmental constraint analysis that has been made available to the public. Since the boundaries of Site 1 have been expanded, the environmental constraint analysis is being updated and will be made available with the release of the Final RFQ.

- 8. Q: Has the Navy performed a hazardous materials assessment for the buildings on Site 1? Are they available?**

A: Yes. That information is available in the draft Environmental Condition of Property (ECP) report which has been made available to the public and which is being updated.

- 9. Q: Are the Site 1 buildings identified as hazardous waste/hazardous storage locations in Appendix B being used today for the purposes identified in Appendix C, or are they just these types of structures, for example, administrative space, training, et cetera?**

A: The hazardous waste sites that have been identified are the sites managed under the Resource Conservation and Recovery Act (RCRA). These are called "satellite accumulation areas", where the hazardous waste is managed by the Navy for industrial use.

- 10. Q: Regarding the presence of hazardous materials in existing buildings, it was stated that that is Navy material and the Navy will remove it, but that doesn't apply to asbestos and lead paint, right?**

Are the buildings that need to be demolished for Site 1 cleared of hazardous materials, asbestos, PCBs?

A: Internal and day-to-day operating material stored in existing buildings will be removed by the Navy. Abatement projects are currently underway to remove asbestos and lead paint at some of the existing facilities. However, those abatement projects are not expected to remove all asbestos and lead paint, and the Developer would therefore be responsible for completion of the abatement.

11. Q: How would the Navy evaluate proposals relative to Chesapeake Bay total management daily load requirements in light of the Navy's commitment to Bay restoration?

A: Under the Clean Water Act, the Navy is held to the standard for compliance associated with meeting total maximum daily loads. The Navy would expect the Developer to meet the criteria for compliance as written for the same.

12. Q: How did the Navy arrive at the anticipated cost for the natural gas line?

A: The basis of the anticipated cost is a letter that the Navy received from Washington Gas explaining a proposal to provide natural gas to the current location of the Goddard plant.

13. Q: The Navy has previously indicated a parallel but separate effort to address steam issues with the ESPC. Is the Navy opening the opportunity for offerors to address both steam and electrical issues within the Site 1 proposal, and if so, what criteria would be used to address any cost savings and potential revenue sharing from the combined EUL/ESPC proposal?

A: The Navy is confident that its steam decentralization goals will be met through a military construction (MILCON) project, and discourages steam cogeneration as the basis for an EUL proposal.

14. Q: Will the Navy coordinate delivery of gas and utilities?

A: The Navy will not coordinate delivery of gas. However, as part of the Navy's initiative to execute steam decentralization at NSF Indian Head through MILCON, there will be another entity responsible for delivering gas service to the base, and therefore a Developer could partner with that entity and reduce the overall cost to each party. Under MILCON, the NEPA costs for the natural gas line also would be funded.

As stated in the RFQ, the Navy will provide water, sewage, and non-potable water for personnel use, but not for industrial use, and can continue to deliver those services to the development.

15. Q: Can you please clarify the possibilities of offtake? If the Navy were to purchase electricity, what rate would the Navy pay? Is there a special rate for the Government? What legal vehicle will the Navy purchase power through?

A: The Navy may elect to purchase electricity from an EUL power plant if the rates available are equal to or lower than alternative sources of electricity, such as purchasing from the commercial grid or generating electricity on base. If the Navy chooses to purchase electricity through the EUL, the legal vehicle would be a Purchase Power Agreement (PPA).

16. Q: How many megawatts is the Goddard Power Plant? How much steam? The average and the peak?

A: The plant itself has two five-megawatt turbines, but only one five-megawatt turbine is run at a time. Therefore, it generates five megawatts fairly continuously except in the case of an outage.

The on-base electric load varies anywhere from 8 to 13 megawatts. The steam demand is fairly consistent and is about 600,000 new BTUs of steam per year. However, the Navy is actively pursuing eliminating most of the Goddard Plant steam requirement through an energy project.

17. Q: How much electricity is used for steam generation on base and what portion of the overall base utility bill is solely steam production related?

A: The Goddard Plant uses about 1-to-1.5 MW to generate steam and electricity. Total electricity generation is about 5 MW.

18. Q: Have you identified potential offtakers for electric power?

A: No. Identification of potential offtakers is the responsibility of the Developer.

19. Q: It was mentioned that the power plant has cost the Navy twenty-five-plus million dollars in the last few years, and that MILCON money has been applied for.

The question is, is the Navy really committed to EUL / ESPC or are these contracting vehicles just a fall-back position in case MILCON money does not come through?

A: The Navy has lost about \$25 million over the last five or six years from operating the Goddard plant. Steam and electricity generation is funded through the Navy working capital fund, which is much like a business in that costs are determined and allocated in order to arrive at rates for the products and services delivered.

The rates which have been charged for power and steam at NSF Indian Head have fallen short of costs by approximately \$25 million, with total costs over the last five to six years to operate the Goddard power plant in excess of about \$100 million. This \$25 million shortfall has caused the Navy to increase rates in order to help recoup the difference.

The Navy is pursuing two separate initiatives at NSF Indian Head. One track is a steam decentralization project through a Military Construction (MILCON), which allows the Navy, including tenants at NSF Indian Head, to immediately benefit from energy savings through steam decentralization. Through MILCON, the Navy will be able to close the Goddard power plant and eliminate the shortfall noted above.

The EUL is a separate initiative from the MILCON steam decentralization. The Navy is equally committed to the EUL process, assuming that the solicitation and selection process results in a Developer willing to work with the Navy. However, the benefit of the EUL to the Navy is from extracting value out of the underutilized assets. The EUL is not being pursued as a means of accomplishing the Navy's steam decentralization goals. The EUL could augment the steam decentralization initiative if electricity becomes available to the Navy at reduced rates, either as payment in-kind or due to efficiencies associated with the new power plant.

20. Q: The underground fire protection piping is old, and in many places, inadequate flow and pressure exists in the system. Who will be responsible for replacing piping that is inadequate or deteriorated?

A: The Developer will be responsible for all improvements within the footprint of the development. That footprint might not be the entire acreage that the Navy is offering in Site 1 or Site 2, but whatever development occurs within that footprint would be the responsibility of the Developer, including the fire protection system.

The fire protection system, the nonpotable water system that the Navy operates on base today that services the installation, is NAVFAC Washington's responsibility, and will remain so. We are currently in the process of making some large investments in that nonpotable water system to reduce the line losses that we have, and we will provide that service to the Developer. However, the Navy cannot guarantee when planned fire protection upgrades will be complete.

21. Q: Since this project involves both commercial and Navy facilities, what code governs the fire protection systems, GFC or NFPA?

A: The National Fire Protection Association (NFPA) standards will apply, except in the event that more stringent requirements exist at the state or local level, in which case the more stringent regulations will apply. Please refer to Section 2.4.7 of the RFQ for further information on building codes.

22. Q: What are the rates for first responder services?

A: Rates for first responder services will be determined through exclusive negotiations with the Selected Offeror.

23. Q: We anticipate developing a cogeneration combined heat and power facility. The question is, has the local utility been contacted with regard to this project? Have they indicated any interest in the power offtake?

A: Both of the local utility providers are well aware of the initiative. It is the Developer's responsibility to gauge any interest in offtake and to sell the power.

24. Q: Is there a special rate the selected Developer will be allowed to access through the Government for utilities that they purchase?

A: The Developer would be charged the private party rate for utilities, which is a 4% surcharge on top of published rates. FY11 published rates are as follows: Electric - \$146.77/MWH; Steam - \$36.70/MBTU; Water - \$5.26/Kgal; Sewer - \$7.48/Kgal; Non-potable Water - \$2.41/Kgal; Air - \$1.51/KSCF.

25. Q: Our power plant would be scalable, approximately ten megawatts for a data center. How much power would the Navy require over a 20-year period and what rate would the Navy be willing to pay?

A: The Navy's power needs are changing and will be impacted by the course taken to decentralize steam production at NSF Indian Head. The Navy would be willing to purchase electricity at a cost equal to or more cost-effective than the rates available from other potential providers.

26. Q: Do all 200,000 square feet of the existing Navy facilities in the footprint of Site 1 need to be relocated at the EUL Developer's expense or just those that are within the footprint of the proposed new power plant?

A: Facilities that are impacted by the development of Site 1 would have to be relocated. That could include facilities within the development footprint, as well as facilities whose

operations are impacted by the development. The Navy has sole and absolute discretion to determine which facilities within the footprint of Site 1 will need to be relocated.

27. Q: Does the emergency tower at Site 1 have to be relocated?

A: The emergency tower was developed in coordination with Charles County. It serves fire and rescue and dispatch service for both the sheriff and fire and emergency. The current location is based on elevation and topography and was selected as the highest point in that area. However, development can be built around it. If there is another suitable location, then there is a possibility that the tower can be moved.

28. Q: Is the Navy going to fund the site relocation of 203,000 square feet for Site 1?

A: No. The Developer will be responsible for funding relocation of displaced facilities on Site 1. The Navy does not anticipate paying separate lease rates for the replacement facilities.

29. Q: Regarding the facilities relocation site, will facilities constructed there be leased or are those costs to be recovered in the EUL electrical rates?

A: The Navy does not intend to lease the replacement facilities, so the costs to relocate displaced facilities from Site 1 must be recovered through the developer's revenue from the project. However, the market value of the replacement facilities provided may be factored into the overall business arrangement between the Navy and the Site 1 Developer.

30. Q: For the replacement facilities, it looks like there's a potential for some consolidation, perhaps. If you reprogram that space, would you potentially have access to users to really get a grip on what could be put in place as a replacement facility?

A: The Navy would be willing to consider consolidation as part of a Developer's proposal. The actual relocation requirements will depend on the footprint of the proposed development and the impact on existing facilities on Site 1. The Navy's primary goal is to ensure that impacted functions are relocated with capabilities intact, as opposed to ensuring one-to-one square footage replacement.

31. Q: How will subcontracting opportunities for minority and non-minority vendors be made public? What are minority business participation goals?

A: This is a private development, so there are no subcontracting goals as one would expect in a federal procurement process. Subcontracting opportunities will be made available as a business decision at the Developer's discretion.

32. Q: In the draft RFQ, at one place it mentions selecting one developer and in another place it refers to one or more developers. Which is correct?

A single site bid can be more in-depth than a single proposal for both sites. May a developer for both sites submit two separate proposals?

A: The RFQ language will be clarified. Developers are allowed to submit two separate proposals, one for each site. The Navy will select no more than one Developer for each site.

33. Q: Will the general contractor be required to work with unions under a project labor agreement?

A: No.

34. Q: Will apprenticeship language be a part of this project? Also, will there be a requirement for residents of Charles County?

A: The decision whether to use local residents or firms is a business decision left to the discretion of the developer. FAR 52.222-9 is included as a provision in the RFQ.

35. Q: For Site 2, will the Navy allow moving the fence to the west to allow for open access to the site?

A: The Navy is amenable to exploring that possibility. That might be advantageous to both the Navy and the Developer, to have off-base access rather than coming through Navy property. Such action would require the Navy to ensure that the AT/FP perimeter of the base be properly constituted, i.e., by the Developer putting a new security fence along that western portion, in concert with the installation, making sure it meets all the requirements.

36. Q: The single biggest question I have is in the event of a national emergency or some other event will data center tenants be able to gain access to the data center space they will be leasing? I look forward to hearing back as soon as practical.

A: In the event of a National Emergency, the Navy would make every effort to allow data center tenants to gain access to leased data center space. More definitive details would be negotiated with the Selected Developer.

37. Q: What possibilities exist for Navy usage of a data center?

A: The Navy cannot, as part of the EUL, guarantee that Navy or DoD would lease, rent, own, or take part in any other venture with the EUL. It is the responsibility of the Developer to assess the DoD and/or commercial private market that exists for a data

center. DoD is not precluded from purchasing services from an EUL Developer, and the Navy could choose to lease space in a data center from the EUL Developer. However, the Navy makes no guarantees that the DoD will lease space or that there will be a DoD market for that property.

38. Q: Does the Navy have a specific need to consolidate a data center?

A: No.

39. Q: Is the Market Research Phase One study available?

A: No.

40. Q: Are there any building height restrictions at the two sites?

A: That is dependent on the proposed height of the building or what the developer may propose. Any restrictions would be limited and would have to be evaluated based on explicit safety criteria, for example, flight path restrictions into the local airports or local airfields.

41. Q: Do the relocated buildings from Site 1 have to meet current military specifications, for example, LEED Gold?

A: LEED Silver standards will be required for facilities constructed for Navy occupancy.

42. Q: What is meant by "conforming to the installation appearance plan"? Is a document available defining it?

A: Yes. The installation appearance plan is basically related to architectural structure, outside structure, labeling of the building limited to street frontage, etc. It is also related to the base master plan. We can make the pertinent sections of that document available.

43. Q: Is the state or county interested in taxing the EUL?

A: Under Federal and Maryland law, a local government can levy taxes on the EUL lessee's interest. A Developer may also, under Maryland law, enter into a PILOT agreement if the county is amenable to that.

44. Q: How much will the Selected Developer spend in attaining an EUL?

A: The cost for the Selected Developer to reach EUL agreement will depend on a variety of factors, including the proposal submitted, the time to reach agreement, and the Developer's specific business structure.

45. Q: At what point will I be able to market the data center development to my customers?

A: The timeline to begin marketing an EUL data center development is a business decision to be made by the Developer.

46. Q: Who is the signing authority of the lease?

A: The lease signing authority is Ms. Deborah Moomey, Real Estate Contracting Officer for NAVFAC Washington.

47. Q: How is the EUL program managed?

A: Each of the individual Navy engineering field activities or field divisions are assigned EUL projects, which they manage with HQ support and significant involvement by the installation and region.

48. Q: How long does it take to reach a lease agreement? (The length of time.)

A: The Navy anticipates that it will take approximately one year from developer selection to reach a lease agreement. The timeline may be longer if NEPA review requires more than one year for completion.

49. Q: Is there a transaction fee associated with this project?

A: No.

50. Q: Is the 1391 for the FY12 MILCON available?

A: The FY12 MILCON 1391 form is not available to the public.

51. Q: What is the basis for identifying the area on Site 2 as a historical site?

A: The site has been determined not eligible for listing on the National Register of Historic Places by the Maryland State Historic Preservation Office (MD SHPO) and therefore no further work is required by either the Navy or the developer. However, if significant resources are discovered during construction, the Navy will need to contact the MD SHPO.

52. Q: What is the annualized cost to operate the Goddard plant?

A: The plant generates steam and electricity, and the costs are interrelated. The cost for FY06 is \$16,805,427, FY07 is \$18,457,461, FY08 is \$25,867,498, FY09 is \$25,931,667, FY10 is \$25,206,987.

53. Q: Will all cost factors that go into the actual cost per purchased kilowatt hour be made available?

A: The factors that go into the cost per purchased kilowatt hour are the Inter-Utility Transfers, Inter-Utility Transfers Rate, materials, labor and contractual costs.