

INDIANA FINANCE AUTHORITY
REQUEST FOR PROPOSALS
DATED JULY 29, 2010
NATURAL GAS MARKETING SERVICES

RESPONSE TO QUESTIONS

- Q:** When do you expect the facility to be operational and start producing natural gas?
A: **The new facility is expected to be operational and producing natural gas in 2015.**
- Q:** What is the anticipated annual output of the facility in MMBtu?
A: **The annual output is expected to be 46.5 million MMBtu when the facility is fully operational. Output is expected to be generally constant.**
- Q:** Where is the physical location of the plant?
A: **The proposed facility is expected to be located in Rockport, Indiana on the Ohio River.**
- Q:** What natural gas pipelines will service the coal gasification facility?
A: **The proposed plant is expected to be constructed in Rockport, Indiana. A connection to an existing pipeline(s) will be constructed as part of that process.**
- Q:** Does the IFA anticipate a particular type of pricing for their SNG (daily index, monthly index or fixed price)?
A: **The IFA's intent is to maximize price, including the potential to sell a significant quantity in a long-term contract once reliability is established.**
- Q:** Does the IFA wish to have a percentage netback of sales price, a market price less all costs or a simple fee for marketing services?
A: **At a minimum, the IFA will need a simple fee-for-service quote, but is open to other proposals as well.**
- Q:** Does the IFA anticipate hedging any of their SNG production? If so, will the IFA do so with the marketer?
A: **The IFA does not anticipate hedging.**
- Q:** Would a shorter term be considered for the marketing agreement?
A: **The initial term of the agreement is expected to be 10 years commencing from the date that commercial production of SNG begins, but this term may be negotiated.**
- Q:** Are NIPSCO, Vectren, and Citizens and other local utilities contracted to buy most of the gas?
A: **No. All of the gas will be sold in the market.**
- Q:** Can the marketer, or a corporate entity of the marketer, buy gas from the plant?
A: **The IFA would expect that to be a conflict, but would entertain a proposal.**
- Q:** If a prospective marketer doesn't have an office in Indiana will they be considered for this agreement?
A: **The IFA will not disqualify a respondent because they do not occupy an Indiana office; however the IFA supports the "Buy Indiana" initiative. It is a strong preference that respondents meet the**

definition of an Indiana Business. Please refer to the following website to see if you fit within the definition and to learn more about the “Buy Indiana” initiative:

<http://www.in.gov/idoa/proc/buyindiana.html>

Q: In reading the required respondent information, the questions seem to imply that the respondent be an entity of “substantial size” in number of employees. Is there a minimum requirement for a firm to be considered?

A: **There is no minimum size requirement for firms responding to this RFP.**

Q: Can you please confirm the deadline for responses to be August 23, 2010?

A: **The deadline to respond to this RFP is no later than 5:00 p.m. EDT on Monday, August 23, 2010. A corrected RFP has replaced the previous RFP. Also, please remember that all questions must be received no later than 5:00 p.m. EDT on Thursday, August 12, 2010.**

Q: How many companies was the RFP sent to?

A: **The RFP was publicly advertised in Gas Daily and on the IFA Web site.**

Q: Where do we envision gas being delivered and title transferring to purchaser?

A: **Gas is expected to be available for delivery to various liquid markets with title expected to transfer at the liquid market.**

Q: Will the gas be of acceptable pipeline quality at the time of title transfer?

A: **Yes.**

Q: What is the current status of the transaction with the operating agent/plant owner?

A: **In progress.**

Q: Will Indiana Gasification, LLC be selling all of the SNG volumes to IFA or to the Gas Marketer, or to the ultimate third party?

A: **The Marketer will be responsible for handling the marketing of 100% of the marketable facility output.**

Q: Does IFA expect only the Marketing Agent to adhere to the "Boilerplate contractual provisions" or does IFA also expect the ultimate purchaser of the gas to also adhere to the provisions?

A: **Subject to discussions with the Marketer.**

Q: Does IFA intend to use the industry standard NAESB contract for gas purchases and sales? Will SNG be sold in accordance with NAESB standard force majeure language?

A: **Subject to discussions with the Marketer.**

Q: Will supply be firm or interruptible?

A: **Marketer should be prepared to handle both firm and interruptible supplies.**

Q: Is the IFA seeking assistance with the procurement of coal?

A: **Not at this time.**

Q: Does it matter to IFA if the ultimate consumer of the gas is an Indiana Business?

A: **No.**

Q: Will utilities, power plants, or other gas consumers execute purchase contracts directly with IFA or Indiana Gasification?

A: **Subject to discussions with the Marketer.**

- Q:** Will IFA or the Gas Marketer be responsible for evaluating the credit worthiness and bearing the credit risk of gas purchasers?
A: **The Marketer will be responsible for assessing credit risk.**
- Q:** Will any particular section of the RFP carry more weight than another?
A: **Responses will be assessed in their entirety.**
- Q:** What involvement will the IFA have in the process for qualifying and ultimately selecting the gas purchaser?
A: **Subject to discussions with the Marketer.**
- Q:** Since the IFA views the Marketer purchasing the SNG as a potential conflict of interests, does the IFA envision that the SNG will be sold through the Marketer under an agency arrangement?
A: **Subject to discussions with the Marketer.**
- Q:** Does the IFA expect the Marketer to administer the collection of the proceeds or to actually purchase the SNG from the IFA and re-sell to a purchaser?
A: **Subject to discussions with the Marketer.**
- Q:** Will the IFA or Project Sponsor own transportation capacity?
A: **Subject to discussions with the Marketer.**
- Q:** Is the start date for the Marketer expected to be the period of ten (10) years commencing from the date that commercial production begins?
A: **Yes, however there may also be a need for the marketer to perform certain functions during the ramp-up period.**
- Q:** Is it acceptable to have an electronic copy only, of the response, submitted to you by 5:00 PM EDT with four hard copies arriving via overnight to your offices Tuesday 8/24?
A: **Yes.**
- Q:** What financial disclosures and documentation will be required of the ultimately successful responder?
A: **Subject to discussions with the Marketer.**
- Q:** Will the available market for project SNG be limited to “retail end use customers” serviced by “regulated Indiana utilities”?
A: **No, gas is expected to be sold on open market to any available and acceptable purchasers.**
- Q:** Will the Marketer be allowed to offer the SNG for consumption outside the State of Indiana?
A: **Yes.**