



**REQUEST FOR FINANCING PROPOSAL TO ACT AS LETTER OF CREDIT (L/C)  
ISSUING BANK SUPPORTED BY A PARTIAL RISK GUARANTEE (PRG) FROM THE  
AFRICAN DEVELOPMENT FUND (ADF) IN SUPPORT OF THE 105MW MENENGAI  
GEOTHERMAL PROJECT**

Issued on: 10<sup>th</sup> October 2017  
Ref : ICB No. GDC/PMT/RFP/021/2017-2018

Dear Sirs,

**RE: INVITATION TO ACT AS LETTER OF CREDIT (L/C) ISSUING BANK SUPPORTED BY A PARTIAL RISK GUARANTEE (PRG) FROM THE AFRICAN DEVELOPMENT FUND (ADF) IN SUPPORT OF THE MENENGAI 105MW GEOTHERMAL PROJECT (THE “PROJECT”)**

The Government of the Republic of Kenya (GOK) is pleased to invite proposals from commercial banks to act as the Letter of Credit (L/C) Issuing Bank for the Menengai 105MW Geothermal Project. The transaction will involve the issuance of three (3) Standby L/Cs each in favour of three (3) Independent Power Producers (IPPs), namely QPEA GT Menengai Limited, Sosian-Menengai Geothermal Power Limited and ORPower Twenty Two Limited, all registered in Kenya.

The IPPs have entered into a Project Implementation and Steam Supply Agreement (PISSA) with the Geothermal Development Company (GDC) and a Power Purchase Agreement (PPA) with Kenya Power and Lighting Company Limited (KPLC), to each develop a 35MW net power generating plant to be located in the Menengai steam field. GDC and KPLC will also enter into a Steam Payment Agreement for steam used in the electricity conversion.

The L/C will be a payment security to the IPPs backstopping KPLC’s payment obligations for Energy Charges and KPLC Deemed Generated Energy Payments under the PPA (refer to section 7 of the Annex) and GDC’s payment obligations for GDC Deemed Generated Energy Payments under the PISSA (refer to section 6). Any amounts drawn under the L/C will be repaid by GDC and/or KPLC in accordance with the terms of a Reimbursement and Credit Agreement (RCA) to be entered into between GDC and KPLC and the selected L/C Issuing Bank. The repayment obligation of GDC and KPLC to the selected L/C Issuing Bank will be guaranteed by the African Development Fund (ADF) in accordance with a Guarantee Agreement to be entered into between the L/C Issuing Bank and the ADF. The cost of setting up and maintaining the L/C instrument and Guarantee will be on the account of the IPPs. Any underlying interest that may result thereof as withdrawal on the L/C by the IPPs will be borne by GDC/KPLC i/e is a GDC/KPLC obligation.

GDC and KPLC will assume liability severally subject to risks under the facility. In this regard, GDC will assume liability for risks relating to the payment obligations for GDC Deemed Generated Energy Payments under the PISSA and KPLC assumes liability for risks relating to payment obligations for Energy Charges and KPLC Deemed Generated Energy Payments under the Power Purchase Agreement.

Commercial Banks are requested to submit offers based on the proposed terms and conditions of the L/C and RCA as outlined below. The L/C structure which provides the project with the most cost effective and seamless implementation given the number of stakeholders (i.e. 3 IPPs / 2 guaranteed entities) will be highly regarded. The following parameters will be considered:

- Maturity for which an unconditional / committed L/C facility can be issued;

- All-in-Cost of the provision of the L/C (fees, and any associated costs should be detailed with appropriate caps, wherever possible, and accurately reflective of the appropriate credit risk);
- Interest on any drawn portion of the L/C quoted against the offered rate per annum in the London Interbank market for deposits in United States Dollars for a six (6) month period - i.e., 6-month USD LIBOR (i.e Interest is equal to 6-month USD Libor + margin)
- Rating of the L/C Issuing Bank or the group where the bank is an affiliate/subsidiary must be **at least investment grade** by a recognized international rating agency (attach most recent certificate of credit rating)
- Track record of international structured finance transactions in Africa (prior experience with guarantees or stand-by letters of credit issued for a minimum of USD 8 Million would be desirable; banks are requested to submit a list of relevant transactions concluded in the last five years with details of the bank's demonstrated expertise and role in each transaction); and
- Description of available human resources in terms of a dedicated and experienced team to execute and implement the transaction in a timely manner (banks are required to submit brief biographies of the team members; as part of the evaluation, meetings may be requested with the relevant bank teams).

Offers will be evaluated based on the following criteria with the following relevant score weight:

No.	Criteria	Maximum Point	Allocation
1.	Maturity for which an unconditional / <u>committed</u> L/C facility can be issued	20%	The longest available committed maturity will be awarded 20 points. Other maturity proposals will be awarded proportionate points as per the formula below:  <u>Other Tenor proposal</u> X 20% Longest Tenor Proposal
2.	All-in-Cost of the L/C (fees, and any associated costs)	20%	The lowest cost will be awarded 20 points. Other costs proposals will be awarded proportionate points as per the formula below:  <u>Lowest Cost Proposal</u> X 20% Other Cost proposal

No.	Criteria	Maximum Point	Allocation
3.	Interest on any drawn portion of the L/C quoted against 6-month USD LIBOR.	20%	Lowest interest will be awarded 20 points. Other cost proposals will be awarded proportionate points as per the formula below: <u>Lowest interest Proposal</u> X 20% Other Cost proposal
4.	Rating of the L/C Issuing Bank or rating of the group where the bank is an affiliate/subsidiary of at least investment grade.	15%	i) AAA and above – 15% ii) AA – 10% iii) BBB to A – 5% iv) Below BBB - 0
5.	Track record in similar transactions	15%	i) Three (3) transactions and above – 15% ii) Two (2) transactions – 10% iii) One (1) transaction – 5% iv) No Transaction – 0%
6.	Dedicated Staff (attach short biography of the Team Leader and at least two (2) dedicated staff with corporate banking, structured finance and/or legal expertise)	10%	Team Leader: i) At least a Master's degree – 2% ii) Experience in a similar transaction – 3% Point for each of the two (2) dedicated staff: iii) At least a Bachelor's degree – 1% iv) Experience in a similar transaction – 1.5%

The successful tenderer shall be the one with the highest evaluated score.

**NB: There will be a Pre-Bid Conference for tenderers or their representatives who choose to attend on the 6th November, 2017 at 10.00am East African time at GDC Kawi house, office South C, Nairobi.**

Completed tender documents are to be enclosed in plain sealed envelopes marked with tender reference number and be addressed to:

**Managing Director & CEO  
Geothermal Development Company Limited,  
Kawi House, South C  
Bellevue, Off Mombasa Road,  
Red Cross Road**

**P.O Box 100746-00101**

**NAIROBI, KENYA**

Bids should be delivered in the Tender Box at GDC Kawi House Office, Ground Floor so as to be received on or before **24<sup>th</sup> November, 2017, at 14.00HRS EAT.**

Tenders will be opened immediately thereafter in the presence of the tenderers' representatives who choose to attend at GDC Kawi House Room.

A prospective tenderer requiring any clarification of the tender document may send in questions in writing (by email ) at the following address at least seven (7) business days prior to the deadline for the submission of bids. The response for clarification sought will be sent in writing (e-mail in PDF format) to all bidders invited.

**Manager, Supply Chain**

Geothermal Development Company Limited,

Kawi House, South C

Bellevue, Off Mombasa Road,

Red Cross Road

P.O Box 100746-00101

NAIROBI, KENYA

E-mail:

**GDC**

[dkyaka@gdc.co.ke](mailto:dkyaka@gdc.co.ke) ,

[jachieng@gdc.co.ke](mailto:jachieng@gdc.co.ke)

**KPLC**

[pmawala@kplc.co.ke](mailto:pmawala@kplc.co.ke)

**AfDB**

[j.jakoet@afdb.org](mailto:j.jakoet@afdb.org)

[r.ofori-mante@afdb.org](mailto:r.ofori-mante@afdb.org)

Yours sincerely,

**For: GEOTHERMAL DEVELOPMENT COMPANY LIMITED and THE KENYA POWER AND LIGHTING COMPANY LIMITED**

## **ANNEX I: MENENGAI 105MW GEOTHERMAL PROJECT (The Project)**

### **1. Project Background**

The Government through a fast-tracked power generation program aims to increase the country's generation capacity by 5,000MW. Out of this, GDC is mandated to accelerate the development of 810MW of geothermal power of which a total of 460MW shall be developed from the Menengai Geothermal Field located on the outskirts of Nakuru Town within Nakuru County. This Project is part of the 460MW and will inject 105MW into the Kenyan National Grid.

### **2. IPPs (Project Sponsors)**

In July 26, 2013, GDC invited bids from eligible private investors to finance, design, procure/manufacture, supply, install/construct, test, commission, operate and maintain 105MW geothermal power plants at its Menengai Geothermal Field with the aim of selecting three private investors to each install a 30-35MW power plant.

Through competitive bidding, the following IPPs were selected to each install a 35MW net geothermal power plant in the Menengai Geothermal Field under a Build-Own-Operate (BOO) Model. The IPPs and their ownership is reflected in the table below.

<b>PROJECT COMPANY</b>	<b>OWNED BY / AFFILIATE OF</b>
QPEA GT Menengai Limited	Quantum Power East Africa B.V.
Sosian-Menengai Geothermal Power Limited	Sosian Energy Ltd
ORPower Twenty Two Limited	Ormat International, Inc., Symbion Power LLC and Civicon Limited

### **3. GDC**

GDC is a limited liability company registered under the Companies Act (Chapter 486, Laws of Kenya) and a state corporation pursuant to the State Corporations Act (Chapter 446 of the Laws of Kenya).

GDC was formed by the Government of Kenya to accelerate the development of geothermal in the country through initial exploration, drilling, resource assessment and promotion of direct utilization of geothermal drilling, and to avail steam to Kengen and other independent power producers to produce electricity. GDC will be the provider of the fuel for this project, as well as other relevant ancillary infrastructure to enable the use of the steam that is being drilled to generate power. GDC has entered into a PISSA with each individual IPP, and the PISSA will govern the terms for delivery of the steam (including payment), and the relevant obligations of each party under this agreement and during construction.

#### **4. KPLC**

The Kenya Power & Lighting Company Limited (Kenya Power) is the off-taker in the power market, buying power from all generators on the basis of negotiated power purchase agreements for onward transmission, distribution and supply to consumers. Kenya Power is responsible for all electricity distribution systems and some transmission systems in Kenya. The transmission system comprises 220kV, 132kV and 66kV transmission lines. The company is listed on the Nairobi Stock Exchange, with the GoK (including investment of the National Social Security Fund) holding 50.1% and private shareholders holding 49.9%.

Kenya Power will be the off-taker for the power generated by the three (3) IPPs on this project; and has entered into PPAs with each individual IPP. The PPA will govern the terms for the purchase of the power (including tariff and timing), and any other relevant obligations of each party under the agreement.

#### **5. African Development Fund**

The African Development Bank Group (AfDB) is a multilateral development finance institution, comprising three entities: the African Development Bank (ADB or the “Bank”), the African Development Fund (ADF) and the Nigerian Trust Fund (NTF). The AfDB Group is Africa’s premier development finance institution. It is one of the five major global multilateral development banks. The AfDB’s mission is to help reduce poverty and improve living conditions on the continent. The AfDB’s shareholders include all fifty-four African states as regional member countries (RMCs) and twenty-six non-regional member states.<sup>1</sup>

The four leading international rating agencies—Standard and Poor’s, Fitch, Moody’s, and Japan Credit Rating Agency—continue to reaffirm their AAA/Aaa and AA+/Aa1 ratings of the Bank’s senior and subordinated debts, respectively, with a stable outlook. The high ratings underline the Bank’s strong financial position, capital adequacy and liquidity. In 2016, the Bank’s risk management function continued to reinforce the Bank’s AAA credit rating by focusing on ensuring sound Group-wide risk management decisions.

The ADF is the concessional window of the AfDB Group. Established in 1972, the ADF became operational in 1974. It is administered by the African Development Bank and comprises State Participants (donor countries) and recipient countries. The ADF’s main purpose is to contribute to the economic and social development of the AfDB Group’s least developed regional members by providing loans, grants and guarantees on concessional terms. In 2016, the Bank intensified its engagement with regional and global partners, including the traditional donor community, the European Commission, African Heads of State, the African Union Commission, the Economic Commission for Africa, private foundations, and other philanthropic bodies. It held three consultations in 2016 with donors for the 14th Replenishment of the ADF (ADF-14). The third and last replenishment consultation in Luxembourg concluded with donors agreeing to provide UA 5.035 billion for 2017–

---

<sup>1</sup> Argentina, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Korea, Kuwait, Luxembourg, Netherlands, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.

2019, about 6 percent less than the amount raised during the ADF-13 replenishment. This outturn reflects the decline in donor grant resources as development partners are increasingly refocusing on domestic issues. With a view to minimizing any adverse impact of the low replenishment on the ADF-eligible countries, the Bank Group is contemplating ways to leverage the ADF's commitment capacity through other instruments and co-financing, while pursuing innovative solutions to diversify the ADF's funding base.

## 6. Payment under the PISSA

The L/C will provide payment security to the IPPs in respect of GDC Deemed Generated Energy payment obligations under the PISSA in which the Government of Kenya will indemnify the ADF against.

## 7. Payment under the PPA

The L/C will provide payment security to the IPPs in respect of KPLC Energy charges and Deemed Generated Energy payment obligations under the PPA, which the Government of Kenya will indemnify the ADF against.

## 8. ADF Partial Risk Guarantee

GDC/KPLC's obligation to reimburse amounts drawn under the L/C to the L/C Bank, up to a maximum cumulative amount equivalent to USD 12,699,999.99, which maximum amount includes any accrued interest payable, will be guaranteed by the ADF pursuant to the terms of a Guarantee Agreement to be entered into between the L/C Bank and the ADF.

This amount is the total of the amount sufficient to cover three (3) months of payment obligations for Energy Charges and KPLC Deemed Generated Energy Payments under the PPA and GDC Deemed Generated Energy Payments under the PISSA and represents, a cumulative amount per guaranteed L/C of USD 3,755,850 per IPP. The total issued L/C amount however will be USD 11,267,550.00 (exclusive of accrued interest) unless an amount due under the terms of the Reimbursement and Credit Agreement are not paid by the L/C Applicants. In this case, the amount paid by ADF to the L/C Bank under the PRG will be deducted from the ADF Guaranteed Amount. (See sections on L/C REINSTATEMENT And CALL ON ADF PRG on the Indicative Term Sheet).

## 9. Proposed Timetable

ITEM	TIMELINE (DAYS)	START DATE	COMPLETION DATE
RFP Bid Launch and Bid Submission:	45	10-Oct-17	24-Nov-17
Selection of the L/C Issuing Bank- Evaluation:	21	1-Dec-17	22-Dec-17
No objection for the L/C issuing bank	14	4-Jan-18	18-Jan-18



<b>ITEM</b>	<b>TIMELINE (DAYS)</b>	<b>START DATE</b>	<b>COMPLETION DATE</b>
Notification of Award	14	23-Jan-18	6-Feb-18
Drafting of the Standby L/C and the Reimbursement & Credit Agreement (RCA):	14	12-Feb-18	26-Feb-18
Negotiation of the RCA with the L/C Bank:	45	5-Mar-18	19-Apr-18
No objection for RCA	14	24-Apr-18	8-May-18
Signing and Issuing of the RCA	7	15-May-18	22-May-18
<b>Total</b>	<b>174</b>		

Attachments: **SUMMARY OF INDICATIVE TERMS OF AFRICAN DEVELOPMENT FUND (ADF) PARTIAL RISK GUARANTEE (PRG) [TERM SHEET]**