

Date: March 06, 2015

**NON-BINDING REQUEST FOR EXPRESSION OF INTEREST**

Co-generation power plant projects in Vilnius and Kaunas cities, Lithuania (EU)

Dear Sir or Madam,

State-owned energy company group "Lietuvos energija", UAB (hereinafter – the Group or the Company) is planning to select and contract reputable, well experienced Contractors for the construction of waste-fired and biofuel combined heat and power plants in Vilnius and Kaunas cities, Lithuania (hereinafter – the Projects).

The purpose of this non-binding request for expression of interest (hereinafter – the Request) is two-fold: (1) to solicit your company's interest in submitting a lump sum tender proposal for engineering, procurement, and construction (hereinafter – EPC), including works, equipment, materials and services required for the „turnkey“ project and (2) if interested, to request for additional information related to the mentioned works in order to prepare clearly defined, non-discriminatory technical specifications for forthcoming public procurement procedures.

The scope of supply of EPC Contractors' public tender shall comprise of complete and fully functional CHP plant including steam boiler, steam turbine, fuel handling system and storage facilities, flue gas treatment, other process systems, automation and instrumentation and electrical systems, civil works, structural and building works, heating, ventilation, air conditioning and fire protection systems, amenity and welfare facilities, site security and lighting, roads and hard standings and all necessary equipment and services to ensure a complete operational and maintainable CHP.

The Company is already in the process of preparing the technical specifications for the work scope of potential EPC Contractors. It is anticipated that requests for proposals will be ready for issue in the second quarter of 2015, therefore your timely response is highly important.

Additionally, we would like to note that the engineering and construction sector in Lithuania bears some specifics in comparison to other European counterparts, in particular, with regards to the regulatory environment. Therefore, it would be advisable for interested parties, together with potential affiliates, to assume preparatory background analysis of the particularities of the engineering and construction domain in Lithuania.

In case your company would be interested in the forthcoming tenders, please respond to this letter by close of business on 20 March 2015, including answers to the questions provided in the appendix 2 of the Request.

Your reply and any questions regarding this letter should be sent to the following e-mail address: [construction@kogen.lt](mailto:construction@kogen.lt).

The Group undertakes to ensure full confidentiality of the information provided by the interested parties in response to the Request.

We anticipate for your interest in the Projects and look forward to your reply. Thank you in advance for your response.

Appendixes:

Appendix 1 – General information about “Lietuvos energija”, UAB group. General information about CHP projects.

Appendix 2 – Questionnaire.

Sincerely,

“Lietuvos Energija”, UAB

**IMPORTANT NOTICE!**

It is a non-binding Request for any legal entity to express their interest to participate in implementation of CHP Projects. Nothing in this Request is to be construed as creating any binding provisions for the supply of the goods and/or services and/or works between “Lietuvos energija”, UAB and any party which provides response to the Request. “Lietuvos energija”, UAB is issuing this non-binding Request with the aim to assess the market interest, capability and readiness to participate in the public tenders and, in case of winning the tender, to enter into the EPC contract relationship aiming at implementation of CHP Projects.

It is not an objective of this Request to shortlist the potential EPC Contractors.

Award of future EPC Contract(s) will be subject to open public procurement procedures.

## DEFINITIONS AND ABBREVIATIONS

<b>DH</b>	district heating. DH system or DH sector respectively means the entire infrastructure used for district heating.
<b>EPC</b>	shall stand for <i>engineering, procurement and construction</i> type of contract when a client (builder) acquires design services, procurement and construction works until full completion of the project ('turn-key') by means of one agreement.
<b>Contractor</b>	shall mean an economic entity or group of economic entities chosen following the implementation of the public procurement procedures with which LE will conclude an agreement for the installation of a co-generation power plant on the basis of the agreement on EPC LSTK.
<b>CHP Plant or CHP</b>	shall stand for <i>Combined Heat and Power Plant</i> - the complex of technologically interconnected equipment for useful heat and electric energy production in a combined technological cycle and other necessary infrastructure.
<b>FGC</b>	flue gas condenser.
<b>The Group or the Company</b>	"Lietuvos energija", UAB.
<b>LSTK</b>	shall stand for the type of contract services called <i>lump sum turn-key</i> which provides fixed prices for the execution of the project until it is ready to be handed over to the client and operation can begin immediately.
<b>Projects</b>	the projects on modernisation of the DH sector of Vilnius and Kaunas cities by constructing waste-fired and biofuel combined heat and power plants.
<b>Project</b>	the project on modernisation of the DH sector of respectively Vilnius or Kaunas city by constructing combined heat and power plants fired by biofuel and waste in the corresponding DH system.
<b>Waste</b>	shall mean non-recyclable non-hazardous municipal and industrial waste, including solid recovered fuels, remaining after sorting and having energy value.

## ABOUT "LIETUVOS ENERGIJA", UAB

The activities of the state-owned company group "Lietuvos energija", UAB include the production and supply of heat and electric energy, distribution and sale of electric energy, wholesale and retail, supply and distribution of natural gas, also maintenance and development of the energy sector. The Group controls and operates the majority of electric energy production capacity in Lithuania that ensures security of energy supply, electric energy and natural gas distribution network covering the whole territory of the country, services about 1.6 million consumers across Lithuania and offers electric power supply services to customers abroad, implements development projects of strategic importance in energy sector, pursues the objectives set in the National Energy Independence Strategy.

For more information about the activities and management of the Group, the interested party can consult the website of LE <http://www.le.lt/>

## PROJECT DESCRIPTION

By Resolution of the Government of the Republic of Lithuania of 28 May 2014 on recognising the projects of modernisation of the district heating sector of Vilnius and Kaunas Cities by installing and (or) upgrading high-efficiency cogeneration facilities that use local and renewable energy resources as the energy projects of "State Significance", the Group was granted the rights and obligations of the designated project executor in implementing the Projects by attracting investments of municipalities and (or) of municipal enterprises and (or) private partners in setting up project companies for execution of the Projects , while maintaining the controlling interest of the companies and ensuring transparent and competitive principles of selection of partners.

The Projects should reduce the heat prices for residents and enterprises, as well as ensure a transparent, sustainable and socially responsible development of the energy sector.

On October 2014, the Company started the selection of partners interested in joint development of the Projects. Selection of partners is planned to be finished within March / April 2015.

The Group, together with the selected partners, is planning to build new or reconstruct existing CHPs for district heat and electricity generation from local biofuels and municipal waste from mechanical and (or) biological treatment (including solid recovered fuel).

More information on the Projects carried out by the Group and previous actions related to the implementation of the Projects can be found on the Project website <http://www.kogen.lt>.

The implementation process of Vilnius and Kaunas CHP Plants is planned through selecting EPC Contractor for each city separately following public tendering procedures (at least 2 separate tenders) under the EU Public Procurement directives.

The power plants are assumed to be of the following (approximate) capacities:

	Vilnius CHP	Kaunas CHP
<b>Waste-fired CHP</b>	In total up to: 145 MW of electricity;	In total up to: 41 MW of electricity;
	335 MW of heat incl. FGC;	134 MW of heat incl. FGC;
<b>Biofuel fired CHP</b>	Including of approx. 20 MW of electricity from Waste fired CHP	Including of approx. 20 MW of electricity from Waste fired CHP

The Company is conducting a feasibility study for a precise determination of power plant capacities. Actual selection of CHP capacities will be performed after the completion of the feasibility study together with the selected Project partners.

The CHP Plants in Vilnius and Kaunas will be constructed as "green field" plants unless refurbishment of existing infrastructure is determined after the full project details have been negotiated with the Partners.

The selected EPC Contractors will require to carry out all works as necessary to provide complete operational systems as described above. This includes (but is not limited to) the items listed below:

1. Management of all works required under the contract.
2. Technical design and detail design and preparation of documentation for permitting and completion of construction.
3. Construction permit.
4. Procurement of materials.

5. Progress monitoring and reporting.
6. Management, coordination and agreement with all relevant third parties including acquisition of licenses, permissions and approvals etc.
7. Compliance with all relevant statutory legislation and requirements.
8. Preparation of "As-built" drawings and records.
9. Fabrication.
10. Interconnections inside boundary limits.
11. Erection and installation.
12. Commissioning and testing.
13. Start up and trial run.

The Projects will be financed by the Group and selected partners' funds, bank loans and possibly by a European Union grant. On 8 of September 2014 European Commission adopted the 2014-2020 Operational Programme for European Union investment in Lithuania. The Projects are listed in the Operational Programme as Major Projects to be financed from priority axis No. 4 "Promoting Energy Efficiency and Production and Use of Renewable Energy".

### GENERAL SCHEDULE

The Group is aiming for commencement of Vilnius and Kaunas CHP operation in early 2018. In order to accomplish this goal, the following preliminary general schedule is assumed<sup>1</sup>:

	ACTIVITY	ANTICIPATED COMPLETION DATE	ANTICIPATED COMPLETION DATE
		KAUNAS CHP	VILNIUS CHP
<b>EPC Contractors' selection:</b>			
1.	Receipt of potential EPC Contractor`s responses to this letter (Non-binding Request for Expressions of Interest)	20 March 2015	20 March 2015
2.	Development and issue of request for proposals following an open public tendering procedure	-	-
2.1	Short form of technical specifications published	Q1- Q2 2015	Q1-Q2 2015
2.2	Public tender notice		
2.3	Qualification of potential EPC Contractors	Q2 2015	Q2 2015
2.4	Evaluation of qualification of potential EPC Contractors		
2.5	Selection of qualified potential EPC Contractors		
2.6	Tendering materials, specifications, draft contract provided to qualified potential EPC Contractors		
2.7	Potential EPC Contractors' bids received	Q3 2015	Q3 2015
2.8	Evaluation of received bids, clarifications	Q3-Q4 2015 / Q1 2016	Q 3-Q4 2015 / Q1 2016
2.9	Final proposals from potential EPC Contractors received, evaluated, final negotiations (if required)		
2.10	EPC Contractors selected, selection announced		
2.11	Target EPC LSTK contract award (contract signed)		
<b>Execution:</b>			
3.	Construction permit granted by authorities,	Q1- Q2 2016	Q1- Q2 2016

<sup>1</sup> The following preliminary general schedule is for information purposes only and cannot be construed as binding in any way. The activities and dates provided may be changed by the Group as required for the successful implementation of the Projects.

	commencement of construction		
4.	Mechanical completion (construction completed and plant ready for introduction of fuels and process streams for testing)	Q4 2017/ Q1 2018	Q4 2017 / Q1 2018
5.	All work complete, commencement of operation	Q1- Q2 2018	Q1-Q2 2018

The Group recognises that the schedule provided is constricted but also believes it can be achieved by selecting well experienced and qualified EPC Contractors and ensuring successful cooperation between all parties of the Projects.

#### **DISCLAIMER**

The Group shall be entitled to publish depersonalised replies to the queries and requests (if any) made by the companies interested till the end of the business day of 20 March, 2015.

Respondents shall bear all expenses and costs (if any) incurred as a result of providing the replies to the Request. Neither the Group nor any persons assigned by it shall reimburse any costs incurred by the respondents as a result of provision of the specified information in the solicitation of interest process.

The information provided herein should not be considered as a promise or certification of the final decision of the Group on the schedule, CHP Plant sizing or layouts. The Group shall reserve the right to modify any aspect of the Projects. Under no circumstances shall the information set out in the Request be considered binding or giving rise to legal consequences in any way upon the Group or any persons assigned by it.

## Appendix 2 - Questionnaire

1. Confirm or comment on your willingness to submit a lump sum EPC proposal in competition with other companies for the performance of the works / services required. Please note, that there will be at least 2 separate public tenders for Vilnius and Kaunas Projects, therefore by indicating your willingness to submit a lump sum EPC proposal please indicate in which CHP Plant case (or both) your company may be interested.
2. Confirm or comment on your ability to provide a lump sum proposal within the time frames outlined in appendix No. 1.
3. Specify a typical time duration required for your company to develop a fully binding EPC LSTK proposal for one of the CHPs taking into account the capacities set out in appendix 1.
4. Confirm or comment on your current / planned workload and ability to accomplish the construction work within the schedule provided in appendix No. 1. For CHP in Vilnius or Kaunas? For both?
5. Document your capability and experience performing similar detail design, engineering, procurement, and construction of biofuel and (or) waste firing CHPs in the former CIS (Commonwealth of Independent States) and the Baltic / European region. The Group is interested in both "green field" and "brown field" cases. Please provide non-confidential information only, including, if possible, project name, facilities (boiler type), capacities, owner, location, years of contract award and completion, scope of contractor's services, EPC partnerships / relationships (if any), approximate cost of performed works and total project investment.
6. Indicate any previous experience working in Lithuania and (or) Baltic States (if any), including knowledge of meeting local permitting requirements as well as European Union regulations and standards.
7. Describe any constraints (if any) regarding your company's ability to work with the Group.
8. Indicate which type of contract terms were used for the above referenced EPC cases: FIDIC (Federation Internationale Des Ingenieurs-Conseils) Yellow, Silver book, YSE (Finnish General Conditions for Building Contracts), ICE (Institution of Civil Engineers), NEC3 (New Engineering Contract, Institution of Civil Engineers, UK), ICC (International Chamber of Commerce), ORGALIME (Liaison Group of the European Mechanical, Electrical, Electronic and Metalworking Industries), ENAA (Engineering Advancement Association of Japan), others.
9. Provide company's financial overview for the past 3 years to demonstrate your financial capacity to undertake the work for the Projects. If the financial report from the year of 2014 is not yet available, financial reports for years 2011-2013 may be provided.
10. Provide your accident incident rate per number of expended man-hours in the projects during last 5 years.
11. Provide location of the office(s) where the work would be managed and/or performed from. Please include the name, address, telephone, fax number and e-mail address of the contact person with whom the Group representatives may coordinate any questions during this screening of interest process.

**Please note:** When providing information in response to the above, we kindly request you to clearly indicate, which parts of it are confidential. If any part of the information requested above may not be provided due to strict confidentiality agreements with third parties or for any other reasons, such information should be omitted from your company's response or clearly marked as confidential.