

August 11, 2015

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To: All Interested Parties

FROM: California High-Speed Rail Authority (Authority)

SUBJECT: ANSWERS TO FREQUENTLY ASKED QUESTIONS, RFEI HSR #15-02

The Authority is issuing this notification to help answer some questions that have been asked by potential Respondents. Please direct any additional questions to the Authority's point of contact:

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1 Will the Authority accept meetings and/or conference calls to discuss the RFEI prior to the due date?

- Yes, interested parties who intend to respond to the RFEI are welcome to request a meeting and/or conference call with the Authority prior to submitting their EOI. Please contact the Authority point-of-contact in the RFEI.

2 What is the level of detail the Authority expects in the responses for the RFEI?

- The Respondent should ultimately determine the level of detail necessary to convey the appropriate feedback to the Authority given the information included and questions posed in the RFEI. The RFEI is not an official procurement and, therefore, the Authority does not expect Respondents to provide the level of detail normally provided in a proposal during a formal procurement.

- At a minimum, the Authority is seeking feedback on the key issues identified in the RFEI (e.g., commercial structure and terms, financing, cost reductions, and technical integration) based on the expertise of the industry. The Authority expects Respondents to clearly articulate and support their responses and to provide a level of detail that the Authority can use in finalizing its delivery strategy.

EDMUND G. BROWN JR.
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3 Which project does the Authority intend to develop? IOS North, IOS South, or both?

- The Authority's objective is to build a high-speed rail system and to begin operations as soon as possible. Certain constraints and requirements, such as the operating system not needing an operating subsidy, available funding, and market constraints, all must be considered in the Authority's delivery strategy.
- Based on Authority analysis, both the IOS-North and the IOS-South do not require an operating subsidy. The Authority's revenue and operating cost projections for the IOS-North and IOS-South are available in its Draft 2012 Business Plan and 2014 Business Plan.
- The Authority will use feedback received in the EOIs in determining its ultimate delivery strategy for moving forward with delivering the first high-speed rail system in the United States.
- The Authority is open to receiving ideas and proposals for alternative segments other than the IOS-North or IOS-South. However, Respondents are advised to consider the Authority's objectives (as stated in the RFEI) and constraints outlined above when considering submitting ideas or proposals for alternative segments and should provide the Authority with an explanation of how an alternative segment can meet both the objectives and constraints of the Authority including the key objective of an operable high-speed rail service that does not require an operating subsidy.

4 What is the estimated construction cost and schedule for the IOS North and IOS South?

- The most recent cost estimate and schedule for the IOS South is included in the 2014 Business Plan. Estimates for the IOS North are included in the Draft 2012 Business Plan and in the Board presentation for the approval of Board Resolution 11-22. The Business Plan is the Authority's official update] on the status and plan for the high-speed rail system and is regularly published every two years. Elements of the cost estimates in the Business Plans are reviewed and analyzed on an ongoing basis and updates to cost estimates are made in subsequent Business Plans. The Authority anticipates issuing the draft of its 2016 Business Plan in February 2016.
- The Authority's cost estimates and schedule are developed based on a bottom-up costing analysis and the level of design necessary for environmental clearance. The cost estimates do not consider efficiencies and cost savings due to alternative delivery strategies, such as a DBFM. The Authority believes that an alternative delivery strategy can reduce costs and shorten schedule.
- The cost estimates for the IOS-North and IOS-South are provided below. The DBFM will not include the FCS civil works (i.e., CP#1 – CP#4) in the Central Valley, which will be delivered under separate design-build contracts.

IOS-North	2013 \$ (billions)		
Planning, Environmental, and ROW			
Professional Services	2.57		
Right-of-Way Acquisition	1.55		
<i>Subtotal</i>	4.12		
Stations and Rolling Stock			
Stations	0.93		
Rolling Stock	0.89		
Heavy Maintenance Facility	0.64		
<i>Subtotal</i>	2.46		
Civil Works and Infrastructure	Civil Works	Infrastructure	Unallocated Contingency
San Jose to Gilroy	4.06	0.61	0.24
Gilroy to Carlucci Rd.	5.42	0.76	0.27
Carlucci Rd. to FCS	0.24	0.03	0.01
Merced Extension	0.82	0.37	0.06
First Construction Segment (FCS)	3.55	1.43	0.25
FCS to Bakersfield	0.71	0.13	0.05
<i>Subtotal</i>	14.80	3.33	0.88

IOS-North	Year of Expenditure \$ (billions)		
Planning, Environmental, and ROW			
Professional Services	3.11		
Right-of-Way Acquisition	1.71		
<i>Subtotal</i>	4.82		
Stations and Rolling Stock			
Stations	1.14		
Rolling Stock	1.03		
Heavy Maintenance Facility	0.74		
<i>Subtotal</i>	2.92		
Civil Works and Infrastructure	Civil Works	Infrastructure	Unallocated Contingency
San Jose to Gilroy	5.25	0.83	0.32
Gilroy to Carlucci Rd.	6.96	1.03	0.36
Carlucci Rd. to FCS	0.30	0.04	0.02
Merced Extension	0.94	0.44	0.08
First Construction Segment (FCS)	3.83	1.65	0.27
FCS to Bakersfield	0.80	0.16	0.06
<i>Subtotal</i>	18.08	4.16	1.09

IOS-South	2013 \$ (billions)		
Planning, Environmental, and ROW			
Professional Services	2.74		
Right-of-Way Acquisition	1.40		
<i>Subtotal</i>	4.14		
Stations and Rolling Stock			
Stations	0.63		
Rolling Stock	0.89		
Heavy Maintenance Facility	0.64		
<i>Subtotal</i>	2.16		
Civil Works and Infrastructure	Civil Works	Infrastructure	Unallocated Contingency
Merced Extension	0.82	0.37	0.06
First Construction Segment (FCS)	3.55	1.43	0.25
FCS to Bakersfield	0.71	0.13	0.05
Bakersfield to Palmdale	5.83	0.99	0.32
Palmdale to Burbank	7.15	0.50	0.22
<i>Subtotal</i>	18.06	3.42	0.90

IOS-South	Year of Expenditure \$ (billions)		
Planning, Environmental, and ROW			
Professional Services	3.10		
Right-of-Way Acquisition	1.47		
<i>Subtotal</i>	4.57		
Stations and Rolling Stock			
Stations	0.73		
Rolling Stock	1.03		
Heavy Maintenance Facility	0.74		
<i>Subtotal</i>	2.51		
Civil Works and Infrastructure	Civil Works	Infrastructure	Unallocated Contingency
Merced Extension	0.94	0.44	0.08
First Construction Segment (FCS)	3.83	1.65	0.27
FCS to Bakersfield	0.80	0.16	0.06
Bakersfield to Palmdale	6.68	1.17	0.38
Palmdale to Burbank	8.15	0.59	0.26
<i>Subtotal</i>	20.40	5.05	1.05

- The Authority's 2014 Business Plan assumes an operations date of 2022 for the IOS-South and the Draft 2012 Business Plan assumes an operations date of 2022 for IOS-North.
- The Authority has received environmental approvals on the Merced to Fresno and Fresno to Bakersfield project sections. The Authority expects that the other project sections will receive environmental approval by the end of 2017.

5 Please provide additional detail on the proposed commercial and contract structure. How does the Authority plan to deal with interfaces between contractors and the Authority?

- The Authority's primary objective is to reach operations as soon as possible while meeting all of its requirements. In addition, the Authority would like to limit the number of contracts it will need to manage and also reduce the number of technical interfaces of the system. In the RFEI, the Authority outlined a potential approach to a commercial and contract structure that it believes could achieve these objectives. However, the Authority is open to alternative structures that would help achieve these objectives.
- As stated in the RFEI, the Authority is interested in industry's comments on a single, large DBFM contract for the construction and long-term maintenance of the civil works, track, and rail infrastructure for an IOS. In addition, the Authority could separately procure rolling stock, stations, and an operator. Alternatives and/or improvements to this approach are also of interest to the Authority and should be accompanied by the reasons why the revised approach will better meet the Authority's stated objectives.
- The Authority anticipates that the counterparty to a DBFM contract (the Developer) would likely consist of a consortium of companies that can integrate and, together, deliver, and partially finance the scope of the IOS elements described above. The Developer would be expected to have contracts with one or more entities to perform the design, construction, and maintenance. The Developer would also need to provide financing to support a portion of the capital cost.
- The Developer would interface with a rolling stock provider and operator over the life of the contract. If the delivery of the entire IOS, rolling stock, and operations is broken down in this manner, interface responsibilities will be clearly defined in the contracts. The Authority will provide specifications that the Developer must meet with regard to integrating with other parties.
- The commercial and contract structure outlined in this question is based on other DBFM contracts for high-speed rail. The Authority welcomes feedback on this structure and is open to alternative structures.

6 What is the envisioned size and duration for the DBFM contract? Will there be more than one DBFM contract on an IOS?

- The construction cost estimate for the IOS-North and IOS-South contains costs that will be borne by the Authority and other contractual parties to the Authority in the delivery of the IOS (e.g., rolling stock provider, DB contractors on FCS, station developers, etc.). The cost estimates provided in the tables above break down the cost estimates for the IOS-North and IOS-South in 2013 dollars and year of expenditure dollars. The DBFM would include the civil works and infrastructure costs, but exclude the civil works costs for the FCS which will be delivered through separate design-build contracts (i.e., CP#1-CP#4).
- The Authority believes that an alternative delivery model will drive innovation and reduce construction costs and schedule. Additionally, the Authority anticipates paying a series of milestone payments to the Developer during the construction period to reduce the amount of financing required under the DBFM contract.
- The DBFM contract will be a long-term contract. The Authority anticipates that the duration of the contract will be 30 or more years.

- The Authority seeks feedback on the contract size and the duration of the DBFM contract. The Authority also seeks feedback on how the scope for the IOS options could be split up to be acceptable to industry, if necessary. For example, separating civil works from track and rail infrastructure or separating the IOS into more than one DBFM contract. Respondents should discuss the benefits of these proposed structures and also address key risks, such as the interface and integration between contractors and technology.

7 How much construction funding is available for the DBFM contract? Are there any restrictions on funding that would impact the DBFM contract?

- The Authority currently has three main sources of funding for the capital costs of the Program: Federal grants (ARRA and Fiscal Year 10 grant funds), Proposition 1A bond proceeds, and proceeds from the Greenhouse Gas Reduction Fund (GGRF) via the Cap-and-Trade (C&T) program.
- All of the Federal grant funds (approximately \$3.2B) and approximately \$5.9B of Prop 1A funds have been committed to the design-build civil works contracts in the Central Valley, “bookend” improvements in Northern and Southern California, regional connectivity projects, and pre-construction activities and Authority administrative activities. This includes 1A funds appropriated to other agencies outside of the Authority.
- Remaining available funds consist of the remainder of Prop 1A bond proceeds (approximately \$4.1 billion) and funding from the C&T program.
- The C&T program provides the Authority with a long-term, continuous source of funding. In FY14/15, the Authority received \$250M and in FY15/16 the Authority will receive a guaranteed amount of \$400M. Additionally, beginning in FY15/16, the Authority will receive 25% of the annual proceeds to the GGRF on a continuous basis. The enacted budget projects that the GGRF will receive \$2B and, therefore, the Authority’s 25% portion will equate to \$500M in FY15/16.
- The Authority anticipates using the remaining available funds during the construction period to make milestone or progress payments to reduce the amount of financing required.
- For purposes of the RFEI, Respondents should assume that the Authority receives \$500M through FY 2050. The Authority welcomes feedback on its long-term funding sources and the ability to raise the necessary financing to complete an IOS and begin high-speed passenger service in California. Respondents should provide sufficient detail on any assumptions or conditions precedent to raising the necessary financing.
- Ultimately, revenues from operations will be available to pay for operating and maintenance costs and any remaining revenues will be available to repay financing. The Authority's projections of revenues and cash flow are contained in the Draft 2012 Business Plan for the IOS-North and the 2014 Business Plan for the IOS-South.

8 Does the Authority have revenue and operating cost projections for the IOS-N and IOS-S?

- The most recent revenue and operating cost projections for the IOS-South are provided in the 2014 Business Plan. The most recent revenue and operating cost projections for the IOS-North are provided in the Draft 2012 Business Plan. Based on the Authority’s projections, the IOS-North and IOS-South do not require an operating subsidy.

9 Will the procurement be a two-step process consistent with previous construction procurements?

What will be the technical and price weightings?

- The procurement process will likely include a two-step process consisting of a Request for Qualifications and a Request for Proposals. The technical and price weightings, as well as the evaluation criteria, have not yet been determined. However, given the highly technical nature of the technical scope, the Authority is considering assigning a greater weighting to technical proposals than it has in its previous design-build procurements for CP#1-#3. The Authority welcomes feedback on the appropriate procurement structure and technical and price weightings.

10 Will systems and rolling stock be procured separately for the IOS-North and the IOS-South?

- The Authority recognizes the operational benefit of having one system and one type of rolling stock across the entire California High-Speed Rail system and anticipates that systems and rolling stock will be the same across all geographical segments within the California High-Speed Rail system. Therefore, if systems are included as part of a DBFM contract, then the systems supplier would also be required to provide systems for separate contracts, if applicable, on other segments of the system. The rolling stock provider will also be required to provide rolling stock to operate across the entire system and not just one individual segment.

11 Who will operate the system? What will the Authority's role be in the operation of the system?

- Consistent with the 2014 Business Plan, the Authority will remain the owner of the California High-Speed Rail system and will contract with a third party to operate the system. The RFEI discusses the role of the operator in overall system delivery strategy as a separate contract from civil works and infrastructure (under a potential DBFM contract) and the rolling stock (under a potential DBM contract). Ultimately, the Authority will seek to procure a long-term operating concession that transfers revenue and ridership risk to a concessionaire. The 2014 Business Plan also discusses how a potential long-term operating concession could be procured after the ramp-up period and once ridership has been demonstrated. As part of the RFEI process, the Authority is interested in receiving feedback on accelerating an operating concession and engaging a long-term operator as early as possible. The Authority is also interested in feedback on how this could generate additional incremental financing above and beyond financing secured by Cap-and-Trade.

12 Will the responses to the RFEI be kept confidential?

- All written correspondence, including EOIs, submitted to the Authority in response to the RFEI are, upon their receipt by the Authority, subject to the Open Government Laws. Respondents should familiarize themselves with the Open Government Laws prior to submittal.
- If a Respondent has special concerns about information that it desires to make available to the Authority, but which it believes constitutes a trade secret, proprietary information, or other information excluded from disclosure, such Respondent should specifically and conspicuously designate that information as "TRADE SECRET" or "CONFIDENTIAL" in its filed response to the RFEI. Blanket, all-inclusive identifications by designation of whole pages or sections as containing proprietary information, trade secrets or confidential commercial or financial information shall not be permitted and shall be deemed invalid. The specific proprietary information, trade secrets or confidential commercial and financial information must be clearly identified as such.

- Under no circumstances, however, will the Authority be responsible or liable to the Respondent or any other party for the disclosure of any such labeled materials, whether the disclosure is deemed required by law, by an order of court, or occurs through inadvertence, mistake or negligence on the part of the Authority or its officers, employees, contractors or consultants.
- The Authority will not advise a Respondent as to the nature or content of documents entitled to protection from disclosure under the Public Records Act, FOIA, U.S. Department of Transportation (USDOT) FOIA regulations (49 C.F.R. § 7.17) or other applicable laws and implementing regulations, as to the interpretation of the Public Records Act or FOIA or as to the definition of trade secret. The Respondent shall be solely responsible for all determinations made by it under applicable laws, and for clearly and prominently marking each and every page or sheet of materials with "TRADE SECRET" or "CONFIDENTIAL" as it determines to be appropriate. Each Respondent is advised to contact its own legal counsel concerning the Public Records Act, FOIA and other applicable laws, and their application to the Respondent's own circumstances.
- Discussions as part of one-on-one meetings before or after submittal of an EOI will be kept confidential by the Authority; provided, however, that under no circumstances will the Authority be responsible or liable to a Respondent or any other party as a result of disclosing any materials, whether the disclosure is deemed required by law, by an order of court, or occurs through inadvertence, mistake or negligence on the part of the Authority or its respective officers, employees, contractors, or consultants.

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