



# Bidder Information Session

## *DSP IV*

### *September 2019 Solicitation*

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**August 27, 2019 – Philadelphia, PA**



[www.nera.com](http://www.nera.com)

# Disclaimer

Any statements herein describing or referring to documents and agreements are summaries only, and are **qualified in their entirety** by reference to such governing documents.

- These governing documents are:
  - Commission Opinion and Order related to PECO's Fourth Default Service Program ("DSP IV") in Docket No. P-2016-2534980 and dated December 8, 2016
  - RFP Rules (posted August 2, 2019)
  - PECO Energy Company Pennsylvania Default Service Supplier Master Agreement ("Uniform SMA") (posted August 6, 2019)

**Please see the RFP website for complete documentation**

**<http://www.pecoprocurement.com/>**

# NERA is the Independent Evaluator

- To ensure a transparent process for the RFP, PECO Energy Company has hired **NERA to be the third-party Independent Evaluator for the solicitations**
- NERA's role is:
  - To be the main point of contact with RFP Bidders
  - To ensure the RFP Rules, as approved by the PUC, are followed
  - To ensure Bidder Qualifications are evaluated equitably and fairly
  - To evaluate Bids on a price-only basis
  - To present the results to the Commission

# Agenda

- Overview of DSP IV and this Solicitation
- Contract and Rates
- RFP Process Details
- RFP Website
- Questions

# Overview of DSP IV Products in this Solicitation



# DSP IV Overview

- Default Service customers are those who:
  - do not elect to take service from an EGS or
  - return to PECO after receiving service from an EGS
- Eight (8) solicitations to procure Default Service Supply will be held in March and September of each year 2017 - 2020
- Supply procured generally for the period **June 1, 2017 to May 31, 2021** but some contracts extend beyond June 2021
- **Full requirements service** includes energy, capacity, ancillary services, certain transmission services, and Alternative Energy Portfolio Standard ("AEPS") requirements

# Customer Classes in DSP IV

<b>Class</b>	<b>Description</b>	<b>Criteria</b>
<b>RES</b>	Residential	All Residential Customers
<b>SC</b>	Small Commercial	Less than 100 kW of annual peak demand
<b>CCI</b>	Consolidated Large Commercial and Industrial	100 kW or greater of annual peak demand

# DSP IV Tranches

- Default Load for each Class is divided into a number of **tranches**, each representing a fixed percentage of the Default Load for the Class

Class	Total Tranches	% Size of a Tranche	Total Peak (MW)	Default Peak (MW)	MW-Measure of a Tranche
RES	62	1.60%	3,688.71	2,557.07	40.83
SC	24	4.17%	1,086.56	468.84	19.53
CCI	8	12.50%	3,351.56	196.31	24.54



# Products in this Solicitation

- A product has three **labels**: the Class, the length of the supply period, and the start of the supply period
- **Products** procured in this solicitation:
  - RES-12-Dec19 and RES-24-Dec19
  - SC-12-Dec19 and SC-24-Dec19
- **Load caps**: a Default Supplier cannot supply more than **50%** of Default Load **for a Class** at any point in time

# Residential Products and Load Caps

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps for RES Class
RES-12-Dec19	12	Won more than 19 tranches of <b>RES-24-Jun18, RES-24-Dec18, RES-12-Jun19, and RES-24-Jun19</b>	31 less tranches of <b>RES-24-Jun18, RES-24-Dec18, RES-12-Jun19, and RES-24-Jun19</b>
RES-24-Dec19	9	Won more than 22 tranches of <b>RES-24-Jun18, RES-24-Dec18, RES-12-Jun19, and RES-24-Jun19</b>	

# Small Commercial Products and Load Caps

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps
SC-12-Dec19	6	Won more than 6 tranches of <b>SC-24-Jun18, SC-24-Dec18, SC-12-Jun19, and SC-24-Jun19</b>	12 less tranches of <b>SC-24-Jun18, SC-24-Dec18, SC-12-Jun19, and SC-24-Jun19</b>
SC-24-Dec19	3	Won more than 9 tranches of <b>SC-24-Jun18, SC-24-Dec18, SC-12-Jun19, and SC-24-Jun19</b>	

# Schedule

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<b>August</b>				
26	27	28	29	30
			<b>Part 1 Form Available</b>	
<b>September</b>				
2	3	4	5	6
<b>Labor Day</b>		<b>Part 1 Window Opens</b>		
9	10	11	12	13
	<b>Part 1 Date (Part 1 Window Closes)</b>		<b>Part 1 Notification Date</b>	<b>Part 2 Window Opens</b>
16	17	18	19	20
		<b>Bid Submission Training</b>	<b>Part 2 Date (Part 2 Window Closes)</b>	
23	24	25	26	27
<b>Part 2 Notification Date</b>	<b>Bid Date (Bids are Due)</b>	<b>IE provides its report to the Commission</b>	<b>Commission Decision (close of business)</b>	

# PUC Approval Process

- RFP results are **contingent on final PUC approval**
- Independent Evaluator submits confidential report on winning bids to PUC on the day after Bid Date
- The PUC will issue a decision within **one business day** of receipt of confidential report
- Information regarding solicitation released within 15 days of the close of the solicitation

# Proposal Process is Online

- Part 1 and Part 2 Proposal will be submitted through **online forms**
- **Completely online** (almost!)
  - Provide required information
  - Upload supporting documents
  - Upload scanned signature pages (“Inserts”)
  - **Hardcopy only for Pre-Bid Letter of Credit** required by the Part 2 Proposal

# Accessing the Proposal Website

- The URL for the proposal website is [DSPproposal.com](https://DSPproposal.com)
- The site is also accessible from links on the RFP website

**PECO Procurement For Default Supply**

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[Click here for the Online Proposal Website](#)

[Contact Us](#)

**Important Dates:**

- ❖ Tue 9/10/2019 - Part 1 Date (Part 1 Window Closes)
- ❖ Thu 9/19/2019 - Part 2 Date (Part 2 Window Closes)
- ❖ Tue 9/24/2019 - Bid Date (Bids are Due)

Welcome to PECO Energy Company's ("PECO") website for the purchase of supply starting June 2017 under its fourth Default Service Program ("DSP IV"). The Pennsylvania Public Utility Commission ("PaPUC" or "Commission") rendered a decision on PECO's DSP IV (Docket No. P-2016-2534980) in its Order dated December 8, 2016.

There will be eight (8) solicitations to procure Default Supply for the period June 1, 2017 through May 31, 2021 and for a portion of the requirements for the period beyond June 1, 2021. Solicitations are expected to be held in March and September of each year, starting with a solicitation in March 2017 and ending with a solicitation in September 2020.

There are three classes of customers: the residential class, the small commercial class, and the consolidated large commercial and industrial class. Default Supply is procured through a Request for Proposals ("RFP") process for various supply periods. The RFP will procure tranches for full requirements service on a fixed-price basis for the residential and

[Online Proposal Website](#)

## 3 Steps to Get Started

# Step 1. Request an Account

HOME **GET ACCOUNT** PART 1 PROPOSALS INSERTS

**Get Account**

Fields marked with an \* are required

Name: \*

Company: \*

E-Mail: \*

Position/Title:

Phone Number: \*

Alternate Phone Number:

**Fill out required fields and click submit**

Suppliers that already have an account do not need to submit a new request



# Step 2. Log In



If you have an account, please [log in here](#).

**Click on “log in here”  
and enter your login  
credentials on the  
login page**

PECO®

Username

Password

Remember Me

[← Back to PECO DSP Proposal](#)

# Step 3. Download the Inserts

The screenshot shows the PECO website's 'Inserts' page. The navigation bar includes 'HOME', 'GET ACCOUNT', 'PART 1 PROPOSALS', and 'INSERTS' (highlighted with an orange circle). The page title is 'Inserts'. Below the title, there is a paragraph explaining that inserts are separate forms in Microsoft Word format. Three callout boxes with arrows point to specific links on the page: an orange box for 'New RFP Bidders download' points to the 'Part 1 Inserts' link; a blue box for 'Prev Qual – Not DS download' points to the 'P1 Inserts Prev Qual Bidder' link; and another blue box for 'DS download' points to the 'P1 Inserts for DS' link.

HOME GET ACCOUNT PART 1 PROPOSALS **INSERTS**

## Inserts

**“Inserts”** are separate forms in Microsoft Word format posted to the online proposal website. For each Insert, sign the Insert (and have the signature notarized when instructed), scan the signed and completed insert, and upload the scanned Insert to the online Form.

**Part 1 Inserts**

**New RFP Bidders** should download this file:

[P1 Inserts](#)

RFP Bidders who have **previously qualified but are not current Default Suppliers** serving tranches won under DSP IV (**Prev-Qual not DS**) should download this file:

[P1 Inserts Prev Qual Bidder](#)

RFP Bidders who are **current Default Suppliers** serving tranches won under DSP IV (**DS**) should download this file:

[P1 Inserts for DS](#)

**Inserts are separate forms in MS Word required to complete your Proposal**

**New RFP Bidders download**

**Prev Qual – Not DS download**

**DS download**

# Contract and Rates



# Contract

- PECO uses the **Uniform SMA** developed for DSP III
- While the SMA is uniform across EDCs in PA, some EDC-specific provisions are included
  - Assign responsibility for **generation deactivation charges** to PECO (charges will be collected through its non-bypassable transmission rate)

# Credit Requirements

- Credit exposure to PECO is based on Mark-to-Market exposure calculations net of Accounts Receivable / Accounts Payable to Supplier
- Performance assurance requirements will depend upon a credit evaluation using criteria specified in the Uniform SMA
- Standard Guaranty and Post-Bid Letter of Credit provided as exhibits to Uniform SMA

# AEPS Requirements

- Default Suppliers are responsible for providing **Alternative Energy Credits (“AECs”)** during the term of the Uniform SMA for PECO to comply with the AEPS Act, as well as other Orders, regulations and rules
- Each AEC is issued for each MWh of generation from a qualified alternative energy system
- Solar credits must be compliant and eligible to be retired in Pennsylvania in accordance with implementation of Act 40 of 2017
- If AEPS requirements change Default Suppliers are responsible to comply with any new obligations
- Each Default Supplier specifies the average cost for Non-Solar Tier I, Solar Tier I and Tier II AECs as part of the Transaction Confirmation process

		Percent of Total Retail Electric Sales		
Reporting Year	Time Period	Tier I	Solar Tier I	Tier II
14	6/1/19 – 5/31/20	7.50%	0.4433%	8.20%
15	6/1/20 – 5/31/21	8.00%	0.5000%	10.00%
16	6/1/21 – 5/31/22	8.00%	0.5000%	10.00%

# PECO's Allocation of Separately Procured AECs

- Under the Uniform SMA, a Default Supplier's AEPS obligation will be reduced by the number of AECs allocated to the Default Supplier in the Transaction Confirmation
  - **Prior to the opening of the Part 1 Window** in each solicitation, PECO announces the allocation of AECs to each tranche (see next slide)
  - Any PECO AECs allocated to Default Supplier's AEPS Obligation remain the property of PECO and are not transferred to the Supplier

# PECO's Allocation of Separately Procured AECs for this Solicitation

- AECs will be allocated to each tranche as follows:

Product	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
RES-12-Dec19	12/1/19 – 5/31/20	0	70	0
	6/1/20 – 11/30/20	0	0	0
RES-24-Dec19	12/1/19 – 5/31/20	0	80	0
	6/1/20 – 5/31/21	0	80	0
	6/1/21 – 11/30/21	0	0	0
SC-12-Dec19	12/1/19 – 5/31/20	0	70	0
	6/1/20 – 11/30/20	0	0	0
SC-24-Dec19	12/1/19 – 5/31/20	0	80	0
	6/1/20 – 5/31/21	0	80	0
	6/1/21 – 11/30/21	0	0	0



# Rate Translation: Determination of Retail Rates

- The Default Service **rates for a Class** are determined on the basis of prices determined through the RFP
- For the **RES Class**, rates also include purchases by PECO for approximately 1% of the Default Load
- Rates also incorporate a quarterly true-up and administrative costs (See PECO's GSA Tariff)
- A Default Service rate calculation model is posted to the PECO website:
  - <https://www.peco.com/MyAccount/MyService/Pages/ElectricPricetoCompare.aspx>

# New York Power Authority Contract

- Under a multi-state arrangement, PECO receives for the benefit of its residential customers an annual allocation of capacity and associated energy from the St. Lawrence hydroelectric project operated by the New York Power Authority (NYPA) and administered by the Allegheny Electric Cooperative, Inc as NYPA's bargaining agent
- Allocation is dependent upon the number of residential customers PECO serves; **PECO's allocation for PY 2019/20 is 5.43 MW**
- Supplier's residential tranches are a share of the Default Load for the Residential Class, which excludes this allocation

# RFP Process Details



# Overview of RFP Process



# Alternate Guaranty Process (Optional)

- RFP Bidders with corporate policies that preclude them from using the standard guaranty can request consideration by PECO for an alternate guaranty form
- **Requests for review were due by August 13, 2019**
- RFP Bidders will have the opportunity to propose modifications to the Standard Guaranty during the Part 1 Window

# Part 1 Proposal

- There are **three types of RFP Bidders** for the purposes of the Part 1 Proposal:
  1. **New RFP Bidders** (that have not previously qualified under DSP IV)
  2. **Default Suppliers** (that have previously qualified and have executed a Uniform SMA for tranches won under DSP IV)
  3. **Prev Qual – Not DS** (that have previously qualified but have not executed a Uniform SMA for tranches won under DSP IV)
- **Default Suppliers and Prev Qual – Not DS** RFP Bidders **may be eligible** to use an abbreviated Part 1 Proposal Process
- The following slides outline the requirements of the Part 1 Proposal Process
  - Unless otherwise indicated, RFP Bidders participating in the abbreviated process may be asked to update or confirm the information previously provided

# Part 1 Requirements



1. **Bidder Information and Contact Information for Officer and Representative**
2. **Nominees** (optional)
3. **Financial Statements and Credit Ratings**
4. **Additional requirements for Agency Agreement** (if applicable)
5. **Information to prepare the SMA**

# Part 1 Requirements cont.

All Bidders  
provide

## 6. Modifications to the Standard Letters of Credit (LOCs) and Standard Guaranty

- Responses to proposed Pre-Bid LOC and Standard Guaranty modifications within 2 business days
- Responses to proposed Post-Bid LOC modifications within 7 business days
- All approved modifications are posted to the Supplier Information page of the RFP website before the Part 2 Window

**Good Idea! Check list  
before proposing  
modifications**

**Go to [Pecoprocurement.com](http://Pecoprocurement.com) →  
Supplier Information →  
Documents**



# Part 1 Requirements cont.

All Bidders

## 7. Make Certifications and Representations

All Bidders

## 8. Foreign RFP Bidders and Foreign Guarantors (if applicable)

All Bidders

## 9. Justification of Omissions

- if any of the information cannot be provided, explain here to avoid a Deficiency Notice
- Also space for additional uploads

**Part 1 Proposal Due on Tuesday, September 10, 2019**

# Additional Details on Roles

- **Officer of the RFP Bidder:** must be able to undertake contracts (including the Uniform SMA) and bind the RFP Bidder
- **Correspondence will be sent to the “Bidder Team”**
  - **Representative:** acts as main point of contact and receives all correspondence related to the solicitation
  - **Nominees:** Officer or Representative can designate up to three (3) authorized individuals to receive communications in addition to the Representative

# Part 1 Notification

- An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal by **Thursday, September 12, 2019** (the Part 1 Notification Date)
  
- **Contents**
  1. **Credit assessment** based on financials submitted with the Part 1 Proposal
  2. **Customized Bid Form** and instructions for bid submission
  3. **Confidential Login information** to test secure file transfer system during training and to submit Bids on the Bid Date

# Part 2 Requirements

## Online Form

1. Certifications and Representations
2. RFP Bidders have **additional requirements if**
  - relying on the financial standing of a **Guarantor**
  - submitting a proposal with a **foreign entity** as RFP Bidder, Guarantor or Principal

## Hardcopy in our Offices

3. Pre-Bid Letter of Credit

**Part 2 Proposal Due on Thursday, September 19, 2019**

# Part 2 Proposal Credit Requirements

- All RFP Bidders must submit an executed Pre-Bid Letter of Credit
  - \$250,000 per tranche bid on the RES and SC products
- Maximum amount of Pre-Bid Letter of Credit:
  - \$7.5M
  - Depending on load caps, not all RFP Bidders will be able to bid on all tranches
- Must use standard form, or standard form incorporating **only approved modifications** posted to the RFP website

# Bid Submission Process



# What is a Bid?

- A Bid is a price in **\$/MWh** for one tranche of a product
  - Automatically **rounded** to the nearest cent
  - Binding until six (6) business days after the Bid Date
  - Must be supported by sufficient security
- Bids will be evaluated by the Independent Evaluator on a **price-only** basis

# Bid Form

**Enter Prices**

**Running Totals**

**Check Load Caps**

**Section 1. Total Number of Tranches Bid**

Total Tranches Across all Products

26
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**Section 2. Bids for each Tranche of each Product**

Bids (All Bids are in \$/MWh)

Residential		Residential		Small Commercial		Small Commercial	
RES-12-Dec19		RES-24-Dec19		SC-12-Dec19		SC-24-Dec19	
Dec 2019 - Nov 2020		Dec 2019 - Nov 2021		Dec 2019 - Nov 2020		Dec 2019 - Nov 2021	
Bid (\$/MWh)		Bid (\$/MWh)		Bid (\$/MWh)		Bid (\$/MWh)	
1	100.00	1	100.00	1	100.00	1	100.00
2	101.00	2	101.00	2	101.00	2	101.00
3	102.00	3	102.00	3	102.00	3	102.00
4	103.00	4	103.00	4	103.00		
5	104.00	5	104.00	5	104.00		
6	105.00	6	105.00	6			
7	106.00	7	106.00				
8	107.00	8	107.00				
9	108.00	9	108.00				
10							
11							
12							

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Number of Tranches Bid

Residential		Residential		Small Commercial		Small Commercial	
Dec 2019 - Nov 2020		Dec 2019 - Nov 2021		Dec 2019 - Nov 2020		Dec 2019 - Nov 2021	
9		9		5		3	

Bidder-Specific Load Caps

12	9	6	3
21		6	

Load Cap Status

OK	OK	OK	OK
OK		EXCEEDED	



# Bid Date Process

- Bids must be submitted between 10 AM and 12 PM noon on **Tuesday, September 24, 2019 (Bid Date)**
  - Bids submitted online through a secure file transfer system
  - Independent Evaluator calls and confirms receipt within 15 minutes
  - **If there are errors, RFP Bidder has only until noon to correct them. RFP Bidders are encouraged to submit early for this reason!**
  - By 6 PM on the Bid Date, Independent Evaluator determines provisional winning bids, and informs RFP Bidders whether or not they are provisional winners

**RFP Bidders may participate in a training session on September 18, 2019**

# Post-Bid Process

Date	Action
<p><b>Wednesday, September 25, 2019</b></p>	<ul style="list-style-type: none"> <li>• <b>RFP Bidders</b> provide information to prepare the Uniform SMA and guaranty (if applicable) if not provided with the Part 1 Proposal</li> </ul>
<p><b>Thursday, September 26, 2019</b></p>	<ul style="list-style-type: none"> <li>• <b>PUC</b> Issues a Decision</li> <li>• <b>Independent Evaluator</b> provides PECO with Uniform SMA and guaranty (if applicable), and transaction confirmations</li> </ul>
<p><b>by Monday, September 30, 2019</b></p>	<ul style="list-style-type: none"> <li>• <b>PECO</b> executes transaction confirmation, the Uniform SMA and guaranty (if applicable) and sends by email/fax and overnight delivery service</li> </ul>
<p><b>Tuesday, October 1, 2019</b></p>	<ul style="list-style-type: none"> <li>• <b>RFP Bidders</b> execute and return the Uniform SMA (including transaction confirmation) and guaranty</li> <li>• <b>RFP Bidders</b> post additional security if needed</li> </ul>

# Information Released to Public

- Key information about prices is released **15 days** after the solicitation:
  - Weighted average winning bid price by product
  - Number of tranches of each product procured

# The RFP Website



# Central Source for RFP Information

[www.pecoprocurement.com](http://www.pecoprocurement.com)

- Supplier and regulatory documents
- Data Room with historical data (2006-Present)
- Calendar page
- Contact us page to register to receive email announcements
- Archive page of postings from past solicitations

# Ask a Question

- Contact Us / Ask a Question
  - RFP Bidder questions answered within 2 business days
  - New FAQs posted to RFP website every **Wednesday** (without identifying information)
    - Supplier Information / FAQs

PECO Procurement For Default Supply

Home  
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**Ask a Question**  
Info Session RSVP  
Independent Evaluator Contact

[Ask a Question](#)

To ask a question regarding the PECO solicitations, please use our automated form below. To receive updates and information regarding the PECO solicitations directly via email, please use our automated form to [register](#) for our mailing list.

Name \*:

Company \*:

Email Address \*:

Question/Comment \*:

[Click here for the Online Proposal Website](#)

[Contact Us](#)

# Independent Evaluator Address

- Please send your Pre-Bid Letter of Credit to us at the following address:

**NERA - Independent Evaluator  
PECO Default Service Program RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Phone: (215) 568-0200  
Fax: (215) 568-9358**

**Questions?**