



PECO Energy Company Bidder Information Session



Overview of Second Solicitation For PECO's Second Default Service Procurement Plan (DSP II)

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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 decisions related to PECO's Second Default Service Program ("DSP II") in Docket No. P-2012-2283641, including the Decision and Order dated October 12, 2012 and the clarification issued November 21, 2012
 - RFP Rules
 - Default Service Supply Master Agreement filed with the Commission on December 11, 2012 (***NEW! for this solicitation***)

Please see the RFP Web site for complete documentation

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

Role of NERA as the Independent Evaluator



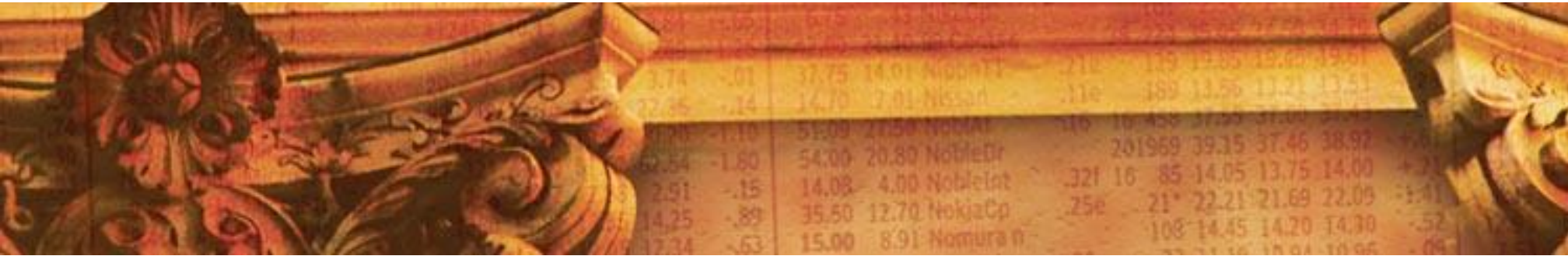
- To ensure a transparent process for the RFP, PECO Energy Company has hired **NERA to be the third-party Independent Evaluator for the solicitations**

- NERA's Role is:
 - To be the main point of contact with 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 PUC

Agenda



- Overview of DSP II and this Solicitation
- Contract and Rates
- RFP Process Details
- RFP Web Site
- Questions



Overview of DSP II and Overview of this Solicitation

PECO's DSP II Features a Single Full Requirements RFP



- 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
- PECO will procure Default Service Supply through a single Full Requirements RFP with a total of five (5) solicitations
- Supply procured generally for the period **June 1, 2013 to May 31, 2015** but some contracts extend to November 2016

This solicitation is the second under DSP II

Four Customer Classes



Class	Description	Criteria
RES	Residential	All Residential Customers
SC	Small Commercial	Less than 100 kW
MC	Medium Commercial	Between 100 kW and 500 kW
LC&I	Large Commercial and Industrial	500 kW or greater

Full Requirements Service



- **Full requirements service** includes energy, capacity, ancillary services, certain transmission services, and Alternative Energy Portfolio Standard ("AEPS") requirements
- For RES, SC, and MC Classes, full requirements service is on a **fixed-price** basis
 - Supplier is paid on the basis of its own average winning bid price
 - Price is an all-in price
- For LC&I Class, full requirements is on a **spot-price** basis
 - Energy priced to PJM's Day-Ahead spot market (PECO zone) and capacity obligations priced to RPM
 - The Supplier's average winning bid price for each MWh of load served covers all other services

Product Mix Different For Each Class



Class	Basis	Contract Lengths	Procurement Frequency	Transition
RES	Fixed	Laddered one-year and two-year products	Twice a year	Products of 6-18 months as blocks expire
SC	Fixed	Laddered 12-month products	Twice a year	Six-month product in previous solicitation
MC	Fixed	6 months	Twice a year	(no transition, starts in January 2013 Solicitation)
LC&I	<i>Spot</i>	12 months	Once a year (January solicitation)	(no transition, starts in January 2013 Solicitation)

- PECO is no longer procuring a spot-price component for the SC and MC classes or block energy for the RES Class

DSP II 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 (%)	Total PLC (MW)	Default PLC (MW)	MW-Measure
RES	60 (*)	1.60%	3,569	2,434.24	40.57
SC	24	4.17%	1,330	565.46	23.56
MC	12	8.33%	996	185.72	15.48
LC&I	18	5.56%	2480.81	201.07	11.17

(*) The total number of RES tranches at the beginning of DSP II period is 48. As the block products expire, the number of tranches available for RES fixed-price full requirements will increase, reaching 60 by the end of the DSP II period.

Tranches, Products, and Load Caps in this Solicitation



Products	Available Tranches	Load Caps By Bidder	Load Caps Apply to:
RES-24-Jun13	7	17 less RES tranches won in Nov 2012 solicitation	Bidders that won more than 10 RES tranches in Nov 2012 solicitation
SC-12-Jun13	12	12 less SC tranches won in Nov 2012 solicitation	Bidders that won SC tranches in Nov 2012 solicitation
MC-6-Jun13	12	6	All bidders
LC&I-12-Jun13	18	9	All bidders

- A Bidder cannot supply more than **50%** of the Default load of a Class at any point in time

Solicitation Schedule

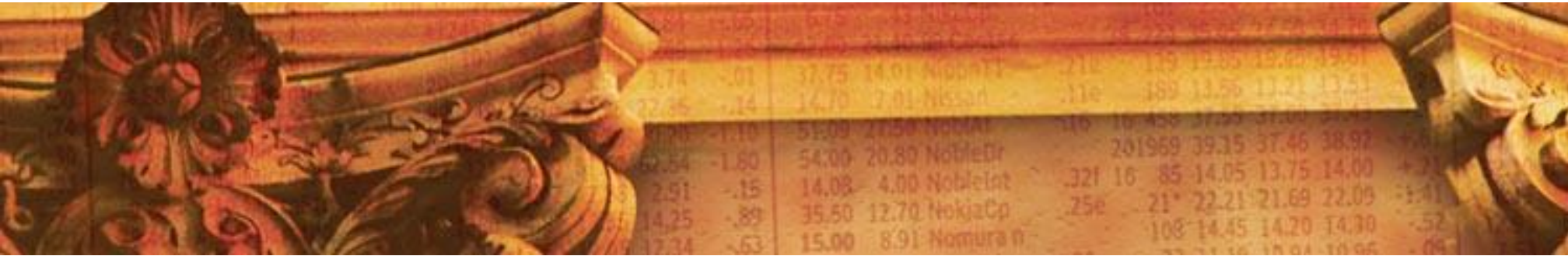


MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
7 January	8	9	10	11
Webcast / Guaranty Process Begins			Part 1 Window Opens	
14	15	16	17	18
	Part 1 Date (Part 1 Window Closes)		Part 1 Notification Date	Part 2 Proposal Window Opens Bid submission training
21	22	23	24	25
			Part 2 Date (Part 2 Window Closes)	
28	29	30	31	1 February
Part 2 Notification Date	Bid Date (Bids are Due)	IE provides report to the PUC	PUC Decision (close of business)	

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
- PECO and OCA receive redacted version of reports once Default Service SMAs are executed



Contract and Rates

The Default Service SMA Has Changed Since The Last Solicitation



- The Nov 2012 Solicitation used the Default Service SMA filed in January 2012 and contemplates only fixed-price products
- This January 2013 Solicitation will use the **Default Service SMA filed with the Commission on December 11, 2012** that adds provisions to account for hourly-price products
- The Commission is expected to render a decision on PECO's entire filing on **January 24, 2013**
- All Bidders, including those that won in the Nov 2012 Solicitation, must **submit a signed new Default Service SMA** with the Part 2 Proposal
- RFP Rules incorporate this requirement and define "Eligible" Default Suppliers as those that won in a solicitation in January 2013 or later

Credit Requirements



- For fixed-price full requirements, credit exposure to PECO is based on **Mark-to-Market exposure calculations**
 - Net of Accounts Receivable / Accounts Payable to Supplier
- For spot-price full requirements, credit exposure begins at \$250,000/tranche
 - Recalculated each month
 - Multiplied by ratio of current PLC/tranche to MW-measure
 - Pro-rated by calendar days remaining in delivery period
- Performance assurance requirements will depend upon a credit evaluation using criteria specified in the Default Service SMA
- Form of Guaranty and Form of Performance Assurance Letter of Credit ("Post-Bid Letter of Credit") provided as exhibits to Default Service SMA

AEPS Requirements



- Default Suppliers are responsible for providing **Alternate Energy Credits (“AECs”)** during the term of the Default Service SMA
- Each AEC is issued for each MWh of generation from a qualified alternative energy system
- 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
8	6/1/13 – 5/31/14	4.50%	0.0840%	6.20%
9	6/1/14 – 5/31/15	5.00%	0.1440%	6.20%
10	6/1/15 – 5/31/16	5.50%	0.2500%	8.20%
11	6/1/16 – 5/31/17	6.00%	0.2933%	8.20%

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs)



- Under the Default Service SMA, a 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
- If a Default Supplier's AEPS Obligation for an AEPS Reporting Period is less than the amount of AECs allocated to the Supplier's Obligation, the Supplier will not be required to transfer any AECs to PECO for that Reporting Period

PECO's Allocation of Separately Procured AECs for this Solicitation



- Alternative Energy Credits 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-24-Jun13	6/1/13 - 5/31/14	5,811	111	0
	6/1/14 – 5/31/15	5,410	160	0
SCI-12-Jun13	6/1/13 - 5/31/14	2,157	41	0
MC-6-Jun13	6/1/13 - 11/30/13	694	13	0
LC&I-12-Jun13	6/1/13 - 5/31/14	537	10	0

Potential Generation Deactivation Charges



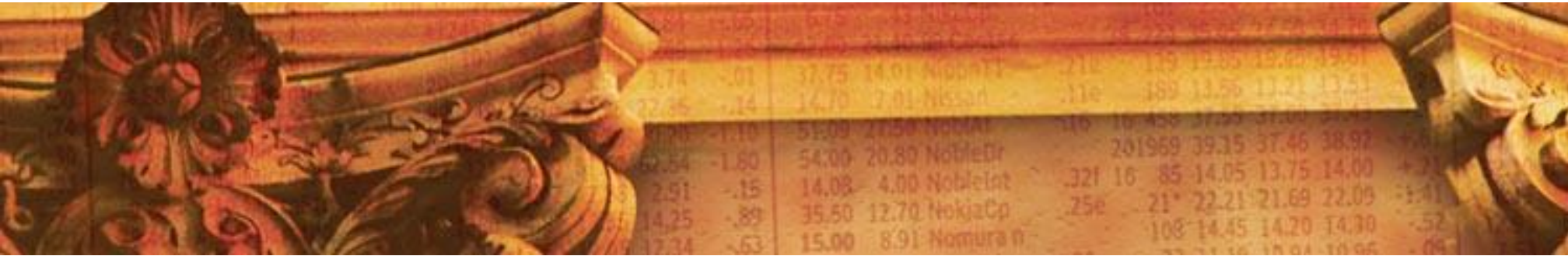
- On October 31st, 2012, PJM announced generation retirements (Schuylkill) that could result in **Generation Deactivation Charges** to Load Serving Entities in the PECO Zone
- As shown in Exhibit D of the Default Service SMA, "Sample PJM Invoice", Generation Deactivation charges **are the responsibility of the Supplier**
- Questions related to PJM's analysis and their next steps should be directed to PJM

<http://www.pjm.com/~media/planning/gen-retire/pending-deactivation-requests.ashx>

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 that Class
- For the **RES Class**, rates will also incorporate:
 - block energy purchases from DSP I as well as any expected purchases and sales through PJM spot energy market, as PECO balances the blocks of energy and load on an hourly basis
- 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 Web site:
 - <https://www.peco.com/CustomerService/RatesandPricing/EnergyChoice/Pages/PricetoCompare.aspx>



RFP Process Details

Overview of RFP Process



- Guaranty Process (optional)
- Part 1 Proposal
- Bid Submission Training
- Part 2 Proposal
- Submission of Bids

Guaranty Process



■ **Option 1: Alternate Form**

- For RFP Bidders that have corporate policies that preclude them from using the standard guaranty
- Review ensures alternate guaranty form provides similar protection to standard guaranty
- Deadline to submit alternate guaranty form and all required documentation is **Monday, January 7, 2013 at 6 PM**

■ **Option 2: Modifications to the Standard Guaranty**

- Deadline to submit non-material or mutually beneficial modifications is **Monday, January 7, 2013 at 6 PM**
- IE has posted a **document containing all acceptable modifications** to the RFP Web site (carried over from DSP I)
- Approved modifications may be elected in the Part 1 Form

Part 1 Proposal Requirements



- **Contact Information:**
 - Representative and Nominees (if elect electronic communications)
 - Officer of the RFP Bidder and Designee (Designee is optional)
- **Representations:** Officer of the RFP Bidder makes all representations in the Part 1 and Part 2 Forms including agreeing to RFP Rules and Default Service SMA
- **Financial Information:** quarterly financial statements and credit ratings
- Information to prepare the **Default Service SMA** and Guaranty

Part 1 Proposal Due on Tuesday, January 15, 2013

Returning Bidders Use the Short Part 1 Form



- Bidders that met the qualification standards in the November 2012 Solicitation will receive an email confirming their status as a **previously qualified RFP Bidder**
- Entities that were Bidders in DSP I but not in DSP II are not considered previously qualified RFP Bidders
- Previously qualified RFP Bidders may use the **Short Part 1 Form** instead of the Standard Part 1 Form
 - Abbreviated process allows Bidders to confirm contact information and confirm that financials have not changed
 - Entity on whose financial standing the Bidder relies must be the same as in the November 2012 Solicitation
- All other Bidders use the **Standard Part 1 Form** to present the Part 1 Proposal

Modifications to Letters of Credit (Pre-Bid and Post-Bid)



- Bidders can propose modifications to the Standard Letters of Credit (LOCs)
 - Responses to proposed Pre-Bid LOC modifications within 2 business days
 - Responses to proposed Post-Bid LOC modifications within 7 business days
 - All approved modifications posted to Web site
 - Check list before proposing modifications
- **Standard form of LOCs have not changed**

Contact Information and Representation



- **Election of mode of communication**
 - Notifications by email or by fax
 - Documents by secure file transfer or overnight delivery service

- **Representative and Nominees**
 - RFP Bidder to provide contact information for a **Representative** who will be the main point of contact for the RFP Bidder
 - All correspondence including confidential information required to submit Bids will be sent to the Representative
 - RFP Bidders who elect to receive notifications by email can use the Nomination section of the Part 1 Form to **designate up to 3 authorized individuals** to receive notifications, in addition to the Representative

Information to Prepare Default Service SMA and Guaranty



- The IE uses information from the Part 1 Form to populate all relevant fields in the **Default Service SMA and Guaranty**
 - specify elections to be made in the Default Service SMA and provide contact information to prepare the form of notice (Exhibit H to the Default Service SMA)
 - specify the governing laws under which the RFP Guarantor is organized
 - provide contact information for the RFP Guarantor, including the name and title of the signatory of the guaranty
 - make elections to incorporate any or all of the approved modifications to the Form of Guaranty

Part 1 Proposal: Submission & Processing



- **Step 1: IE receives Part 1 Proposal**
 - RFP Bidders must submit two original forms with original signatures and one electronic copy (by email to pecoprocurement@nera.com or on a CD)
 - One copy of supporting documents (by email or on a CD) is required

- **Step 2: IE evaluates proposal for completeness and compliance with rules**
 - IE sends notification to RFP Bidder by email or fax before 6 PM on day of receipt if Part 1 Proposal is received by noon
 - Deficiency notice: details missing information and how to remedy

Part 1 Proposal: Submission & Processing (cont.)



■ Step 3: Cure Deficiencies

- Must cure by noon on the Part 1 Date, or 6 PM on the business day after the Deficiency Notice is sent – whichever comes later
- Part 1 Proposal may be rejected if failing to remedy deficiency by deadline

■ Step 4: Part 1 Notification

- An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal by **Thursday, January 17, 2013** (the Part 1 Notification Date)
- Part 1 Materials included with Part 1 Notification are essential to continued participation of the Bidder in the RFP process

Part 1 Form: Credit Assessment



- IE and PECO
 - Determine unsecured credit for Supplier (or RFP Guarantor) under the terms of the Default Service SMA
 - Use financials submitted in the Part 1 Proposal

- IE communicates assessment with the Part 1 Notification

Suppliers Can Submit their Part 2 Proposal Documents Early



- RFP Bidders can submit the Part 2 Form during the Part 1 Window for **early processing** so that the Officer of the RFP Bidder can make all representations at once
- Part 2 materials submitted during the Part 1 Window will be processed as soon as practicable

Contents of Part 1 Notification



- An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal by **Thursday, January 17, 2013**
 - An RFP Bidder elects on the Part 1 Form whether to receive the Part 1 Notification and Materials by secure electronic file transfer or by overnight delivery service
- **Part 1 Materials** include:
 - Customized Bid Form and instructions for bid submission
 - Customized Default Service SMA - Bidders must print out Default Service SMA from the Part 1 Notification, sign two originals, and submit with Part 2 Proposal
 - Customized Guaranty (if applicable) - Bidders using Guarantors must print out the Guaranty, sign two originals, and submit them with Part 2 Proposal
 - Confidential Information
 - Login information to test secure file transfer system during training
 - Login information necessary to submit Bids on the Bid Date

Summary of Qualification Process: Part 2 Main Elements



- Signed Default Service SMA documents
- Pre-Bid Letter of Credit
- Certifications

Part 2 Proposal Due on Thursday, January 24, 2013

Part 2 Proposal: Credit Requirements



- All Bidders must submit a Pre-Bid Letter of Credit
 - \$250,000 per tranche bid of the fixed-price products
 - \$125,000 per tranche bid of the hourly-price product
- Maximum amount of Pre-Bid Letter of Credit (if bid on all products: **\$7.375M** (\$6.250M for fixed-price products only))
- Must use standard form, or standard form incorporating **only modifications approved** during the Part 1 Proposal process and posted to the RFP Web site

Part 2 Proposal: Contract



■ Supply Master Agreement

- All Bidders, even those that are Default Suppliers under DSP II, must submit two (2) signed originals of Default Service SMA with all exhibits
 - Officer of the RFP Bidder designated in Part 1 Form (or Designee) must sign
- Default Suppliers **with executed Default Service SMA from January 2013 or later** will not need to resubmit the SMA in future Solicitations

Part 2 Proposal: Guaranty



- **All Bidders** must provide a guaranty if relying on a Guarantor
- Guaranty amount for **Bidders that are not Default Suppliers** (under DSP I or DSP II) is \$600,000 per tranche bid of fixed-price products and \$300,000 per tranche bid of spot-price product
- Guaranty amount for **Bidders that are Default Suppliers** (under DSP I and/or DSP II) must meet or exceed the lesser of:
 - the Unsecured Credit Limit corresponding to the RFP Guarantor's lowest credit and RFP Guarantor TNW Amount;
 - the sum of any current guaranty held by and \$600,000 per tranche bid of fixed-price products and \$300,000 per tranche bid of spot-price product

Part 2 Proposal: Submission & Processing



- **Step 1: IE receives Part 2 Proposal**
 - RFP Bidders must submit two original forms with original signatures and one electronic copy (by email to pecoprocedurement@nera.com or on a CD)
- **Step 2: IE evaluates proposal for completeness and compliance with rules**
 - IE sends notification to bidder by email or fax before 6pm on day of receipt with a deficiency notice if information is missing
- **Step 3: Cure Deficiencies**
 - Must cure by noon on the Part 2 Date, or 6 PM on the business day after the Deficiency Notice is sent – whichever comes later
 - Part 2 Proposal may be rejected if failing to remedy deficiency by deadline
- **Step 4: Part 2 Notification**
 - An RFP Bidder is notified whether it has qualified to submit Bids by **Monday, January 28, 2013** (the Part 2 Notification Date)

Both Part 1 and Part 2 Forms: Justification of Omissions



■ Justification of Omissions

- If you cannot provide any of the information, explain here to avoid a Deficiency Notice

8. Justification of Omissions

If you are unable to provide all documents or information required with this Part 1 Form, please justify fully any omissions in the space provided below.

Bid Submission Process

Bid Submission Process



- Bids entered in an **Excel Bid Form**
- Bid Form submitted through a **secure file transfer** system (backup: fax)
- Independent Evaluator confirms receipt
- Independent Evaluator advises RFP Bidders that are **provisional winners** on Bid Day

**Bidders may participate in a training session
on Friday, January 18, 2013**

Bid Submission Process



- **Part 1 Notification** includes customized Bid Form and instructions for bid submission
- **Bids to be submitted between 10 AM and 12 PM noon on Tuesday, January 29, 2013 (Bid Date)**
 - IE calls and confirms receipt within 15 minutes
 - **If there are errors, RFP Bidder has until noon to correct them. RFP Bidders are encouraged to submit early for this reason!**
 - By 6 PM on the Bid Date, IE determines provisional winning bids, and informs RFP Bidders

What is a Bid?



- A bid is a price in **\$/MWh**
 - For one tranche of a product
- The bid
 - Is automatically **rounded** to the nearest cent
 - Is binding until six (6) business days after the Bid Date
 - Must be supported by sufficient security
- Bids will be evaluated by the IE on a **price-only** basis
 - Bids for each product will be ranked from lowest to highest price until all Bids are ranked

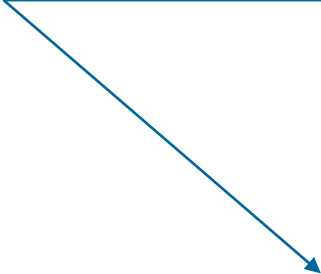
Bid Form



Enter Prices



Running Totals



Use running totals to keep track of load cap constraints

Bids (All Bids are in \$/MWh)			
Residential	Small Commercial	Medium Commercial	Large Commercial & Industrial Commercial
RES-24-Jun13	SC-12-Jun13	MC-6-Jun13	SC-12-Jun13
June 2013 - May 2015	June 2013 - May 2014	June 2013 - November 2013	June 2013 - May 2014
Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)
1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
	8	8	8
	9	9	9
	10	10	10
	11	11	11
	12	12	12
			13
			14
			15
			16
			17
			18

Number of Tranches bid			
Residential	Small Commercial	Medium Commercial	Large Commercial & Industrial
June 2013 - May 2015	June 2013 - May 2014	June 2013 - November 2013	June 2013 - May 2014
-	-	-	-
Total	Total	Total	Total
Residential	Small Commercial	Medium Commercial	Large Commercial & Industrial
-	-	-	-

PUC Approval and Transaction Confirmation Schedule

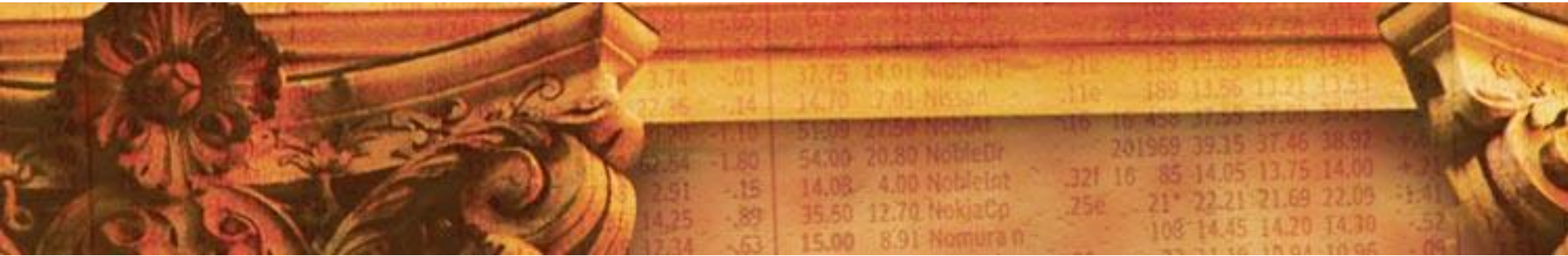


- **Thursday, January 31, 2013:**
 - PUC Issues a Decision
 - IE provides information to PECO for transaction confirmations
- **Friday, February 1, 2013:**
 - PECO signs and overnights transaction confirmations and Default Service SMA
 - IE releases Pre-Bid Letters of Credit for losing RFP Bidders
- **No later than Monday, February 4, 2013:**
 - Supplier faxes transaction confirmations to PECO **by 2 pm**, overnights transaction confirmations to PECO, posts additional security if needed
- **Wednesday, February 6, 2013:**
 - IE releases winning Bidders' Pre-Bid Letters of Credit

Information Released to Public



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



The RFP Web Site

Central Source for RFP Information



www.pecoprocurement.com

- Supplier and Regulatory documents
- Historical Data (2006-Present)
- Answers to submitted questions
- Announcements and schedule
- Registration, RSVP, and FAQ submission
- Archive of postings from past solicitations

Ask a Question



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

A screenshot of the PECO Procurement For Default Supply website. The page features a header with a city skyline and the PECO logo. A navigation menu on the left includes links for Home, Background, Supplier Information, Data Room, Calendar, Contact Us (highlighted with a green box), Register, Ask a Question (circled in red), Info Session RSVP, Independent Evaluator, and Contact Info. The main content area is titled "Ask a Question" and contains a form with fields for Name *, Company *, Email Address *, and Question/Comment *. A "Submit" button is located at the bottom of the form. A "Contact Us" link is visible on the right side of the page.

PECO Procurement For Default Supply

[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 *:

Submit

[Contact Us](#)

Address for Submissions



- Required original submissions must be sent 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**

NERA

Economic Consulting

Questions?



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