



# PECO Energy Company Bidder Information Session

### PECO Procurement Process Spring 2010

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Philadelphia April 12, 2010

How Markets Work<sup>™</sup>



### Disclaimer



- § Any statements herein describing or referring to documents and agreements are summaries only, and are qualified in their entirety by reference to such documents and agreements.
- **§** The governing documents in this RFP are:
  - The Full Requirements RFP and the Block Energy RFP (posted on 3/30/2010)
  - The Full Requirements Supply Master Agreement and the Block Energy Supply Master Agreement (posted on 3/30/2010)
  - The PaPUC's decisions related to the Petition of PECO Energy Company for Approval of its Default Service Program and Rate Mitigation Plan – Docket No. P-2008-2062739

Please see the RFP Web site for complete documentation

<u>www.pecoprocurement.com</u>



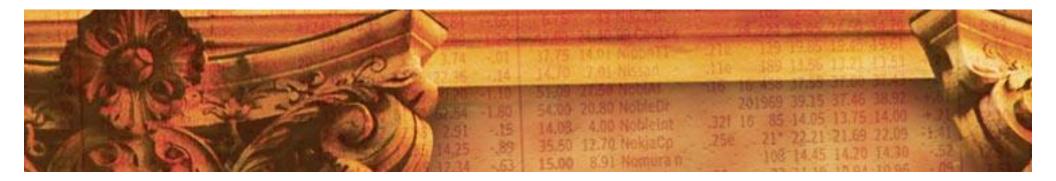
## Agenda



- § Background and Overview
- **§** Product Design
- **§** Qualifications and the Bidding Process
- § Post-RFP Process
- § RFP Web Site







### **Background and Overview**

# Role of NERA as the Independent Evaluator



- § To ensure a transparent process for the solicitation, 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 Process and 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

### Two RFPs Conducted Concurrently in the Spring 2010 Solicitation



### **§ Full Requirements RFP**

 Suppliers bid to serve a percentage of the load for a class

### § Block Energy

- Suppliers bid to provide blocks of baseload and winter peak (Jan-Feb 2011) energy
- PECO uses these blocks as part of the portfolio for residential customers



### These RFPs Are Conducted Under an Approved Plan



- § The PUC approved PECO's plan on April 16, 2009
- § The procurement plan details how PECO will purchase supply to serve its Default Service customers when generation rate caps end on December 31, 2010
- **§** Default Service customers are those
  - who do not elect to take service from an EGS
  - who return to take service from PECO after being served by an EGS

# PECO retains its responsibility to serve default customers after rate caps expire





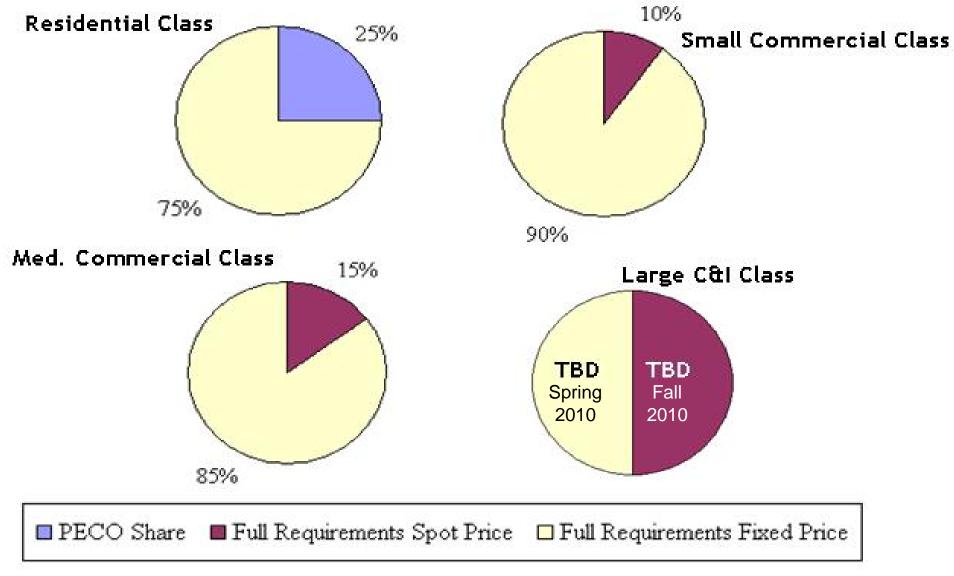
### § A "Procurement Class" is a grouping of customers on PECO's existing rate schedules

Class	Description	Criteria
R	Residential	All Residential Customers
SC	SC Small Commercial < 100 kW annual peak demand	
MC	Medium Commercial	>= 100 kW and < 500 kW annual peak demand
LC&I	Large Commercial and Industrial	>= 500 kW annual peak demand



# Product Mix in Procurement Plan







# Two RFPs, Multiple Solicitations



### **Full Requirements RFP (Fixed Price)**

Class	Supply Period	Spring 2009	Fall 2009	Spring 2010	Fall 2010	Spring 2011	Fall 2011	Winter 2012
	January 2011 – May 2012	8	8	8	9			
Desidential	January 2011 – May 2013	4	3	3	4			
Residential	June 2012 – May 2013						9	10
	June 2012 – May 2014						7	7
	January 2011 – May 2012		6	6	7	Block		
Small Commercial	January 2011 – May 2013			3	3	Energy		
Commercial	June 2012 – May 2013					RFP Only	9	10
Medium	January 2011 – May 2012		3	8	8			
Commercial	June 2012 – May 2013						9	10
Large Commercial & Industrial	January 2011– December 2011			20				

### Load of LC&I up for bid for the first time



\*numbers in table represent tranches

### Large Commercial & Industrial Fixed-Price Option



§ Customers in the Large Commercial & Industrial Class who wish to receive PECO's fixed-price Default Service were required to express their interest in this option by March 1

Class	Total PLC (MW)	EOI PLC (MW)	Tranches	Tranche Size	MW-Measure (MW)
LC&I	2,562	2,015	20	5.00%	100.75

- Sustements in the Large Commercial & Industrial Class who wish to receive PECO's fixed-price Default Service were required to express their interest in electing this option by March 1, 2010
- § If the PUC approves the results of the Spring 2010 Solicitation (expected May 26, 2010), customers who indicated interest will have a 30-day window to elect the fixed-price option
- § LC&I Fixed-Price Agreement has been posted to RFP Web site under "Supplier Information – Rates"



## Two RFPs, Multiple Solicitations (Last 2 Not Shown)



### **Block Energy RFP**

Product	Supply Period	Spring 2009	Fall 2009	Spring 2010	Fall 2010	Spring 2011	Fall 2011	Winter 2012
Baseload	January 2011 – December 2011	40MW	40MW	40MW	40MW			
Baseload	January 2011 – December 2012			50MW	50MW			
Baseload	January 2011 – December 2015			50MW				
Peak	January 2011 – February 2011			40MW	40MW			FR RFP
Peak	June 2011 – August 2011				60MW	70MW		Only
Peak	December 2011 – February 2012					40MW	40MW	
Baseload	January 2012 – December 2012					80MW	80MW	
Peak	June 2012 – August 2012						60MW	



\*numbers in table represent blocks

### Results of the Spring and Fall 2009 Solicitations Were Approved



Full Requirements – Residential	Spring 2009	Fall 2009	
Average winning bid price (\$/MWh):	\$88.61	\$79.96	
# of suppliers qualified to bid:	11	13	
Number of suppliers that won:	2	4	
Tranches procured:	12 out of 12	11 out of 11	
Rate:	9.4 cents/kWh, indicating a 4 percent increase for the average residentia customer beginning 2011		
Full Requirements – SC & MC		Fall 2009	
Average winning bid price (\$/MWh):		\$85.85	
# of suppliers qualified to bid:		13	
Number of suppliers that won:		4	
Tranches procured:		9 out of 9	
Rate:	9.79 cents/kWh, indicating a 0.5% small/medium commercial	· ·	
Block Energy – Baseload	Spring 2009 and Fa	II 2009 (Aggregate)	
Average winning bid price (\$/MWh):	\$61	.74	
# of suppliers qualified to bid:	12		
Number of suppliers that won:	3		
Blocks procured:	8 out	t of 8	

# Procurement Schedule for this Solicitation



М	т	W	Th	F
April 12 Bidder Info Session	13	14	15	16
19	20	21	22	23
26	27	28	29	30
May 3	4 Part 1 Date	5	6	7
10	11	12	13	14
17	18 Part 2 Date	19	20	21
24 BIDS DUE	25	26 PaPUC Decision	27	28



# **Guaranty Process has Concluded**



### § 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
- Review period has ended

### **§ Option 2: Modifications to the Standard Guaranty**

- Modifications must be non-material or mutually beneficial
- IE has posted a document containing all acceptable modifications to the Web site
- Approved modifications may be elected in the Part 1 Form



### Summary of Qualification Process: Part 1 Main Elements



#### **New Bidders**

- § information for creditworthiness assessment
- § Provide information for the preparation of the SMA
- § May submit modifications to letters of credit (pre-bid and postbid)

#### **Returning Bidders**

- § information for creditworthiness assessment
- § Confirm information for the preparation of the SMA
- § May submit modifications to letters of credit (pre-bid and postbid)

#### **Existing Suppliers**

§ information for creditworthiness assessment

**§** N/A

§ May submit modifications to letters of credit (pre-bid and postbid)

New for Spring 2010: Email Part 1 Form to Independent Evaluator for a courtesy review prior to submission (ie@pecoprocurement.com)

### Summary of Qualification Process: Part 2



#### **New Bidders**

- § Signed SMA
- § Signed Guaranty
- § Pre-Bid Letter of Credit
- § Certifications

#### **Returning Bidders**

- § Signed SMA
- § Signed Guaranty
- § Pre-Bid Letter of Credit
- § Certifications

#### **Existing Suppliers**

- **§** N/A
- § Signed Guaranty
- § Pre-Bid Letter of Credit
- § Certifications

# **Bids Submitted Electronically**



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



# **PUC Approval Process**



- § RFP results are contingent on final PUC approval
- § Independent Evaluator submits confidential report on winning bids to PUC on day after Bid Date
- § The PUC will issue a decision within one business day of receipt of confidential report



# PA Act 129



§ PECO filed its energy efficiency and conservation plans with the PaPUC last summer

### **§** The goals of these plans under the Act are to reduce

- consumption of retail customers by a minimum of 1% by May 31, 2011
- consumption of retail customers by a minimum of 3% by May 31, 2013
- Demand of retail customers by a minimum of 4.5% of the highest 100 hours

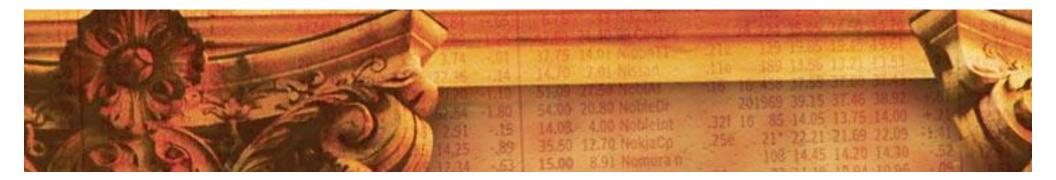
### **§** Filing documents at:

http://www.exeloncorp.com/ourcompanies/peco/aboutpeco/customer\_ed ucation/about\_electric\_competition/history\_electric\_competition/act+129+ energy+efficiency+and+conservation+plan.htm

§ The Act also mandated smart metering and PECO will be providing information regarding its filing







# **Product Design**

### **Components of Full-Requirements Service**



### **§ Full Requirements Service is Load Following**

- Includes energy, capacity, ancillary services, certain transmission services, and Alternative Energy Portfolio Standard ("AEPS") requirements
- A Supplier for a Class supplies a fixed percentage of actual default service load for that Class during the supply period

### § Fixed Price Default Supply (\$/MWh)



### Potential Generation Deactivation Charges



- § On March 22, 2010, PJM announced generation retirements that could result in generation deactivation charges to load serving entities in the PECO Zone
- § As shown in Exhibit D of the PECO Full Requirements SMA, "Sample PJM Invoice", Generation Deactivation charges are the responsibility of the Seller
- § Questions related to PJM's analysis and their next steps should be directed to PJM



### Potential Generation Deactivation Charges



**§** Full Requirements SMA:

http://www.pecoprocurement.com/assets/files/Spring 2010 Appen dix\_1\_Full\_Requirements\_Supply\_Master\_Agreement\_3-30-2010.pdf

- § PJM Generation Retirement Study Results: http://www.pjm.com/planning/generation-retirements/gr-studyresults.aspx
- Scromby Units 1 and 2 and Eddystone Units 1 and 2 Deactivation Study:

http://www.pjm.com/planning/generationretirements/~/media/planning/gen-retire/cromby-units-1-and-2-andeddystone-units-1-and-2-deactivation-eval.ashx



### Full Requirements RFP: Fixed-Price Default Load



- § Fixed-Price Default Load for each Class is divided into tranches
- § A tranche in a Class represents a fixed percentage of the Default Load for that Class

Class	Total PLC (MW)	Fixed-Price PLC (MW)	Fixed-Price Tranches	Fixed-Price Tranche Size	Fixed-Price MW- Measure (MW)
R	3,158	2,368	47	1.60%	50.39
SC	1,429	1,286	25	3.60%	51.44
МС	1,132	962	19	4.47%	50.65
LC&I	2,562	2,015	20	5.00%	100.75



### Load Caps for the Full Requirements RFP



- **§** There are separate load caps for Block Energy and Full Requirements
- § The Load Cap is 65%. No RFP Bidder may supply more than 65% of the available tranches for a Class at a given point in time
- § The Load Cap is bidder specific: it takes into account all tranches won in previous solicitations
- § Bidder-specific load caps are provided in the Initial Status Notification no later than April 13, 2010
- § For the LC&I Class, the Load Cap is the same for all RFP Bidders:

Product	Available	Load	Maximum Tranches
	Tranches	Cap	RFP Bidder can Win
Large Commercial & Industrial (Jan 2011-December 2011)	20	65%	13



### Load Caps for the Full Requirements RFP (continued)



- § For the MC Class, there is a single limit on the number of tranches that can be bid
- § For the R and SC classes, there is a limit on the total number of tranches, and a limit on the number of 29-month tranches

Product	Available Tranches (Spring 2010)	Available Tranches (Cumulative)		ranches RFP can Win
Residential (Jan 2011-May 2012)	8	24		22
Residential (Jan 2011-May 2013)	3	10	6	22
Small Commercial (Jan 2011-May 2012)	6	12		9
Small Commercial (Jan 2011-May 2013)	3	3	2 <sup>1</sup>	9
Medium Commercial (Jan 2011-May 2012)	8	11		7

<sup>1</sup>Pending PUC Approval



### **AEPS Requirements**



- § Default Service Suppliers are responsible for providing Alternate Energy Credits (AECs) during the term of the Full Requirements SMA
- § Each AEC is issued for each megawatt hour of generation from a qualified alternative energy system

		Percent of Total Retail Electric Sales			
<b>Reporting Year</b>	Time Period	Tier I Rqmt	Tier I (Solar) Rqmt	Tier II Rqmt	
5	6/1/10 – 5/31/11	3.00%	0.0203%	6.20%	
6	6/1/11 – 5/31/12	3.50%	0.0325%	6.20%	
7	6/1/12 – 5/31/13	4.00%	0.0510%	6.20%	
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)



- § Prior to each procurement, the allocation of AECs to each tranche will be communicated to potential bidders
  - An allocation of AECs will be specified for each Alternative Energy Portfolio Standard Reporting Period
  - Under the SMA (Section 2.6) a Seller's AEPS obligation will be reduced by the number of AECs allocated to the Seller in the Transaction Confirmation
- § Any PECO AECs allocated to Seller's AEPS Obligation remain the property of PECO and are not transferred to the Seller
- § In the event that the Seller's AEPS Obligation for an AEPS Reporting Period is less than the amount of AECs allocated to the Seller's Obligation, the Seller will not be required to transfer any AECs to PECO for that Reporting Period. The allocated AECs will remain the property of PECO. No credit will be granted to the Supplier and the Supplier cannot request that these AECs apply to any other Reporting Period's obligation
- **§ PECO will not allocate AECs to the Fixed-Price LC&I tranches**





§ For the eight (8) 17-month Residential Class tranches (Jan 2011-May 2012),

AEPS Reporting Yr	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
5	6/1/10 - 5/31/11	1,280	0	0
6	6/1/11 - 5/31/12	2,922	0	0





§ For the three (3) 29-month Residential Class tranches (Jan 2011-May 2013),

AEPS Reporting Yr	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
5	6/1/10 - 5/31/11	1,280	0	0
6	6/1/11 - 5/31/12	2,922	0	0
7	6/1/12 - 5/31/13	2,392	0	0





§ For the six (6) 17-month Small Commercial Class tranches (Jan 2011- May 2012),

AEPS Reporting Yr	Time Period	Tier I (non-solar)Tier I (solar)AECs perAECs perTrancheTranche		Tier II AECs per Tranche	
5	6/1/10 - 5/31/11	1,197	0	0	
6	6/1/11 - 5/31/12	3,053	0	0	





§ For the three (3) 29-month Small Commercial Class tranches (Jan 2011- May 2013),

AEPS Reporting Yr	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche	
5	6/1/10 - 5/31/11	1,197 0		0	
6	6/1/11 - 5/31/12	3,053	0	0	
7	6/1/12 - 5/31/13	2,237	0	0	





§ For the eight (8) 17-month Medium Commercial Class tranches (Jan 2011- May 2012),

AEPS Reporting Yr	Time Period	Tier I (non-solar) AECs per Tranche	AECs per AECs per		
5	6/1/10 - 5/31/11	1,511	0	0	
6	6/1/11 - 5/31/12	3,822	0	0	



# **Block Energy Components**



- § Blocks of around-the-clock energy (Baseload Blocks) as well as for the procurement of blocks of energy for peak hours (Peak Blocks)
- § As in the Spring and Fall 2009, this solicitation procures Baseload block energy for a 12-month period starting January 1, 2011
- § This solicitation also procures
  - Baseload for a 24-month period and a 60-month period starting January 1, 2011
  - Peak for a 2-month winter period (January and February 2011)



### Load Caps for the Block Energy RFP

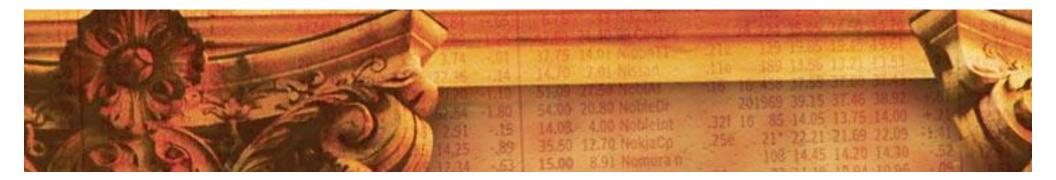


- **§** For the Block Energy RFP, there are four load caps:
  - No more than 3 blocks of B-60-Jan2011
  - No more than 6 blocks total of B-24-Jan2011 and B-60-Jan2011
  - No more than 14 blocks total of B-12-Jan2011, B-24-Jan2011 and B-60-Jan2011
  - No more than 16 blocks total across all four products
- § RFP Bidders who are Block Energy Suppliers will have bidder-specific load caps for the Block Energy RFP

Product	Available Blocks (Spring 2010)	Available Blocks (Cumulative)	Maximum Tranches RFP Bidder can Win		RFP	
P-2-Jan2011	4	4				
B-12-Jan2011	4	12				16
B-24-Jan2011	5	5		6	14	10
B-60-Jan2011	5	5	3			







### **Contract and Rates**

Full Requirements and Block Energy Supply Master Agreements (SMA)



§ Separate SMA for full requirements and block energy supply

- Contract is standard for all Suppliers
- Contract is between Supplier and PECO
- Final agreements are non-negotiable
- As part of qualification, RFP Bidder signs SMA

-Current suppliers do not re-submit SMA



### **Credit Requirements**



- § Credit exposure to PECO is based on Mark-to-Market exposure calculations
  - Net of Accounts Receivable / Accounts Payable to Seller
- § Performance Assurance Requirements will depend upon a Seller credit evaluation using criteria specified in the SMA
- § Form of Guaranty and Form of Performance Assurance Letter of Credit provided as exhibits to SMA



### Rate Translation: Determination of Retail Rates



- **§** The Default Service rates of R customers determined on the basis of:
  - prices determined through the RFP for Fixed-Price Default Supply
  - prices determined through the Block Energy RFP, and
  - PECO's additional purchases to serve the 25% "PECO share"
- § The rates of Default Service customers in the SC and MC Classes determined on the basis of:
  - prices determined through the RFP for Fixed-Price Default Supply
  - prices determined through the RFP for Spot-Price Default Supply (10% for the SC Class and 15% for the MC Class)
- § Rates are also subject to a quarterly true-up and administrative costs of RFP (See PECO's GSA Tariff)
- § Rate Translation Spreadsheet Tool available on RFP Web site for R, SC & MC Classes http://pecoprocurement.com/index.cfm?s=supplierInformation&p=rates



# Current Retail Choice Migration - "Shopping"

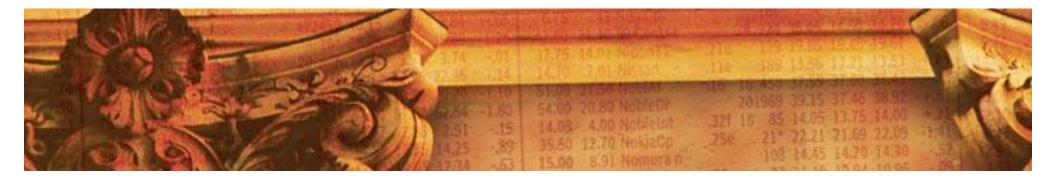


### **§** Customer Counts as of 2/28/2010 provided below

	Total Customers	EGS Customers	Percent EGS Customers
Residential	1,485,236	2,628	0.18%
Small Commercial	155,512	18,954	12.19%
Medium Commercial	6,287	70	1.11%
Large C&I	1,844	9	0.49%







# Qualifications and the Bidding Process

### Spring 2010 Procurement Schedule



М	Т	W	Th	F
April 12 Bidder Info Session	13	14	15	16
19	20	21	22	23
26	27 Part 1 Window Opens	28	29	30
May 3	4 Part 1 Date	5	6	7 Part 1 Notification
10	11 Part 2 Window Opens	12	13 Bidder Training	14
17	18 Part 2 Date	19	20	21 Part 2 Notification
24 BIDS DUE	25 Final Report to PUC	26 PUC Decision	27	28



### All Participants Must Submit Part 1 and Part 2 Proposals



- **§** Abbreviated process for returning bidders, but
  - All participants must actively submit a Part 1 Form and a Part 2 Form
    - -Short Part 1 Form ONLY for those who submitted successful Part 1 Proposals in a previous solicitation

	PART 1 FORM
Short Form	<ul> <li>Did you submit a successful Part 1 Proposal in a previous solicitation?</li> <li>yes</li> <li>no</li> </ul> <b>If yes</b> , please <b>CONTINUE</b> filling out this form, beginning with "Contact Information and Representations" below. <b>If no</b> , <b>STOP</b> . You cannot use this Short Part 1 Form. You must use the Standard Part 1 Form instead.

- Initial status notification will remind you whether you had a complete Part 1 / Part 2
- If the entity on whose financial standing you wish to rely has changed, you cannot use the Short Part 1 Form



### Guide to the Part 1 Form:



- § Each sub-section of the Short Part 1 Form has instructions
  - In the Standard Part 1 Form, you must fill out all required fields:
     1. Contact Information and Representations

COMPLETE ALL INFORMATION IN THIS SECTION 1 OF THIS PART 1 FORM.

 In the Short Part 1 Form, there will be the option to confirm information and skip to the next sub-section

1. Contact Information and Representations
First Item: Name and Address of the RFP Bidder
THE INITIAL STATUS NOTIFICATION THAT A PREVIOUSLY QUALIFIED RFP BIDDER RECEIVES FROM THE INDEPENDENT EVALUATOR INCLUDES THE CONTACT INFORMATION FOR THE RFP BIDDER CURRENTLY ON FILE WITH THE INDEPENDENT EVALUATOR.
Is the name and address of the RFP Bidder in the Initial Status Notification correct?
<u>If yes</u> , please proceed to the next item below in this section, "Officer of the RFP Bidder". <u>If no</u> , please make all necessary corrections below.





### **§** Contact Information and Representations

- Name and Address of RFP Bidder
- Officer of the RFP Bidder
  - -Signs representations, SMAs, can bind RFP Bidder
- Representative of the RFP Bidder
  - -Point of Contact
- Certifications that Part 1 Proposal is accurate and will remain valid until 6 days after Bid Date
- § Returning Bidders
  - Confirm or Update Name, Officer, Representative
  - Certifications that Part 1 Proposal is accurate and will remain valid until 6 days after Bid Date





### **§** Financial Requirements

- Name of Entity on Whose Financial Standing the RFP Bidder Relies
- Financial Information for named entity
  - -10-Q
  - If 10-Q is unavailable, other quarterly, monthly, or bi-annual financial information with an attestation of the Chief Financial Officer
- Credit Ratings

-Note: printouts from rating agency web sites are optional

- § Returning Bidders
  - Confirm or update Credit Ratings
  - Provide 10-Q





### **§** Letters of Credit, Guaranty, and SMA

- Draft Letters of Credit
  - -Standard form of Pre-Bid LOC has not changed since the Fall 2009 RFP
    - Except to update expiration date
  - This is the opportunity for new and returning bidders to propose modifications to the LOCs
  - -Responses to Pre-Bid LOC within 2 business days
    - Submit early to get an early response
  - -All approved modifications posted to Web site
    - Check list before proposing modifications
- Information Needed to Prepare the SMA & Guaranty
  - —The IE uses information from the Part 1 Form to populate all relevant fields in the SMA and Guaranty
    - Elect optional modifications to Guaranty here
  - -IE then sends personalized SMA & Guaranty to each RFP Bidder



### The Only Change to the Pre-Bid LOC



1. We, \_\_\_\_\_(the "Issuing Bank"), hereby establish this Irrevocable Standby Letter of Credit (this "Letter of Credit") in your favor in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand at our counters at \_\_\_\_\_\_[designate Issuing Bank's location for presentments] and expiring at 5:00 PM (New York, NY time) on \_\_\_\_\_\_[no earlier than October 6, 2009-June 8, 2010] (the "Expiration Date"), unless terminated earlier in accordance with the provisions of Paragraph 9 hereof.





- § Current Default Suppliers
  - Do not need to complete info for SMA

*Third Item*: Information Needed to Prepare the Default Service Program Supply Master Agreement and its <u>Exhibits</u>

Are you a Default Supplier with PECO (i.e., you have a current and fully executed Default Service Program Supply Master Agreement with PECO for Bids approved by the Commission in a previous solicitation)?

<u>If yes</u>, please proceed to the next item below in this section, "Certification on Pending Legal Proceedings". <u>If no</u>, please continue filling in information for this item on the Default Service Program Supply Master Agreement.

### § All Bidders (New and Returning)

- Complete info for Guaranty if using a Guarantor
- Confirm info for SMA, or update and elect optional modifications

Is the information, as provided in the Initial Status Notification, needed to prepare the Default Service SMA and all exhibits, including the last elections of the RFP Bidder, up-to-date and accurate? yes no If yes, please proceed to the next item below in this section, "Certification on Pending Legal Proceedings". If no, please make all necessary corrections below.

**PECO**.



- § Optional Modifications to Guaranty
  - For example:

#### (Optional Change #3) Paragraph 1:

1. The Guarantor, as primary obligor and not merely as surety, hereby irrevocably and unconditionally guarantees the full and prompt payment when due (whether by acceleration or otherwise) of any sums due and payable by the Seller as a result of an Event of Default under the Agreement(s) (including, without limitation, indemnities, damages, fees and interest thereon, pursuant to the terms of the Agreement(s)). [Notwithstanding anything to the contrary herein, the maximum aggregate liability of the Guarantor under this Guaranty shall in no event exceed \$\_\_\_\_\_, less the value other liquid securities posted by the Seller under the Agreement(s).] All such principal, interest, obligations and liabilities, collectively, are the "Guaranteed Obligations". This Guaranty is a guarantee of payment and not of collection. For the avoidance of doubt, this Guaranty guarantees only payment obligations of Seller and does not guarantee physical delivery or, to the extent applicable, reporting obligations of Seller.

Do you want to adopt optional change #3?

\_\_\_\_ yes

no





### § Regulatory Representations

- "FERC authorization to make sales of energy [and capacity and ancillary services] at market-based rates in PJM"
- Full Requirements only: "By the time service begins, a Default Supplier must be a Load Serving Entity ("LSE") in PJM and must be a signatory of the Reliability Assurance Agreement ("RAA")."
- Block Energy only: "The RFP Bidder (i) is a member in good standing of PJM; and (ii) is qualified as a PJM "Market Buyer" and "Market Seller" pursuant to the PJM Agreements."

### § Returning Bidders

- All RFP Bidders (new and returning) must make first certification unless they are current Block Energy [Default] Suppliers
- Other certifications not required of returning bidders





### **§** Additional Representations

- Bidding independently
- Acceptance of the SMA
- Acceptance of terms of RFP
- § Returning Bidders
  - Not required if Officer is the same as in the Initial Status Notification





### **§** Section 6: Bidders under Agency Agreements

- Only necessary if bidding under an Agency Agreement
- New Bidders must submit Agency Agreement documentation
  - Option to submit draft Officers' Certificate that will be required with part 2 Proposal
  - IE will review and determine acceptability of OC; submit at Part 1 stage to ensure compliance at Part 2 stage and avoid a deficiency notice
- Returning Bidders
  - -Officer must re-certify authority to bind RFP Bidder
  - -may confirm previously submitted documentation is current

### **§** Section 7: Foreign Entities

- Optional for returning bidders
- Only time to submit draft documentation for IE review prior to Part 2
  - -Legal Opinion that SMA is binding, Secretary's Certificates of Authority
  - -Ensure compliance and avoid a deficiency notice





### **§** Justification of Omissions

- If you cannot provide any of the requirements, explain here
- 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.



### Guide to the Part 1 Form: Credit Assessment



### § IE and PECO

- Determine unsecured credit for Supplier (or Guarantor) under the terms of the SMA
- Use financials submitted in the Part 1 Proposal
- § IE communicates assessment with the Part 1 Notification



### Guide to the Part 1 Form: Submission & Processing



#### **Step 1: IE receives Part 1 Proposal**

- Proposal materials must be sent in hard copy
  - Some documents may be submitted on CD
  - Email and fax are NOT acceptable

#### **Step 2: IE evaluates proposal for completeness and compliance with rules**

- IE sends notification to bidder by fax before 6pm on day of receipt
  - Complete notice: all required information and documentation received, no further action necessary
  - Deficiency notice: details missing information and how to remedy

#### **§** Step 3: Cure Deficiencies

- Must cure by:
  - noon on the Part 1 Date, or
  - 6:00 PM on the business day after the Deficiency Notice is faxed
  - Whichever comes later
- Failure to remedy deficiency by deadline
  - Part 1 Proposal may be rejected

#### **§** Step 4: Notification of Qualification

 An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal on Friday, May 7, 2010 (Part 1 Notification Date)

### Guide to the Part 1 Form: Timeline



### § April 27 to May 4

Part 1 Proposal Window

### § May 4

- Last day of the Part 1 Window is the Part 1 Date

### § May 7

Part 1 Notification Date

### § May 11 to 18

- Part 2 Proposal Window

### Part 1 Proposal: Notification



- § An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal on Friday, May 7, 2010
- **§ CD with the Part 1 Notification** contains:
  - Customized Bid Form, and instructions for bid submission
    - Bidders must use the Bid form spreadsheet provided on the CD to submit Bids
  - Customized SMA
    - Bidders must print out the SMA from the CD, sign it, and submit two originals with the Part 2 Proposal
  - Customized Guaranty (if applicable)
    - Bidders using Guarantors must print out the Guaranty from the CD, sign it, and submit two
      originals with the Part 2 Proposal
  - Confidential Information
    - Login information to practice using secure file transfer system during training
    - Login information necessary to submit Bids on the Bid Date
- § Returning Bidders
  - Current suppliers will not have to re-submit signed SMAs
  - Returning bidders who have not previously won do have to submit SMAs
  - All Bidders using a Guarantor, whether returning or not, must submit Guaranties
    - Must print out the guaranty as provided on the CD, sign two and submit with part 2







- § RFP Bidder submits Part 2 Proposal during the Part 2 Proposal Window: Tuesday, May 11, 2010 to Tuesday, May 18, 2010
- § Last day of the Part 2 Proposal Window is the Part 2 Date
- § One Part 2 Form for both new and returning bidders





### § Contact Information

- Confirm or update (all bidders, returning and new)

#### Name and Address of the RFP Bidder

The Independent Evaluator sent you a Record of Contact Information along with your Part 1 Notification. This Record of Contact Information contains the contact information that we have on record for you from the Part 1 Proposal.

Is the information in the Record of Contact Information correct?

yes 📃 no

If yes, please proceed to the Representations on page 7 of this form.

If no, please make any corrections in the space provided below.

### § Representations

All Bidders (returning and new) must make listed Officer's certifications





- **§** Pre-Bid Letter of Credit
  - All Bidders must submit Pre-Bid LOC for each RFP in which they participate
  - Full Requirements:
    - -\$250,000/tranche bid
      - Maximum Full Requirements Pre-Bid LOC Amount: \$12.75M
  - Block Energy:
    - -\$3,000 per 2-month block bid
    - -\$20,000 per 12-month block bid
    - -\$30,000 per 24-month block bid
    - -\$50,000 per 60-month block bid
      - Maximum Block Energy Pre-Bid LOC Amount: \$332,000
- § Must use standard form standard form incorporating only approved modifications





- **§** Supply Master Agreement
  - Current suppliers do not need to complete this sub-section
  - All others, returning and new:
    - -2 signed originals of SMA with all exhibits
    - -Officer designated in Part 1 must sign

### § Guaranty

- Only applicable if relying on Guarantor
- All Bidders- suppliers, returning bidders, new bidders- must provide the guaranty for each RFP in which they participate
  - If a winner already has a guaranty in effect, the new guaranty will supersede previous guaranty, which will be returned (3) days after execution of new Guaranty
- Bidders with approved Alternate Forms of Guaranty must also provide executed Enforceability Opinions



### Guide to the Part 2 Form: Section 3 (continued)



#### **§ Guaranty Amount**

- Full Requirements:
  - Equals or exceeds the sum of:
    - the Guaranty Amount of any current guaranty held by PECO under the Block Energy SMA or the Default Service SMA with the RFP Bidder; and
    - the total number of tranches bid (for all products) times \$600,000
  - Minimum: \$30.6M
- Block Energy:
  - Equals or exceeds the sum of:
    - the Guaranty Amount of any current guaranty held by PECO under the Block Energy SMA or the Default Service SMA with the RFP Bidder; and
    - \$8,000 per 2-month block bid; and
    - \$50,000 per 12-month block bid; and
    - \$75,000 per 24-month block bid; and
    - \$125,000 per 60-month block bid.
  - Minimum: \$832k



### Guide to the Part 2 Form: Sections 4 - 6



### **§** Section 4: Bidders under Agency Agreements

- Only necessary if bidding under an Agency Agreement
- Provide executed approved Officers' Certificate
  - -IE will review for acceptability to PECO
  - Bidders who submitted draft document with Part 1 will not risk deficiency

### **§** Section 5: Foreign Entities

- Only necessary if Bidder, Guarantor, or Principal is foreign
- Returning bidders may either confirm documents are current or submit revised documentation
  - -Legal Opinion that SMA is binding
  - -Secretary's Certificates of Authority

## § Section 6: Justification of Omissions

### Part 2 Proposal: Final Decision



- § RFP Bidder who is qualified pursuant to its Part 1 Proposal and who submits a successful Part 2 Proposal may submit Bids
- § Each RFP Bidder will be notified whether it has qualified to submit Bids
  - Notification occurs no later than 6:00 PM on Friday, May 21, 2010 (Part 2 Notification Date)



### What is a Bid?



### § A bid is a price in \$/MWh

- For a tranche of a product (full requirements)
- For a 10MW block (block energy)

### § The bid

- Is automatically rounded to the nearest cent
- Is binding until 6 business days after the Bid Date
- Must be supported by sufficient security



### **Bid Submission Process**



§ Bid submitted electronically using secure file transfer (backup: fax)

- CD with the Part 1 Notification contains customized Bid Form and instructions for bid submission
- Training session: bidders practice bid submission on Thursday, May 13, 2010

§ Bids are due by 12 PM noon on Monday, May 24, 2010 (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 winning bids, and informs RFP Bidders
- Final report to PaPUC by 10:00 AM on the day after the Bid Date



### **Bid Evaluation Criteria**



### § A single bidder cannot bid or supply more than 65% of the load of each Class

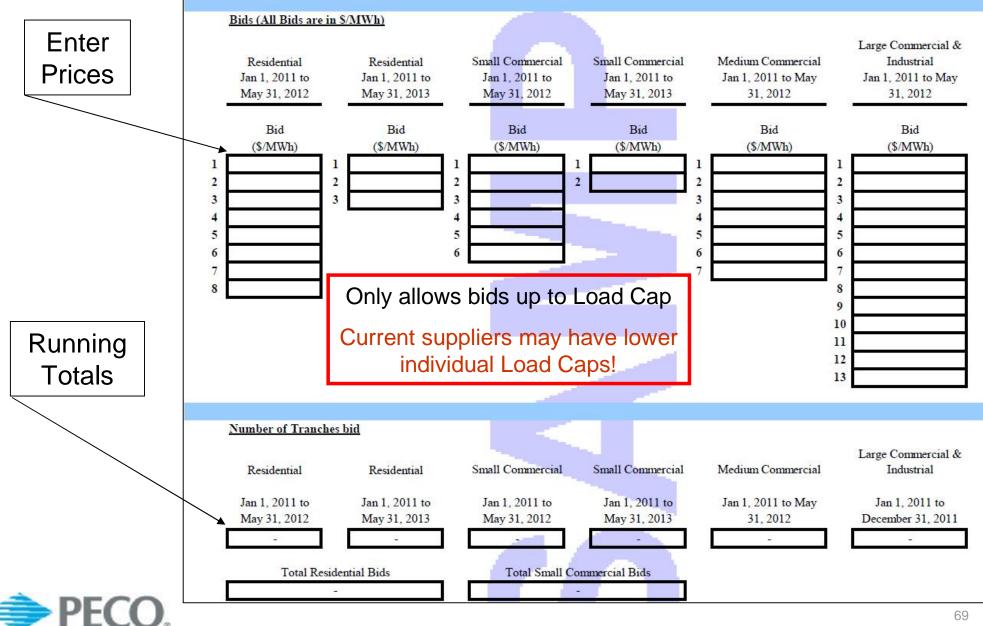
### § Bids are evaluated on a price-only basis

 Bids for each product will be ranked from lowest to highest price until all Bids are ranked

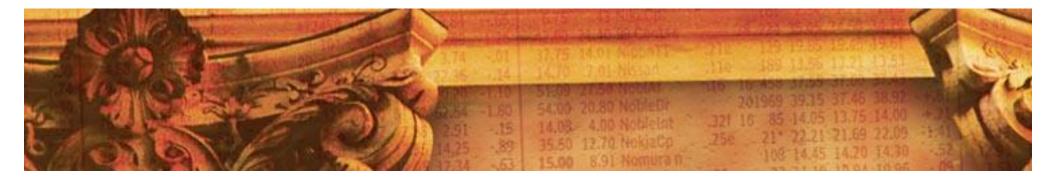


### **Bid Form**









### **Post-RFP Process**

### PUC Approval and Transaction Confirmation



- § Wednesday, May 26 is the PUC Decision. IE provides information to PECO for transaction confirmations
- § Thursday, May 27. IE releases Pre-Bid Letters of Credit for losing RFP Bidders. PECO signs SMA, acknowledges guaranty
- § Friday, May 28. PECO signs transaction confirmations, faxes to Supplier, overnights transaction confirmations and SMA

§ Tuesday, June 1. Supplier faxes transaction confirmations to PECO by 2pm, overnights percentation confirmations to PECO, posts

# Information Released to Public



### **§ Full Requirements**

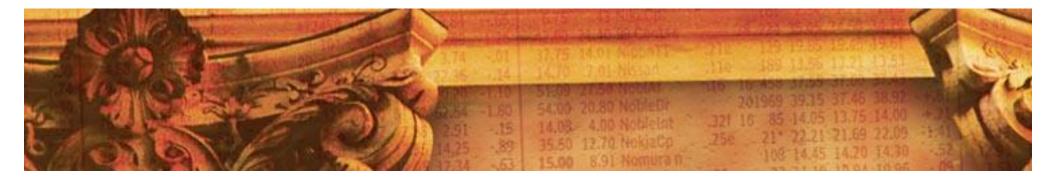
- Average winning bid price for each Class
- Rate impact for each Class
- The number of RFP Bidders that qualified to submit bids
- The number of RFP Bidders that won tranches
- The number of tranches of each product that were filled

### **§ Block Products**

- Average winning bid price for baseload and peak blocks
- Number of RFP Bidders that qualified to submit bids
- Number of blocks of each product that were filled
- § Information is released 30 days after the last solicitation, or 21 days before the supply period starts, whichever comes first







## The RFP Web Site

## Central Source for RFP Information



### www.pecoprocurement.com

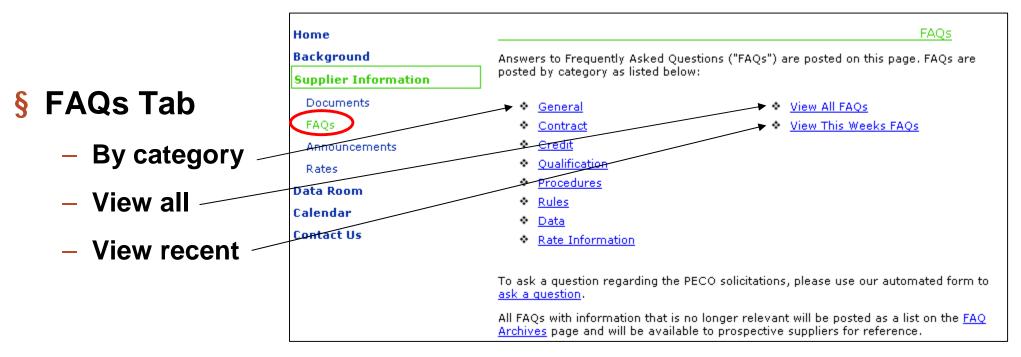
- **§** Supplier and Regulatory documents
- § Historic Data (2006-Present)
- **§** Answers to submitted questions
- § Announcements and schedule
- **§** Registration, RSVP, and FAQ submission
- **§** Future solicitation schedule
- **§** Archive of postings from past solicitations





#### Home Documents **Documents Tab** Background RFP rules, credit documents, contracts, forms and information session materials are posted below. Supplier Information Documents Acceptable Modifications to the Standard Letters of Credit (4/1/2010) – Acceptable LOC 🔹 Acceptable Modifications to the Standard Pre-Bid Letter of Credit 🛛 📆 FAOs **Modifications** 🐔 Acceptable Modifications to the Standard Performance Assurance Letter of Announcements Credit 📆 Rates Full Requirements RFP Documents - Spring 2010 (3/30/2010) Data Room Rules 🐔 Full Requirements RFP Rules 🛛 📆 Calendar Contact Us 🐔 Appendix 1 - Full Requirements Supply Master Agreement 🛛 📆 SMAs 🔹 Appendix 2 - Full Requirements Subsequent Solicitations 🛛 📆 🔹 Appendix 3 - Full Requirements Load Cap Examples 🛛 📆 Appendices 🔹 Appendix 4 - Guaranty Process Document 🛛 📆 🔹 Appendix 5 - Full Requirements Standard Part 1 Form 🛛 🕅 Guaranty 🔹 Appendix 6 - Full Requirements Short Part 1 Form 🛛 🕅 🔹 Appendix 7 - Full Requirements Part 2 Form 🛛 🕅 🔹 Appendix 8 - Full Requirements Sample Bid Form 🛛 📆 Appendix 9 - Full Requirements CFO Attestation Appendix 10 - Full Requirements Officer's Certificate Appendix 11 - Full Requirements Pre-Bid Letter of Credit **W** ] 🔹 Appendix 12 - Full Requirements Confidentiality Statement 🛛 📆 Exhibit C - Full Requirements Performance Assurance Letter of Credit w Block Energy RFP Documents - Spring 2010 (3/30/2010) 🐔 Block Energy RFP Rules 🛛 📆 🔹 Appendix 1 - Block Energy Supply Master Agreement 🛛 📆 🔹 Appendix 2 - Block Energy Subsequent Solicitations 🛛 📆 🔹 Appendix 3 - Block Energy Load Cap Examples 🛛 📆





#### \* FAQ-210:

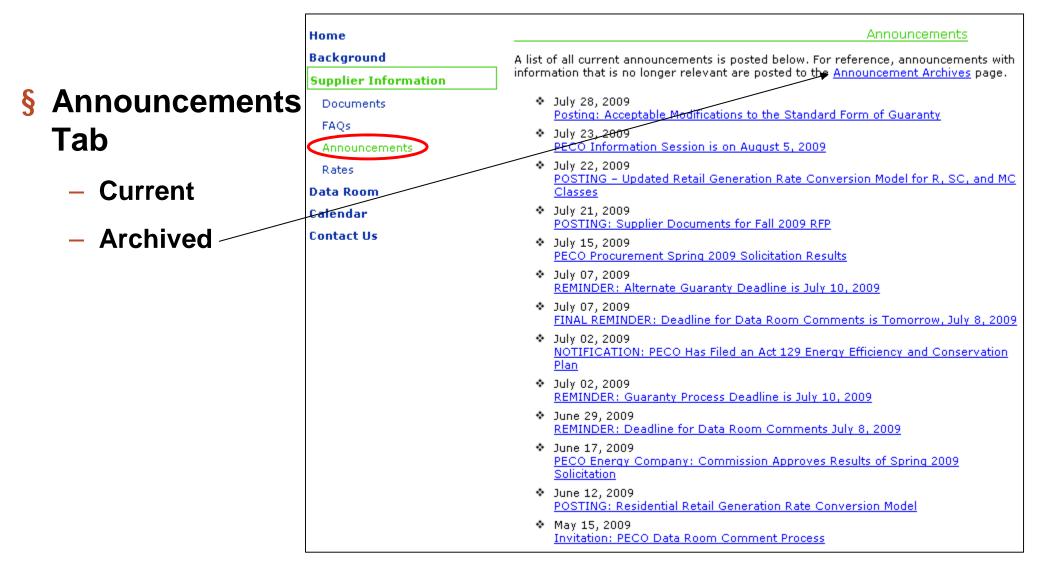
#### What is the Expiration Date of the Pre-Bid Letter of Credit?

The Expiration Date of Pre-Bid Letter of Credit is no earlier than eleven (11) business days after the Bid Date, as stated in Paragraph 1 of the Standard Pre-Bid Letter of Credit.

03/09/2010 in <u>Credit</u> , <u>Qualification</u>

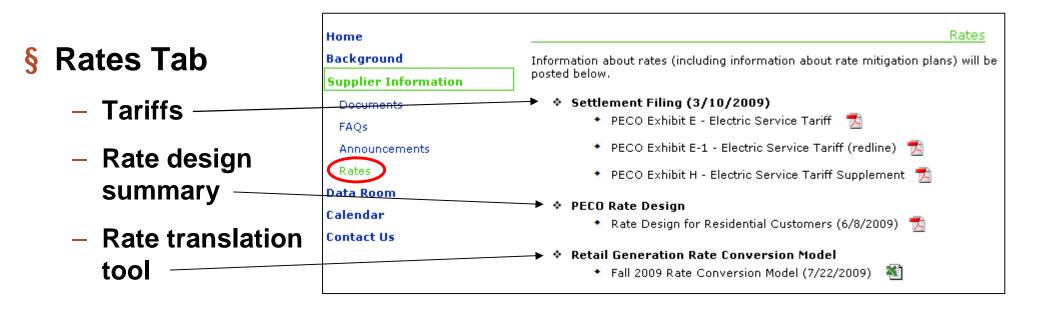








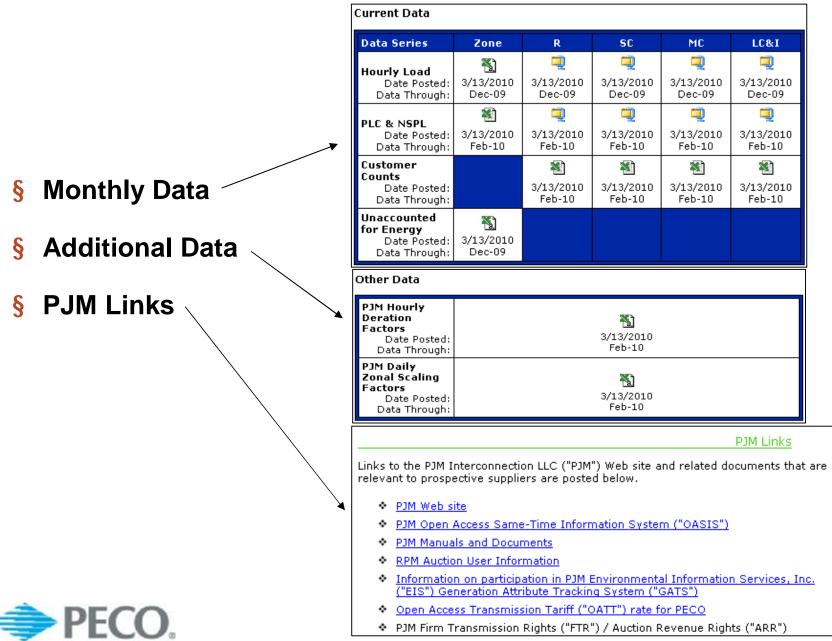






## Data Room





## Calendar



Home	Timeline for the Current Solicitation				
Background Supplier Information	The schedule for the current full requirements and block energy Requests for Proposal ("RFPs") is posted below:				
Data Room	Activity	Date			
Calendar	Spring 2010 Solicitation				
Current	Prospective suppliers participate in the Guaranty Process	Friday, March 05, 2010			
All	Approved modifications to Form of Guaranty posted	Wednesday, March 24, 2010			
Contact Us	Decision on alternate guaranty forms	Friday, March 26, 2010			
	Bidder Info Session	Monday, April 12, 2010			
	Part 1 Proposal Window Opens	Tuesday, April 27, 2010			
	Part 1 Date (Part 1 Proposal Window Closes)	Tuesday, May 04, 2010			
	Part 1 Notification Date	Friday, May 07, 2010			
	Part 2 Proposal Window Opens	Tuesday, May 11, 2010			
	Bid Submission Training	Thursday May 13, 2010			
	Part 2 Date (Part 2 Proposal Window Closes)	Tuesday, May 18, 2010			
	Part 2 Notification Date	Friday, May 21, 2010			
	Bid Date (Bids are Due) Monday, May 24, 2010				
	IE provides its report to the PUC Tuesday, May 25, 2010				
	PUC Decision (close of business)	Wednesday, May 26, 2010			
	If Bids are approved by the PUC:				
	PECO executes the Default Service SMA and the Block Energy SMA	Within three business days of the Bid Date			
	PECO sends Transaction Confirmations by overnight delivery service	By noon of the third business day after the Bid Date			
	Default Service Supplier meets the creditworthiness requirements and executes all Transaction Confirmation(s)	By 2:00 PM on the fourth business day after the Bid Date			
Home	Timeline for All Solicitations				
Background	Schedules for all upcoming PECO solicitations are posted below:				
Supplier Information		-			
Data Room	PECO Procurement - Tentative Schedule of Subsequent Solicitations				
Calendar					

#### - Current

Future
 Solicitations



Current

Contact Us

All

## **Archives**



Documents,
 FAQs,
 Announcements
 from previous
 solicitations

Home	Archives			
Background	For reference purposes, this page will provide an archive for announcements and FAQs			
Regulatory Process	with information that is no longer relevant to the current solicitation. Final documents (RFP rules, forms, credit documents, contracts and information session materials) from past solicitations will also be posted to this page. These archives can be accessed on the following pages:			
Previous Results				
Archives	the following pages:			
Supplier Information	<ul> <li>Announcement Archives</li> </ul>			
Data Room	<ul> <li>Spring 2009 Solicitation</li> <li>Fall 2009 Solicitation</li> </ul>			
Calendar	<ul> <li>FAQ Archives</li> </ul>			
Contact Us	<ul> <li>Spring 2009 Solicitation</li> </ul>			
	Fall 2009 Solicitation			
	Document Archives			
	<ul> <li>Spring 2009 Solicitation</li> </ul>			
	<ul> <li>Fall 2009 Solicitation</li> </ul>			



## 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

		LAAL	⇒PECO.			
PECO Procurement For Default Supply						
Home Background Supplier Information Data Room Calendar	To ask a question regarding the PECO solici below. To receive updates and information email, please use our automated form to re Name *:	regarding the PECO solicitations directly via	<u>Contact Us</u>			
Contact Us	Company *:					
Register Ask a Question Info Session RSVP Independent Evaluator Contact Info	Email Address *: Question/Comment *: Submit	20 20				



## **Address for Submissions**



**§** 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







## **Questions?**

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