



NERA
Economic Consulting

PECO Energy Company Bidder Information Session



PECO Procurement Process Spring 2012

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How Markets WorkSM

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 Block Energy RFP
 - The Block Energy Supply Master Agreement
 - 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
www.pecoprocurement.com**

Role of NERA as the Independent Evaluator

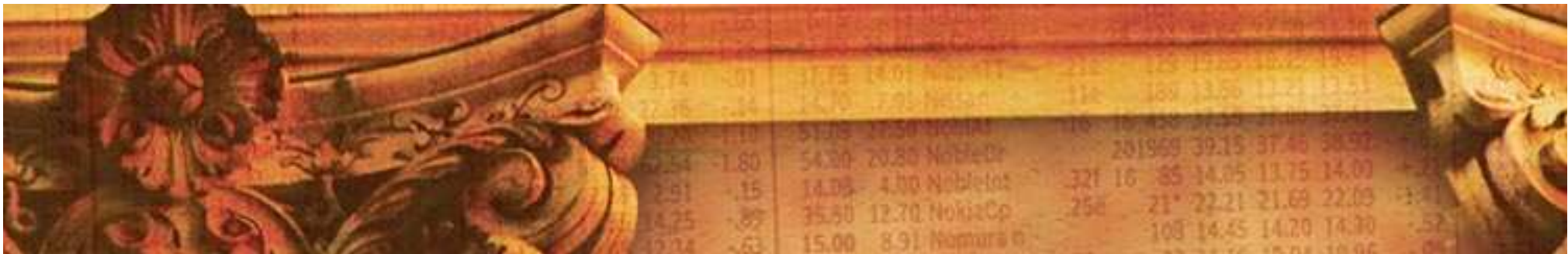


- To ensure a transparent process for the solicitation, PECO Energy Company has hired **NERA to be the third-party Independent Evaluator for the solicitations**
- **NERA's Role is:**
 - To be the main point of contact with Bidders
 - To ensure the RFP Process and Rules, as approved by the PUC, are followed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

Agenda



- **Background and Overview**
- **Product Design**
- **Contract and Rates**
- **Qualifications and the Bidding Process**
- **Post-RFP Process**
- **RFP Web Site**
- **Questions**



Background and Overview

The RFPs Are Conducted Under an Approved Plan



- The PUC **approved PECO's plan** on April 16, 2009
- The procurement plan details how PECO purchases supply to serve its Default Service customers now that generation rate caps have expired (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 now that rate caps have expired

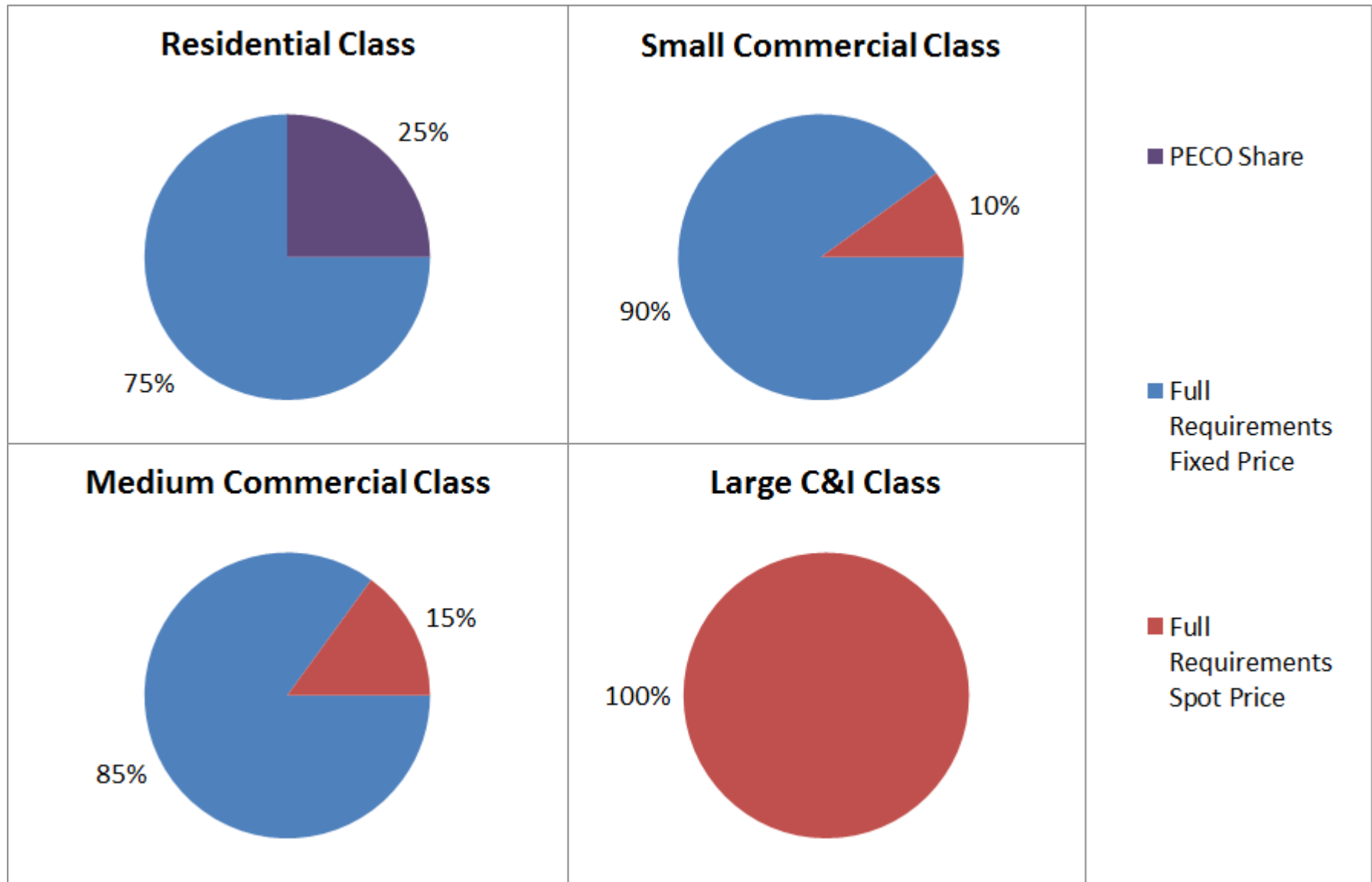
Procurement Classes



- A “Procurement Class” is a grouping of customers on PECO’s existing rate schedules

Class	Description	Criteria
R	Residential	All Residential Customers
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



Block Energy: Peak and Baseload Blocks



■ This Solicitation is Block Energy Only

- Blocks are used to serve 20% of Residential class load (80% of the PECO share)

■ Baseload Blocks

- 12-month Baseload product: B-12-Jan2013
 - January – December 2013 **NEW!**
- 24-month Baseload product: B-24-Jan2013
 - January 2013 – December 2014 **NEW!**

■ Peak Blocks

- 3-month Summer Peak product: P-3-Jun2012
 - June – August 2012
- 3-month Winter Peak product: P-3-Dec2012
 - December 2012 – February 2013 **NEW!**

■ No Full Requirements RFP in Spring 2012

Number of Blocks Available






- Number of block subject to an adjustment mechanism based Default Service Load of the Residential Class: **the number of blocks procured in Spring 2012 has been reduced**
- Fall 2012 quantities are projections only, and subject to the same resizing method that must take place before each solicitation**

Product	Supply Period	Spring 2012	Fall 2012
Baseload	January 2011 – December 2011		
Baseload	January 2011 – December 2012		
Baseload	January 2011 – December 2015		
Winter Peak	January 2011 – February 2011		
Summer Peak	June 2011 – August 2011		
Winter Peak	December 2011 – February 2012		
Baseload	January 2012 – December 2012		
Summer Peak	June 2012 - August 2012	40MW	
Winter Peak	December 2012 – February 2013	30MW	30MW
Baseload	January 2013 – December 2013	60MW	60MW
Baseload	January 2013 – December 2014	30MW	40MW

- Summer peak blocks procured in Fall and Spring before delivery, while winter peak blocks procured in Spring and Fall before delivery

Results of the First Seven Solicitations Available on Web Site



PECO Procurement For Default Supply

[Home](#)

[Background](#)

[Regulatory Process](#)

[Previous Results](#)

[Archives](#)

[Supplier Information](#)



















[Data Room](#)

[Calendar](#)

[Contact Us](#)

[Previous Results](#)

Results of the PECO solicitations that have already been completed will be posted below.

- ❖ **Winter 2012 Solicitation**
 - Winter 2012 Solicitation Results Release 
 - Winter 2012 Solicitation Results Release (Exhibit G) 
 - Winter 2012 Solicitation Approval Secretarial Letter 
- ❖ **Fall 2011 Solicitation**
 - Fall 2011 Solicitation Results Release 
 - Fall 2011 Solicitation Approval Secretarial Letter (9/21/2011) 
- ❖ **Spring 2011 Solicitation**
 - Spring 2011 Solicitation Results Release 
 - Spring 2011 Solicitation Approval Secretarial Letter (5/4/2011) 
- ❖ **Fall 2010 Solicitation**
 - Results: September 2010 Solicitation 
 - Fall 2010 Rate Impact Results Announcement 
 - Fall 2010 Solicitation Approval Secretarial Letter (9/22/2010) 
- ❖ **Spring 2010 Solicitation**
 - Results: May 2010 Solicitation 
 - Spring 2010 Rate Impact Results Announcement 
 - Spring 2010 Solicitation Approval Secretarial Letter (5/26/2010) 
- ❖ **Fall 2009 Solicitation**
 - Results: September 2009 Solicitation 
 - Fall 2009 Rate Impact Results Announcement 
 - Fall 2009 Solicitation Approval Secretarial Letter (9/23/2009) 
- ❖ **Spring 2009 Solicitation**
 - Results: June 2009 Solicitation 
 - Spring 2009 Solicitation Approval Secretarial Letter (6/17/2009) 

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
- The IE will release certain results information within 15 days of the close of the solicitation

PA Act 129



- PECO filed its plans for **energy efficiency, conservation and smart metering**

http://www.puc.state.pa.us/electric/Act_129_info.aspx

- Energy Efficiency and Conservation (EE&C) Plans - **Docket No. M-2009-2093215**
- Smart Meter Technology Procurement and Installation - **Docket No. M-2009-2123944**
- The **goals of the energy efficiency plan** 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



Product Design

Block Energy Components



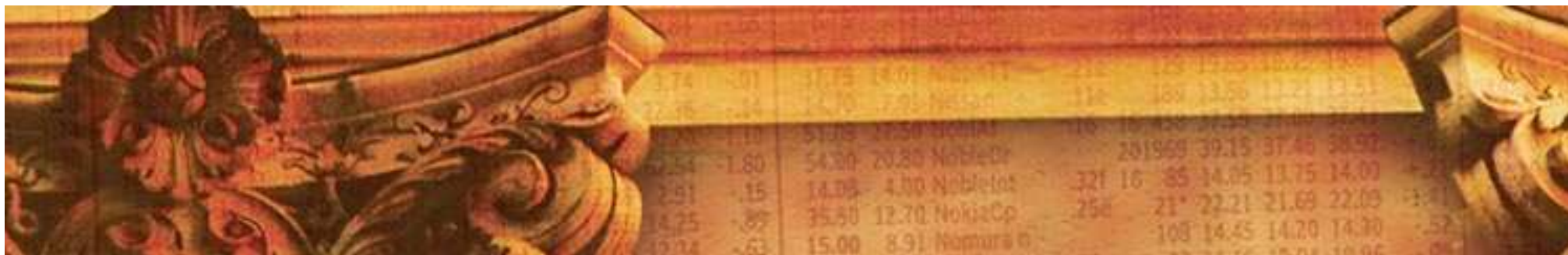
- **Blocks of around-the-clock energy (Baseload Blocks) as well as blocks of energy for peak hours (Peak Blocks)**
- **This solicitation procures**
 - Baseload (7x24) for a 12-month period starting January 1, 2013
 - Baseload (7x24) for a 24-month period starting January 1, 2013
 - Peak (5x16) for a 3-month summer period (June 2012 through August 2012)
 - Peak (5x16) for a 3-month winter period (December 2012 through February 2013)

Load Caps for the Block Energy RFP



- RFP Bidders that are Block Energy Suppliers will have bidder-specific load caps for the Block Energy RFP
 - Blocks won in previous solicitations, some of which are not available in this solicitation, count toward load caps

- For the Block Energy RFP, there are five bid constraints:
 - No more than 24 blocks of B-24-Jan2011, B-60-Jan2011, P-3-Jun2012, and B-12-Jan2012 combined
 - No more than 19 blocks of B-24-Jan2011, B-60-Jan2011, B-12-Jan2012, and P-3-Dec2012 combined
 - No more than 11 blocks of B-60-Jan2011, P-3-Dec2012, B-12-Jan2013, and B-24-Jan2013 combined
 - No more than 9 blocks of B-60-Jan2011, B-12-Jan2013, and B-24-Jan2013 combined
 - No more than 5 blocks of B-60-Jan2011 and B-24-Jan2013 combined



Contract and Rates

Full Requirements and Block Energy Supply Master Agreements (SMAs)



- **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



- **Block Energy:**
 - 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

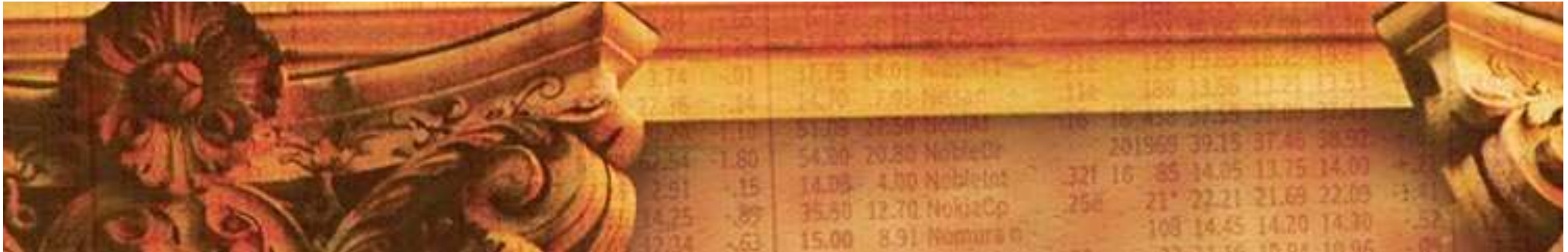


- **The Default Service rates of R customers determined on the basis of:**
 - prices determined through the Full Requirements RFP (fixed-price products)
 - prices determined through the Block Energy RFP, and
 - PECO’s additional purchases to serve the 25% “PECO share”

- **The rates of Default Service customers in the SC and MC Classes determined on the basis of the Full Requirements RFP:**
 - prices determined for fixed-price products
 - prices determined for spot-price products
 - 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)**

- **Price to Compare Calculator available on PECO website**
 - <https://www.peco.com/customerservice/ratesandpricing/energychoice/pages/pricetocompare.aspx>



Qualifications and the Bidding Process

Spring 2012 Procurement Schedule



M	T	W	Th	F
March 5	6	7	8 Bidder Info Session	9
12	13	14	15	16
19	20 Part 1 Window Opens	21	22	23
26	27 Part 1 Date	28	29	30 Part 1 Notification
April 2	3 Part 2 Window Opens	4	5 Bidder Training	6
9	10 Part 2 Date	11	12	13 Part 2 Notification
16 BIDS DUE	17 Final Report to PUC	18 PaPUC Decision	19	20

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 post-bid)

Returning Bidders

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

Existing Suppliers

- information for **creditworthiness assessment**
- **N/A**
- May submit **modifications to letters of credit** (pre-bid and post-bid)

Optional: Email Part 1 Form to Independent Evaluator for a courtesy review prior to submission (pecoprocurement@nera.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

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 that submitted successful Part 1 Proposals in a previous solicitation

PART 1 FORM

Short Form

Did you submit a successful Part 1 Proposal in a previous solicitation?

yes

no

If yes, please **CONTINUE** filling out this form, beginning with “Contact Information and Representations” below.

If no, **STOP**. 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**

Part 1 Form: Short Form and Long 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?

yes no

If yes, please proceed to the next item below in this section, “Officer of the RFP Bidder”.

If no, please make all necessary corrections below.

Part 1 Form: Credit Requirements



- **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 modifications 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

Both Part 1 and Part 2 Forms: Justification of Omissions



■ 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.

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**

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
- **Step 2: IE evaluates proposal for completeness and compliance with rules**
 - IE sends notification to bidder by fax before 6pm on day of receipt
 - 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, March 30, 2012** (the Part 1 Notification Date)

Part 1 Proposal: Notification



- **An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal on **Friday, March 30, 2012****
- **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 that 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

Part 2 Proposal



- RFP Bidder submits Part 2 Proposal during the Part 2 Proposal Window: **Tuesday, April 3, 2012** to **Tuesday, April 10, 2012**
- Last day of the Part 2 Proposal Window is the **Part 2 Date**
- **One Part 2 Form for both new and returning bidders**

Part 2 Form: Credit Requirements



- **Pre-Bid Letter of Credit**
 - All Bidders must submit a single Pre-Bid LOC
 - \$4,000 per block bid of a Peak Product
 - \$20,000 per block bid of a 12-month Baseload Product
 - \$30,000 per block bid of a 24-month Baseload Product

- **Must use standard form, or standard form incorporating **only approved modifications****

Part 2 Form: Contract and Guaranty Requirements



■ 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

Part 2 Form: Guaranty Amount



■ Guaranty Amount

- 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
 - \$10,000 per peak block bid; and
 - \$50,000 per 12-month baseload block bid; and
 - \$75,000 per 24-month baseload block bid.

Part 2 Proposal: Final Decision



- RFP Bidder that is qualified pursuant to its Part 1 Proposal and that 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, April 13, 2012** (the Part 2 Notification Date)

What is a Bid?



- **A bid is a price in \$/MWh**
 - For a 10MW block
- **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, April 5, 2012**
- **Bids are due by 12 PM noon on Monday, April 16, 2012 (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 blocks for the R Class at any given time
- 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



Bids

- A 'Bid' is a price in \$/MWh for one block of a given product.
- A 'Bid' is rounded to the nearest cent.
- An RFP Bidder may submit different Bids for different blocks of a given product.
- Bids should be entered from top to bottom, without skipping rows.

Enter Prices

Running Totals

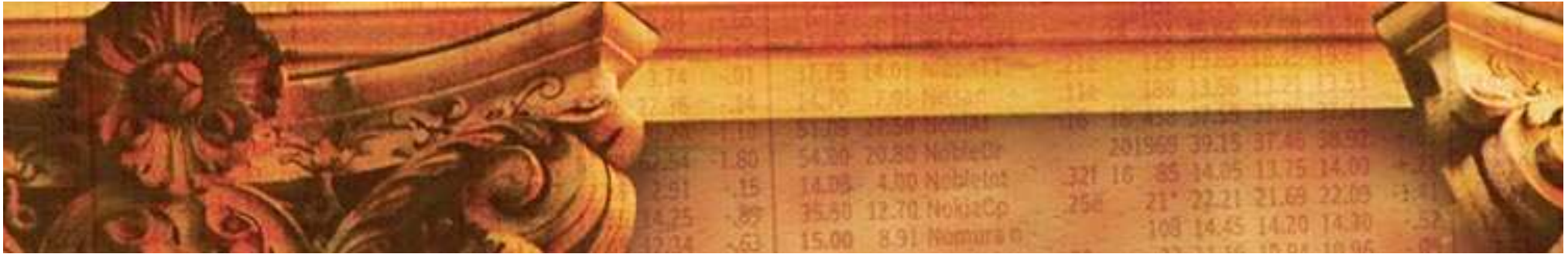
Bids (All Bids are in \$/MWh)

P-3-Jun2012		P-3-Dec2012		B-12-Jan2013		B-24-Jan2013	
Bid (\$/MWh)		Bid (\$/MWh)		Bid (\$/MWh)		Bid (\$/MWh)	
1		1		1		1	
2		2		2		2	
3		3		3		3	
4				4			
				5			
				6			

Number of Blocks bid

P-3-Jun2012		P-3-Dec2012		B-12-Jan2013		B-24-Jan2013	
-		-		-		-	

Use running totals to keep track of load cap constraints



Post-RFP Process

PUC Approval and Transaction Confirmation

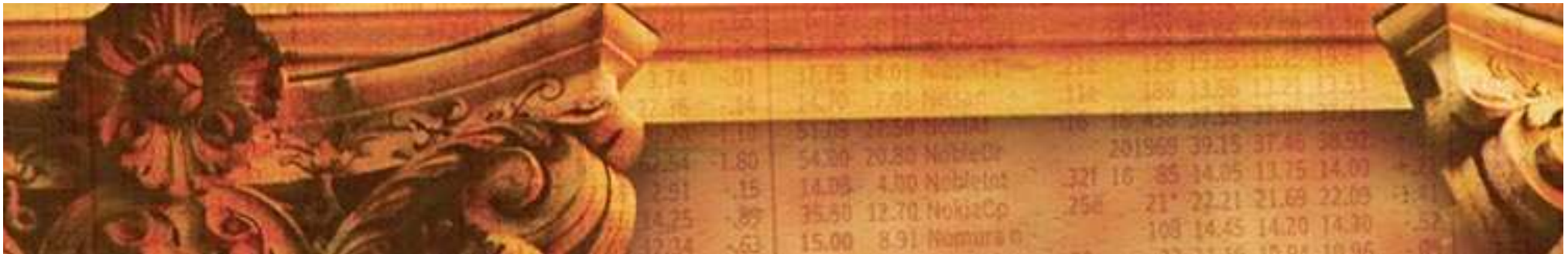


- **Wednesday, April 18, 2012 is the PUC Decision.** IE provides information to PECO for transaction confirmations
- **Thursday, April 19.** IE releases Pre-Bid Letters of Credit for losing RFP Bidders. PECO signs SMA, acknowledges guaranty
- **Friday, April 20.** PECO signs transaction confirmations, faxes to Supplier, overnights transaction confirmations and SMA
- **Monday, April 23.** Supplier faxes transaction confirmations to PECO **by 2pm**, overnights transaction confirmations to PECO, posts additional security if needed
- **Tuesday, April 24.** IE releases winning RFP 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 blocks 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**
- **Future solicitation schedule**
- **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 top banner features a light bulb on the left, a city skyline in the middle, and the PECO logo on the right. Below the banner is a navigation menu with links: 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 in the right sidebar.

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**

NERA

Economic Consulting

Questions?



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