

PPL Electric Utilities Corporation Default Service Procurement Plan

(PLAN OVERVIEW)



*Default Service
Procurement Plan
DSPP*

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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 documents and agreements
- ❖ The governing documents in this Solicitation are:
 - ❑ the June 30, 2009 Commission's Order approving the PPL Electric Utilities Corporation Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2013, Docket No. P-2008-2060309
 - ❑ the applicable RFP Rules
 - ❑ the applicable Supply Master Agreements
- ❖ Please see the RFP Web site (www.pplpolr.com) for complete documentation

Agenda

- ❖ Regulatory Background
- ❖ Overview of the RFP Process

Regulatory Background

Why Are We Here?

- ❖ In 1997, Pennsylvania deregulated the generation of electricity
 - ❑ PPL Electric rates were unbundled
 - ❑ PPL Electric rate caps for generation costs established through December 31, 2009
- ❖ In 2000, PPL Electric restructured and divested its generation as separate affiliates
- ❖ In 2001, PPL Electric entered into a long term contract with PPL EnergyPlus to supply the generation needs of PPL Electric's default service customers through the end of the rate caps on December 31, 2009
- ❖ Since 2001, the rate caps at Duquesne, Pike County, and Penn Power have ended. Other EDCs -- Allegheny Energy, FirstEnergy (Met-Ed and Penelec) and PECO -- have rate caps that end on December 31, 2010

The Competitive Bridge Plan

- ❖ In 2006, PPL Electric filed and the PUC approved the Competitive Bridge Plan to get in sync with other large EDCs to obtain supply for its default service customers in 2010
- ❖ The final solicitation concluded in October 2009

The Default Service Procurement Plan (DSPP)

- ❖ In 2008, PPL Electric filed the Default Service Procurement Plan to obtain supply for its default service customers for the period January 1, 2011 through May 31, 2013
- ❖ Plan was approved by the Commission on June 30, 2009
- ❖ A total of fourteen solicitations were planned

Petition to Amend AEC RFP Debt Rating Requirement

- ❖ During the October 2009 solicitation of the AEC RFP, Tier I Solar AECs were not filled following PUC review.
- ❖ A petition to eliminate the debt rating requirement as qualification criteria for the AEC RFP was filed and was approved by PUC on December 17, 2009
- ❖ See the AEPS Supplier Documents page on the PPL Electric RFP website (www.pplpolr.com) for a copy of the petition and PUC Order

PA Act 129

- ❖ Nov. 14, 2008 – Act 129 became effective
- ❖ Jul. 1, 2009 – PPL Electric filed its energy efficiency and conservation (EE&C) plan with the PUC
- ❖ Feb. 17, 2010 – PUC approved PPL Electric’s EE&C plan

| EDCs’ retail customers | By: | Minimum % Reduction |
|------------------------|--------------|---------------------|
| Consumption | May 31, 2011 | 1% |
| | May 31, 2013 | 3% |
| Demand | May 31, 2013 | 4.5% |

- ❖ For more information see www.pplact129.com

PPL's Rate Stabilization Plan

- ❖ Plan to allow all customers to pre-pay the price increase in 2010 associated with the CBP procurements
- ❖ Approved by the PUC on August 7, 2008
- ❖ Available to some residential and small commercial and industrial customers and street light customers
- ❖ Customers pay charges in 2008 and 2009
- ❖ Customers receive credits in 2010 and 2011
- ❖ Approximately 121,000 customers are participating in the plan

PPL's Rate Mitigation Plan

- ❖ Plan to allow all customers to defer price increases in 2010 above 25%
- ❖ Approved by the PUC on August 13, 2009
- ❖ Available to some residential and small commercial and industrial customers
- ❖ Customers receive credits in 2010 and, in some cases, in 2011
- ❖ Customers pay back all deferrals by the end of 2012

The Role of NERA

- ❖ To ensure a transparent process, PPL Electric has hired NERA to continue its role as independent third-party RFP Manager for the solicitations under the DSPP
- ❖ 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 qualifications are evaluated equitably and fairly
 - ❑ To ensure conforming Bids
 - ❑ To evaluate and determine the lowest-cost combination of Bids based solely on price
 - ❑ To present the results to the PUC

Overview of the RFD Process

Default Service

- ❖ A default service customer is a retail customer that does not purchase electric supply from an Electric Generation Supplier (EGS)
- ❖ As an Electric Distribution Company (or Default Service Provider), PPL Electric has the obligation to obtain supply for default service customers

Procurement Groups

- ❖ A “Customer Group” is a grouping of customers

| Group | Description | General Criteria |
|-------|---------------------------------|--------------------------------|
| R | Residential | All Residential Customers |
| SC&I | Small Commercial and Industrial | < 500 kW annual peak demand |
| LC&I | Large Commercial and Industrial | ≥ 500 kW annual peak demand |

- ❖ Section 1.1.3 of the Full Requirements RFP Rules provides full description of rate schedules within each customer group

3 RFPs, Multi-Solicitation Process

❖ 3 RFPs

- ❑ Full Requirements RFP for load-following, full requirements products

- ❑ Block Energy RFP for standard wholesale products

- ❑ AEC RFP for Alternative Energy Credits

❖ Fourteen solicitations between Aug. 2009 and Jan. 2013

- ❑ Bid Dates are provided in RFP Rules

- ❑ Schedule for Future Solicitations on Web site

Full Requirements Suppliers Serve Percent of Load

- ❖ Suppliers serve a percent of the Customer Group load:
 - ❑ on a fixed-price (\$/MWh) basis or
 - ❑ with energy priced to the PJM real-time spot market
- ❖ Full Requirements Service is Load Following
 - ❑ Includes energy, capacity, ancillary services, certain transmission services, and AEPS requirements
 - ❑ Supplier is responsible for all congestion costs as no ARRs will be allocated to suppliers
 - ❑ A Supplier for a Group supplies a fixed percentage (a tranche) of actual default service load for that Group during the supply period
- ❖ Loads are adjusted for losses to zonal aggregate load bus
- ❖ Customers are free to switch out of, and back to, default service with appropriate notice to PPL Electric

Payments to Suppliers for Full-Requirements Service

❖ **Payments to Suppliers depend on whether Full Requirements is**

❑ **Fixed Price Default Service (\$/MWh); or**

❑ **Spot Market Default Service**

- ➔ Energy priced at the PJM real-time spot market price
- ➔ Capacity priced at RPM (Final Zonal Capacity Price)
- ➔ Ancillary services, congestion costs, AEPS costs and supplier margin at fixed (\$/MWh) basis

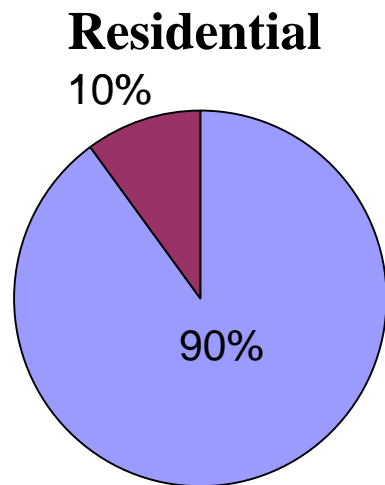
Full Requirements Load is Residual Load

- ❖ PPL Electric has long-term contract with the Allegheny Electric Cooperative for capacity and energy from NYPA
 - ❑ capacity and energy under this contract is uniformly allocated between the Residential, SC&I, and LC&I Groups
 - ❑ full requirements load for Residential, SC&I, and LC&I Groups will be reduced by capacity and energy obtained
 - ❑ contract and historical data available on RFP Web site
- ❖ **In addition:**
 - ❑ For Residential Group, full requirements load will be reduced by block energy supply of 300 MW and unit entitlement supply of up to 50 MW and associated capacity and ancillary services bought from PJM
 - ❑ For LC&I Group, full requirements load will be reduced by any optional monthly or quarterly product being developed

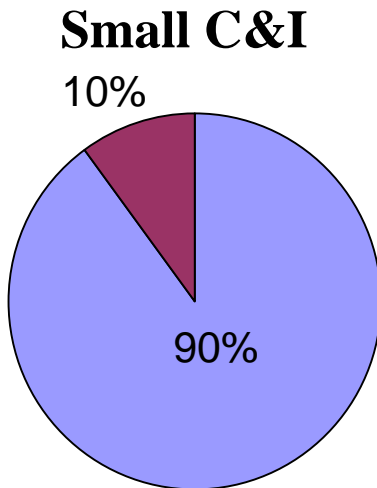
Residual Load for Each Group Supplied by Full Requirements

Full Requirements Load excludes:

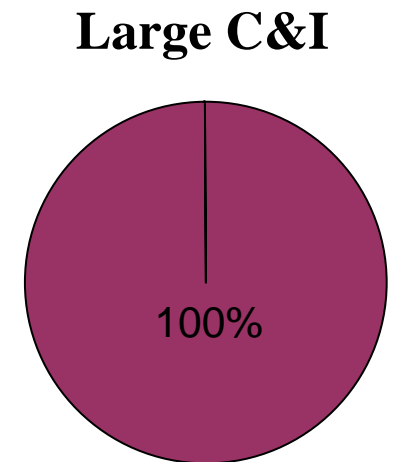
- load served by EGS (i.e., non default-service load)
- long-term supply from NYPA



■ Fixed Price (Full Req.)
■ Spot Market (Full Req.)



■ Fixed Price (Full Req.)
■ Spot Market (Full Req.)



■ Fixed Price (Full Req.)
■ Spot Market (Full Req.)

Also excludes:

optional monthly or quarterly fixed-price product being developed by collaborative

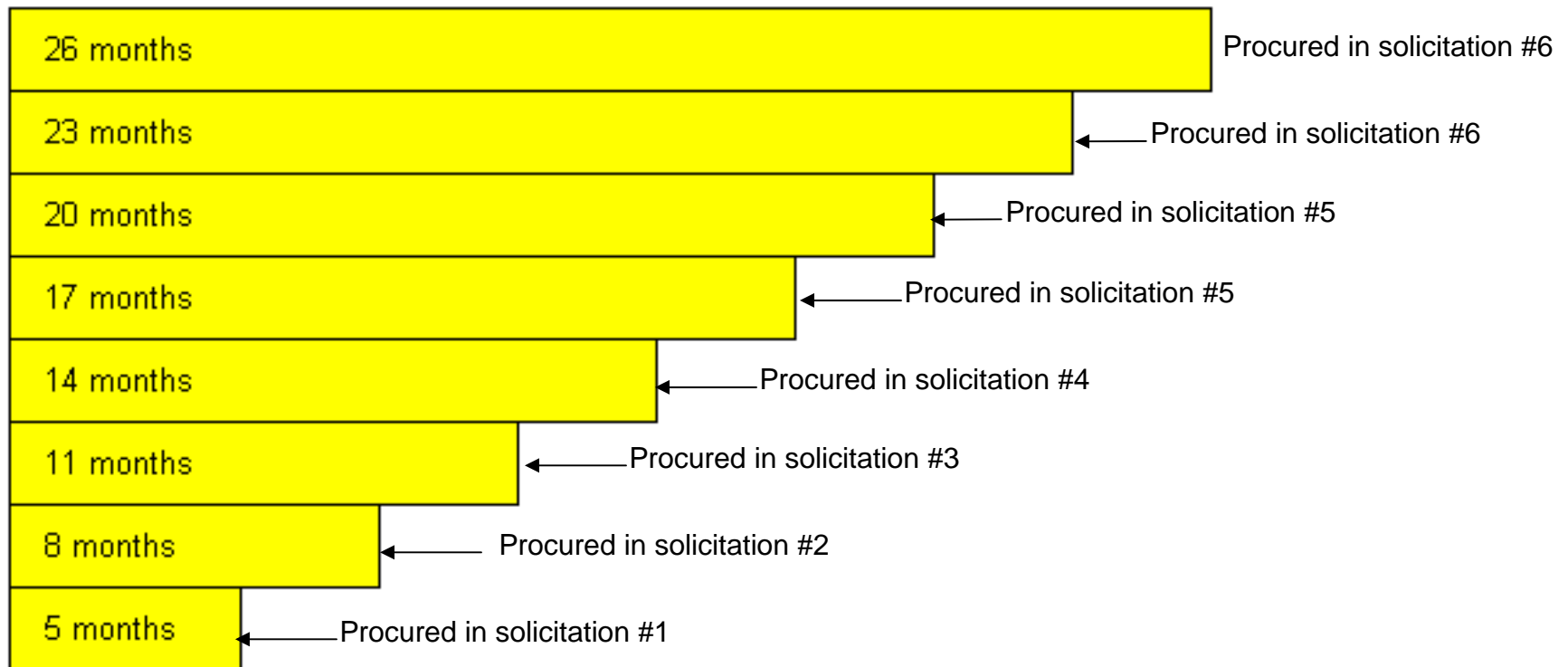
Also excludes

- 300 MW from **Block Energy RFP**
- up to 50 MW unit entitlement supply

Future Solicitations: Transitional Products

Start Date:
January 1, 2011
↓

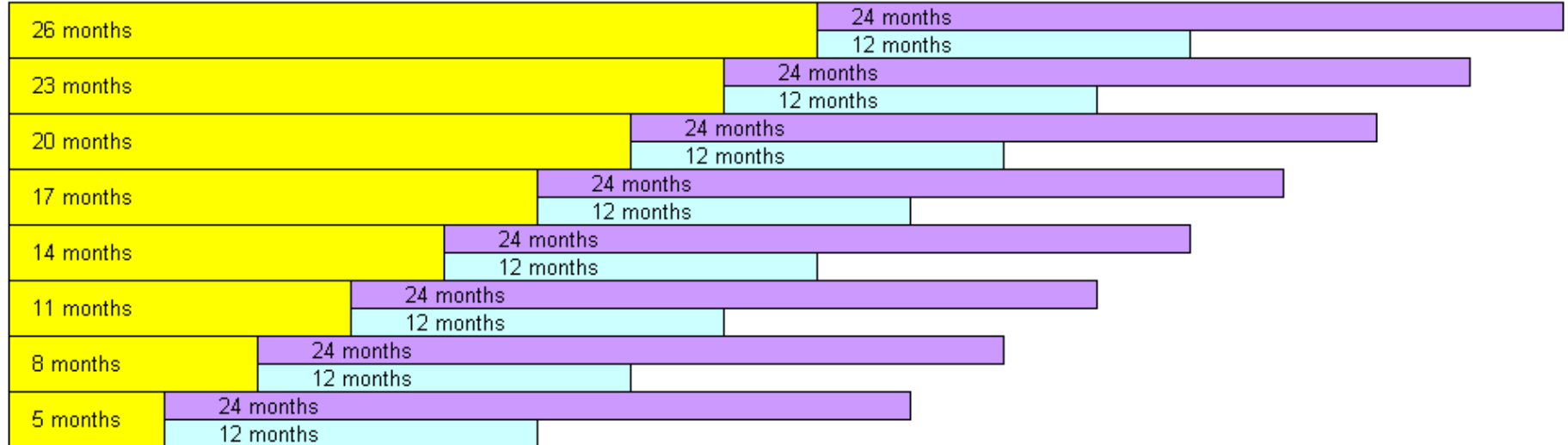
Transitional Products are **fixed price full requirements** products for the Residential and the Small C&I Group



Spot Market Products are procured in solicitation prior to supply period and are initially procured for 5-months and replaced by 12-months contracts

Future Solicitations: Steady State Products

Transitional Products are replaced by supply contracts of 12 months and 24 months for full requirements each quarter (“Steady-State Products”)

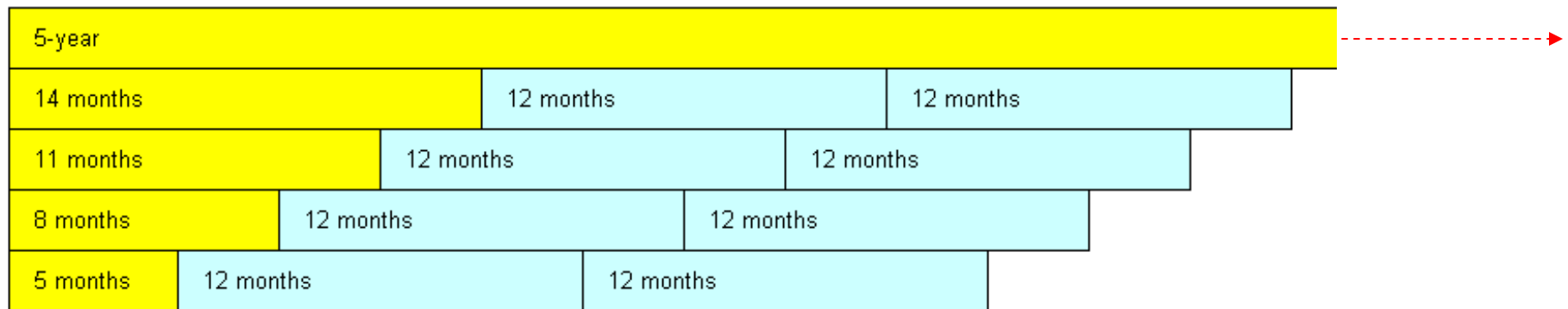


Bids due generally 6 weeks before delivery start date of steady state products

Block Energy: Product and Supply Periods

❖ Block Energy

- ❑ Supplier supplies a constant quantity of 24 x 7 energy delivered to the PPL Zone during supply period on fixed price (\$/MWh) basis
- ❑ Included in portfolio of Residential Group only
- ❖ Transitional products: 5-months: 2 x 25MW (solicitation 1); 8-months: 2 x 25 MW (solicitation 2); 11-months: 2 x 25 MW (solicitation 3); 14-months: 2 x 25 MW (solicitation 4)
- ❖ 5-Year Product: 4 x 25 MW (solicitations 5 & 6)



Transitional Products are replaced by supply contracts of 12 months each quarter (“Steady-State Products”).

AEPS Requirements and AEC Products

- ❖ **Full Requirements** Suppliers are responsible for providing AECs during the term of the Default Service SMA so PPL Electric can meet AEPS requirements
- ❖ **AEC Suppliers** are responsible for providing AECs during the term of the AEC SMA so PPL Electric can meet its AEPS requirements associated with the **Block Energy** purchases

| Compliance Period | Percent of Total Retail Electric Sales | | |
|---|--|------------------------------------|--------------|
| | Tier I Rqmt | Solar Rqmt (included in Tier I) | Tier II Rqmt |
| 1/1/11 – 5/31/11 | 3.00% | 0.0203% | 6.20% |
| 6/1/11 – 5/31/12 | 3.50% | 0.0325% | 6.20% |
| 6/1/12 – 5/31/13 | 4.00% | 0.0510% | 6.20% |
| 6/1/13 – 5/31/14 | 4.50% | 0.0840% | 6.20% |
| 6/1/14 – 5/31/15 | 5.00% | 0.1440% | 6.20% |
| 6/1/15 – 5/31/16 | 5.50% | 0.2500% | 8.20% |
| Any updates to AEPS Requirements will be announced at the start of each solicitation | | | |

AEC RFP - 3 Products

- ❖ Bidders may bid on each of the three products, namely: Tier I (non-solar), Tier I (Solar), and Tier II
- ❖ One AEC is equivalent to 1 MWh of energy generated from renewable resources defined in the AEPS Act
- ❖ Seller transfers AECs to PPL Electric's GATS account
- ❖ AEPS Act permits EDCs to bank AECs created in one reporting year for use in either or both of the two subsequent reporting periods:
 - For example, AECs for 5-month delivery period between January 1, 2011 and May 31, 2011 must be based on renewable energy generation between 6/1/2008 and 5/31/2011

Each Solicitation Is in Three Steps

Step 1: Bidder Qualification

- ❑ RFP Bidders must meet all qualification requirements, including a creditworthiness assessment

Step 2: Bid Assurance Collateral/SMA Due

- ❑ RFP Bidders submit supporting financial guarantees and signed standard contracts

Step 3: Bids Due

- ❑ Block Energy and AECs: 9 – 11 am
- ❑ Full Requirements: 12 – 2 pm

PUC Review and Approval

- ❖ The RFP Manager will submit a report to the PUC one business day after the Bid Proposal Due Date
- ❖ The PUC will issue a decision by one business day following receipt of the RFP Manager's report



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Questions?



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