



*PPL Electric Utilities Corporation  
POLR Hourly Service RFP*

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**Bidder Information Web Cast**

**October 14, 2009**

- 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 POLR Hourly Service RFP Rules (10/5/2009)
  - the POLR Hourly Service Master Agreement (10/5/2009)
  - the Commission’s decisions related to the Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan, Docket No. P-00062227
- Please see the RFP Web site ([www.pplpolr.com](http://www.pplpolr.com)) for complete documentation

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# *Regulatory Background*

# Why Are We Here?



- In 1997, Pennsylvania deregulated the generation of electricity
  - PPL Electric rates were unbundled
  - 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 POLR 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 and PECO -- have rate caps that end on December 31, 2010

# *The Need for a "Bridge" Plan*



- To get PPL Electric in sync with other major electric utilities abutting PPL Electric's service territory we needed a plan to obtain supply for our POLR customers in 2010
- A multi-year acquisition process (2007-2009) will protect customers from a "Pike County" circumstance of extremely high market prices at the time of a single bid for supply
- Six Full-Requirement Load Following solicitations were held from 2007 to 2009
- This solicitation will procure Hourly Priced Service to Large Commercial and Industrial customers that do not elect the Fixed Price Service or obtain supply from an EGS

# The Role of NERA



- To ensure a transparent process for the solicitation, PPL Electric has hired NERA to be an independent third-party RFP Manager 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 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 RFP Process*

# *Provider of Last Resort*

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- A Provider of Last Resort (POLR) customer is a retail customer that does not purchase electric supply from an Electric Generation Supplier (EGS)
- Electric Distribution Companies (EDCs) have the obligation to obtain supply for POLR customers

# *Hourly Service RFP for Large C&I Customers not on Fixed Price Service*



- Under the Competitive Bridge Plan, PPL Electric has procured POLR supply for Large C&I customers who opted to receive fixed price service in 2010
  - To be enrolled in fixed price service, customers elected (Jul. 27) to be included in the POLR RFP for fixed price service and must decide whether to accept the annual fixed price by Nov. 9
  - All other Large C&I customers with PPL Electric are placed on hourly service (“Hourly Service Customer Group”)
- Large C&I customers on fixed price service are free to switch to an EGS, but cannot return to fixed price service in 2010
  - Returning shopping customers will be on hourly service
- Hourly Service RFP procures POLR supply for Large C&I customers not enrolled in fixed price service for the year 2010

# Product is Full Requirements



- Hourly Service Suppliers are responsible for supplying **full requirements service**, which includes energy, capacity, ancillary services, certain transmission services, and AEPS Act compliance
- A Hourly Service Supplier supplies a given percentage of actual 2010 Hourly Service Load **with energy priced at the PJM real-time spot market**

Group	2010 Projected PLC (MW)	Total Tranches	% Size of Tranche
Hourly Service	1,890	20	5%

- **Number of tranches, tranche size, and PLC of Hourly Service Customer Group will be updated on Nov. 10**

# *This Solicitation Is in Two Steps*



## **Step 1: Bidder Qualification**

- RFP Bidders must meet all qualification requirements, including PJM and FERC qualifications and a creditworthiness assessment
- Bidder Qualifications Due Date: **noon on Oct. 26, 2009**

## **Step 2: Bid Proposal**

- RFP Bidders submit Bids with supporting financial guarantees and agree to the terms of the standard contract
- Bid Proposal Due Date: **noon on Nov. 16, 2009**

# *PUC Review and Approval*



- The PPL Electric RFP Manager Team will submit a report to the PUC on **Nov. 17 (Tuesday)**, which is one business day after the Bid Proposal Due Date
- The PUC will issue a decision by **Nov. 19 (Thursday)**, which is two business days after receipt of the PPL Electric RFP Manager's Report



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# *Product Design*

## *Suppliers Serve Percent of Hourly Service Load*

- Hourly Service Load will be reduced by PPL Electric's fractional percentage of committed capacity and energy obtained under existing long term contracts
- Hourly Service Suppliers serve a percent of Load of Large C&I Group and excludes:
  - load served by EGS (i.e., non-POLR load)
  - load of customers enrolled in fixed price service in 2010
  - long-term supply from NYPA allocated to LC&I Group
- Hourly Service Customers are free to switch out of, and back to, Hourly Service with appropriate notice to PPL Electric
- Loads are adjusted for losses to zonal aggregate load bus

# *Part of Payment is based on Spot Market LMP*



- **Payments to Hourly Service Supplier is based on:**
  - 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

## Example of a Load Cap

- In each solicitation, there is a maximum number of tranches that a supplier can win (the “Load Cap”)
- The Load Cap is 85% of tranches available in the solicitation

Example: November 2009 Solicitation			
Group	Available Tranches	Load Cap	Maximum Tranches a Supplier Can Win
Hourly Service	20	85%	16

**Number of tranches, tranche size, and PLC of Hourly Service Customer Group will be updated on Nov. 10**

# PJM's Perspective of Hourly Service Suppliers



From PJM's perspective, Hourly Service Suppliers are LSEs

## Each Day

Unforced capacity and transmission obligations

PPL Electric will transmit to PJM the supplier responsibility share of POLR Peak capacity and transmission obligations (Hourly Service Suppliers are not responsible for NITS)

## Each Hour

Energy at zone bus

PPL Electric will transmit to PJM the supplier responsibility share of energy at aggregate zone bus (including all losses) and PJM will apply loss deration factors in accord with PJM marginal loss implementation procedures. Suppliers will be responsible for energy supply equal to hourly loss de-rated load and will be paid by PPL Electric based on these volumes.

*Hourly Service Suppliers will not be paired with customers. Suppliers will be serving a percentage of PPL Electric's Hourly Service Load. PPL Electric will inform PJM of each Hourly Service Supplier's obligation for each category of ancillary service.*

# Hourly Service Supply Master Agreements



- Contract is standard for all suppliers
- Contract is between Hourly Service Supplier and PPL Electric
- Final Agreements are **non-negotiable**
- Two signed Hourly Service SMAs are part of Bid Proposal
  - If the Bidder is awarded any tranches, the signed, submitted Hourly Service SMA will be executed by PPL Electric upon exchange of the Transaction Confirmation form

# Key Elements of Credit Provisions



- Credit Exposure under Hourly Service SMA is \$750,000/Tranche
- Performance Assurance Requirements will depend upon a credit evaluation
  - Unsecured credit may be granted based on the Bidder's (or its Guarantor's) Tangible Net Worth
  - Exposure beyond unsecured credit (if any) must be met with cash or Performance Assurance LOC
- Standard Guaranty and Performance Assurance LOC form provided as exhibits to contract

## *Key Elements of Credit Provisions (Continued)*



- Single unsecured credit is granted for all SMAs
  - Under the Hourly Service RFP and other PPL Electric's RFPs
- Exposures are netted across all SMAs
- For netting of credit requirements, SMAs include:
  - Hourly Service SMA under this RFP
  - POLR SMA
  - Default Service SMA
  - Default Service Block SMA
  - Default Service Spot Market SMA
  - Alternative Energy Credit SMA

# Rate Schedules



Group	Rate Schedules
<b>Large C&amp;I</b>	LP-4 – Large General Service – 12 KV or Higher IS-P(R)–Interruptible Large General Service–12 KV or Higher LP-5 – Large General Service – 69 KV or Higher LP-6 – Large General Service – 69 KV or Higher LPEP - Power Service to Electric Propulsion IS-T(R) – Interruptible Large General Service – 69 KV or Higher ISA - Interruptible Service by Agreement (R) Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

- Rates of Hourly Service customers based on:
  - energy: real time LMP
  - capacity: RPM
  - winning bid prices from RFP
  - average loss factor adjustment
  - administrative costs of the RFPs
  - gross receipt taxes
  
- PJM Real Time prices will be the same for all rate schedules; however, the final “grossed-up” price will be determined by the associated rate schedule’s loss factor



# *Qualifications and Bidding Process*

# Hourly Service RFP Schedule



PPL Electric Utilities Issues RFP	Monday, Oct. 5, 2009
Bidder Information Session	Wednesday, Oct. 14, 2009
<b>Bidder Qualifications Due – NOON</b>	<b>Monday, Oct. 26, 2009</b>
Cure Deficiency Deadline	Wednesday, Nov. 4, 2009
Qualified Bidders Notified	Monday, Nov. 9, 2009
Bidder Training	Nov. 11 or Nov. 12, 2009
<b>Bid Proposals Due – NOON</b>	<b>Monday, Nov. 16, 2009</b>
PUC Decision (close of business)	Thursday, Nov. 19, 2009
Execute Transaction Confirmation – 2 p.m.	Friday, Nov. 20, 2009

# Step 1 Is to Submit Bidder Qualifications



**Deadline: noon EPT on Monday, October 26**

1. Expression of Interest (by mail, fax, or web form)
2. Confidentiality Agreement
3. PJM and FERC Qualifications
4. Credit Application and Financial Information
5. Binding Bid Agreement

**Required**

**Delivery Address: 1835 Market Street, Suite 1205, Philadelphia, PA 19103**

6. Proposed Modifications to Bid Assurance LOC
7. Proposed Modifications to Performance Assurance LOC and Guaranty

**Optional**

# *Expression of Interest and Confidentiality Agreement*



- **Expression of Interest Form (Appendix 2)**
  - Asks for basic contact information
  - One copy may be submitted by mail, fax or web form
  
- **Confidentiality Agreement (Appendix 3)**
  - Protects information that is confidential, proprietary, or generally not available to the public
  - Executed by Bidder and PPL Electric and protects both
  - Two originals to be submitted as part of Qualifications

# *PJM and FERC Qualifications*



- Applicants must certify
  - **Membership in PJM (Appendix 4)**
  - Qualification as a market buyer and seller (and ability to secure generation or otherwise obtain and deliver electricity in PJM through compliance with applicable PJM requirements)
  - **FERC authorization (Appendix 5)** to sell energy, capacity and ancillary services at market based rates
- Two originals of Appendix 4 and two originals of Appendix 5 to be submitted as part of Qualifications

# Required Credit and Financial Information



- Applicants are required to submit a **Credit Application** and associated **financial information (Appendix 6)**
  - Information for credit contact
  - Bank reference information
  - Two years of audited financial statements
  - Credit ratings and supporting documentation
- Applicant or its Guarantor must be rated by S&P, Fitch or Moody's
- Two originals of Application and one copy of supporting documentation

# *Bid Proposals Constitute Firm Offers to Supply*



- Applicants must submit a **Binding Bid Agreement (Appendix 9)**
  - Must certify that Bidder is bound by the prices submitted in the Bid Proposals
- Through Binding Bid Agreement, Bidder certifies
  - Independent bidding
  - No knowledge of others' Bids
  - No disclosure of information related to the RFP Process or the Bidder's Proposal prior to PUC decision
- Two originals to be submitted as part of Qualifications

# *Bidders Will Have Time to Cure Deficiencies for Qualification*



- Bidders are encouraged to **submit materials early** to maximize time to resolve deficiencies and provide any necessary additional information
- PPL Electric RFP Team
  - Performs initial evaluation (deficiency or complete notice)
  - Evaluates additional materials as needed
- An applicant that fails to remedy deficiencies by the Cure Deficiency Deadline will not qualify

# Modifications to Credit Instruments



- Bidders may propose non-substantive and clarifying modifications
- Bidders email proposed modifications in MS Word in redline to: [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com) (deadline: noon on Oct. 26)
- The acceptability of such proposed modifications will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than November 2
- A list of all acceptable modifications to the credit instruments will be posted to RFP Web site without identifying the entity proposing the modification

## *Step 2: Once Qualified, Bidders May Submit Bid Proposals*

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Deadline: Noon (EPT) November 16, 2009

1. Submit Bids using the **Bid Proposal Spreadsheet**
2. Two originals of signed Hourly Service SMA, including executed originals of Exhibits F and G
3. Bid Assurance Collateral

# *Bids Can Only be Submitted with the Bid Proposal Spreadsheet*



- Bidders submit Bid Proposals **only** using the Bid Proposal spreadsheet provided on the RFP Web site
- All **shaded cells** on the Bid Proposal Spreadsheet must be completed by Bidder
  - Bidder information
  - Bid information

# Prices Are Specified on a Per MWh Basis

- All prices must be entered for a given number of Total Tranches Supplied

Total Tranches Supplied	Bid Assurance Collateral Amount	Price (2010 US\$/MWh)
1	\$500,000	\$75.25
2	\$1,000,000	\$75.50
3	\$1,500,000	\$75.75
4	\$2,000,000	X

If Bidder does not wish to supply a price for tranche, an X must be entered

1 tranche for \$75.25/MWh  
2 tranches for \$75.50/MWh  
3 tranches for \$75.75/MWh  
No Bid

- If the Bidder does not wish to bid for more than 3 tranches, an “X” is entered for the price for 4 Total Tranches Supplied

## *Bid Submitted Online*



- Bid Proposal Spreadsheet **must be submitted online by electronic file transfer** to the PPL Electric secure server
- Required password will be sent with Notification of Qualification
- Receipt will be confirmed by phone using contact information in Bid Proposal Spreadsheet and tag number will be provided
- A Bidder can withdraw its Bid Proposal before noon on the Bid Proposal Due Date by using the Binding Bid Withdrawal Agreement (Appendix 10)

# *Pre-Signed Hourly Service SMA*



- **Two signed originals of the Hourly Service SMA** must be received prior to the Bid Proposal Due Date (noon (EPT) on November 16), and must include:
  - The Form of Notice (Exhibit F) filled in with the appropriate contact information
  - PJM Declaration of Authority (Exhibit G) duly executed
  - Via certified mail, registered mail, hand delivery or overnight delivery

# Bid Assurance Collateral



- **Bid Assurance Collateral** requirements are the same for all applicants
  - \$500,000 per tranche bid
  - In the form of a letter of credit or cash
- Standard form of LOC is Appendix 7 to RFP Rules
  - use only standard form or with accepted modifications
  - Early submission provides time to deal with corrections
- Cash transfer info available upon request: [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com)
- If Bidder is awarded tranches and fails to execute the associated Transaction Confirmations by the posted deadline, **Bidder forfeits Bid Assurance Collateral**

# *What happens if Bid Assurance Collateral Is Insufficient?*



- If a Qualified Bidder's Bid Assurance Collateral is insufficient, the PPL Electric RFP Team will:
  - determine the greatest number of whole tranches that the amount of the Bid Assurance Collateral is sufficient to support;
  - modify that Bidder's Bid Proposal Spreadsheet by removing tranches not supported by the Bid Assurance Collateral;
- By submitting a Bid Proposal in response to this RFP, each Bidder is authorizing the PPL Electric RFP Team to modify the Bidder's Bid Proposal documents in this manner

# *Bid Proposals Evaluated on a Price-Only Basis*



- The PPL Electric RFP Manager will consider all combinations of Bids across Bidders whose sum of Total Tranches Supplied fills needed tranches
- For each combination, the PPL Electric RFP Manager will calculate a Combination Average Price (“CAP”)
  - CAP is equal to the average Price (2010 US\$/MWh) of the Bids in the combination weighted by their corresponding Total Tranches Supplied
- **The winning Bids will be those in the combination with the lowest CAP**

# Example of Bid Evaluation

Example: There are only two Bidders and 3 needed tranches

Bidder A	
Tranches	Price
1	\$75.00
2	\$76.00
3	\$76.50

Bidder B	
Tranches	Price
1	\$75.50
2	75.75
3	76.75

Bidder A	Bidder B	CAP
0	3	\$76.75
1	2	\$75.50
2	1	\$75.83
3	0	\$76.50

- The winning combination is when Bidder A supplies 1 tranche and Bidder B supplies 2 tranches
- Bidder A receives a price of \$75.00/MWh for 1 tranche
- Bidder B receives a price of \$75.75/MWh for 2 tranches

- Guide to submission of Bid Proposal Spreadsheet available on the Supplier Documents Page of RFP Web site
- Qualified Bidders will have opportunity to practice on **November 11 or November 12**
  - Participation information will be distributed when Qualified Bidders are notified on **Nov. 9th (Monday)**

# Technical Difficulties

- If a Bidder experiences technical difficulties, the Bidder should call the RFP Team directly at **(215) 568-0200**
  - PPL Electric RFP Team will find an alternative method to ensure that all Bidders who wish to submit Bids may do so
  - **Bidders should use this backup method only in an emergency**
  - Bids submitted in this manner will not be disadvantaged, but Bids must still be submitted by the deadline



# *Post-RFP Process*

# Exchange of Transaction Confirmations



- The PPL Electric RFP Manager will submit a report of the results to the PUC on **Nov. 17 (Tuesday)**
- The PUC will issue its decision by **Nov. 19 (Thursday)**
- If the PUC approves the results, all winning Bidders will receive a Transaction Confirmation from PPL Electric by fax on **Nov. 19 (Thursday)** followed by two originals by overnight courier
- Winning Bidders must fully execute the Transaction Confirmation and fax to PPL Electric by **2 p.m. on Nov. 20 (Friday)** followed by one original by overnight courier
  - Bid Assurance Collateral may be forfeited if the winning Bidder fails to execute the Transaction Confirmation by the required deadline



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*RFP Web site*

## *Data and Documents Provided on RFP Web site*



- All documents required for qualifications
- Data to prepare Bids including
  - Hourly load data from 2001 through June 2009 by rate group
  - Monthly customer counts of all PPL Electric's customers
  - Monthly customer counts of customers who take service with an EGS
  - Monthly sales revenue figures for all PPL Electric's customers
  - Monthly sales revenue figures for those customers who take service with an EGS

# *We Encourage You to Submit your Questions Through the RFP Web Site*



- You can go to the “Ask a Question” page to contact the PPL Electric RFP Manager at

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

- All questions and answers are posted to the FAQ section of the RFP Web site (without revealing the identity of the asking party)
- The PPL Electric RFP Manager Team is also available by phone or fax for urgent matters at this time until the PUC decision
  - By phone: **(215) 568-0200**
  - By fax: **(215) 568-9364**

## *Delivery Address and Contact Information*



PPL Electric Utilities Corporation RFPs

1835 Market Street, Suite 1205

Philadelphia, PA 19103

**Attn: NERA / PPL Electric RFP Team**

Phone: (215) 568-0200

Fax: (215) 568-9364



*Questions?*