

*PPL Electric Utilities Corporation  
Default Service Procurement Plan  
(April 2010 Solicitation)*

**Bidder Information Web Cast**

**March 17, 2010**



*Default Service  
Procurement Plan  
DSPP*

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**Ben Chee (NERA)**

## 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](http://www.pplpolr.com)) for complete documentation

# Agenda

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- ❖ Overview of the RFP Process
- ❖ Product Design
- ❖ Qualifications and Bidding Process
- ❖ RFP Web site

## 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

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# *Overview of the RFD Process*

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## Default Service

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- ❖ 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 its 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

# April 2010 Solicitation Bid Products

Delivery Period	RFP	Product Description	Quantity to be Procured
14 Months (beginning Jan 1, 2011)	Full Requirements	Residential Fixed Price	12 Tranches
		Small C&I Fixed Price	9 Tranches
	Block	7 x 24 Energy	2 Tranches (25 MW)
	AEC	Tier I (non-Solar)	15,448 AECs
		Tier I Solar	132 AECs
		Tier II	29,076 AECs

# Supplier Obligations

## ❖ Full Requirements

- ❑ A tranche for a Group is a fixed percentage of PPL Electric's default service load for that Group
- ❑ includes AEPS compliance

## ❖ Block Energy

- ❑ Suppliers supply a constant quantity of 24 x 7 energy delivered to the PPL Zone during supply period on fixed price (\$/MWh ) basis

## ❖ AEC

- ❑ Suppliers provide AECs needed by PPL Electric to meet obligations associated with Block Energy purchases

## Rate Translation

- ❖ Rates of default service customers based on bid prices from RFPs, and include
  - ➔ loss factor adjustment
  - ➔ administrative costs of the RFPs
  - ➔ gross receipt taxes
- ❖ Rate will be an average flat kWh charge
- ❖ Rates for all rate schedules within a Group will be the same, with one exception
  - ❑ Jan-Dec 2011: Commission-approved 0.675¢/kWh differential between RTS and RS classes
  - ❑ Number of customers in the RTS class is very small compared to the RS class (~14,000 vs. ~1,200,000)

## *Each Solicitation Is in Three Steps*

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### Step 1: Bidder Qualification

- ❑ RFP Bidders must meet all qualification requirements, including a creditworthiness assessment
- ❑ Due Date: **noon on Mar. 29**

### Step 2: Bid Assurance Collateral/SMA Due

- ❑ RFP Bidders submit supporting financial guarantees and signed standard contracts
- ❑ Due Date: **noon on Apr. 16**

### Step 3: Bids Due

- ❑ Block Energy and AEC: **9 – 11 am (Apr. 20)**
- ❑ Full Requirements: **12 – 2 pm (Apr. 20)**

## PUC Review and Approval

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- ❖ The RFP Manager will submit a report to the PUC on **Apr. 21 (Wednesday)**, which is one business day after the Bid Proposal Due Date
- ❖ The PUC will issue a decision by **Apr. 22 (Thursday)**

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# Product Design

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## *Components of Full-Requirements Service*

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- ❖ **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 of actual default service load for that Group during the supply period
  
- ❖ **Payments to Suppliers are on a 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

## Full Requirements RFP: Tranche Size

- ❖ A tranche in a Group represents a fixed percent of the Default Service Load for that Group

Group	2011 Projected PLC (MW)	Product Type	Tranches	Tranche Size
Residential	3,585 - 3,765	Fixed Price	64	1.40625%
		Spot Market	5	2.00000%
SC&I	1,832 - 1,936	Fixed Price	48	1.87500%
		Spot Market	5	2.00000%
LC&I	2,109	Spot Market	20	5.00000%

## Load Cap for Full Requirements RFP

- ❖ In every solicitation, a Bidder can bid no more than a maximum number of tranches for a Group, based on:
  - ❑ an 85% solicitation load cap
  - ❑ an aggregate load cap across all solicitations (70% for the Residential Group and 65% for the Small C&I Group)
- ❖ Limit on tranches bid for a bidder in a given solicitation will take into account tranches won in previous solicitations

April 2010 Solicitation			
Product	Available Tranches	Load Cap	Maximum Tranches Bidder can Bid
Residential (14-month)	12	85%	10
Small C&I (14-month)	9	85%	7

## Block Energy RFP: Tranche Size

- ❖ Block Energy is fixed MW for energy only (only for Residential Group)
- ❖ A Block Energy tranche is a 25MW baseload block (24 x 7)
- ❖ In aggregate, a Bidder cannot bid or win more than a maximum number of tranches based on an aggregate load cap of 70%

Solicitation	Product	Tranches	Total MW
April 2010	14-month	2	50

# Block Energy RFP: Scheduling Requirements

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## Block

- ❖ Delivery Point
  - ❑ Physical transaction scheduled to PPL Zone
- ❖ Scheduling is to the day-ahead market
  - ❑ Supplier schedules 3 weeks in advance
  - ❑ PPL Electric confirms 2 weeks in advance

## AEC RFD - 3 Categories

Solicitation	Term	Start Date	Tier I Non-solar	Solar	Tier II
Apr. 2010	14-month	1/1/2011	15,448	132	29,076

- ❖ Bidders may bid on each of the three categories
  - 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
- ❖ 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, for AECs for 14-month delivery period between January 1, 2011 and February 29, 2012 must be based on renewable energy generation as follows:
    - ➔ 5/14 of AECs: between 6/1/2008 and 5/31/2011
    - ➔ 9/14 of AECs: between 6/1/2009 and 5/31/2012

# AEC Suppliers Deliver AECs to PPL Electric GATS Account

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## Alternative Energy Credit

- ❖ Quantities won for each product will be generally divided equally for each month in delivery period
- ❖ Seller transfers monthly quantities of AECs to PPL Electric GATS account
  - ❑ within 40 calendar days of the end of each delivery month
  - ❑ within 50 calendar days of the end of last delivery month

# Supply Master Agreements (SMAs)

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- ❖ Separate SMA for:
  - ❑ Full requirements fixed price products
  - ❑ Block Energy products
  - ❑ AEC products
- ❖ Contract is standard and non-negotiable
- ❖ Contract is between Supplier and PPL Electric
- ❖ Bidder provides signed SMA for the relevant RFP prior to Bid Submission

## Key Elements of Credit Provisions

- ❖ Credit Exposure under applicable SMA(s) is based on MtM calculation methodology:
  - Block SMA and AEC SMA – Exhibit C
  - Full Requirements SMA – Exhibit E
- ❖ 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

## Key Elements of Credit Provisions (continued)

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- ❖ Single unsecured credit is granted for all SMAs
- ❖ Exposures are netted across all SMAs
- ❖ One single guaranty is used for all SMAs
- ❖ Standard Guaranty and Performance Assurance LOC form provided as exhibits to contract
- ❖ For netting of credit requirements, SMAs include:
  - ❑ POLR and Hourly Service SMA under the CBP
  - ❑ Default Service SMA
  - ❑ Default Service Spot Market SMA
  - ❑ Default Service Block SMA
  - ❑ Alternative Energy Credit SMA

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# *Qualifications and Bidding Process*

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## *RFPs Delivery Address*

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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

## April 2010 RFP Schedule

PPL Electric Utilities Issues RFP Addendum	Monday, Mar. 8, 2010
Bidder Information Session	Wednesday, Mar. 17, 2010
Bidder Qualifications Due – <b>NOON</b>	Monday, Mar. 29, 2010
Cure Deficiency Deadline	Wednesday, Apr. 7, 2010
Qualified Bidders Notified	Monday, Apr. 12, 2010
Bid Assurance Collateral and SMA Due – <b>NOON</b>	Friday, Apr. 16, 2010
Bid Proposals Due	Tuesday, Apr. 20, 2010
PUC Decision	Thursday, Apr. 22, 2010
Transaction Confirmation Executed – <b>2 PM</b>	Friday, Apr. 23, 2010

# Step 1 Is to Submit Bidder Qualifications

**Deadline: March 29 (noon)**

1. Expression of Interest (by mail, fax, or web form)
2. Confidentiality Agreement
3. PJM and FERC Qualifications (not applicable to AEC RFP)
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*

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## ❖ **Expression of Interest Form**

- ❑ Asks for basic contact information
- ❑ One copy may be submitted by mail, fax or web form
- ❑ Specify in which RFP the Bidder intends to participate

## ❖ **Confidentiality Agreement**

- ❑ 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

## Required Credit and Financial Information

- ❖ Applicants are required to submit a **Credit Application** and associated **financial information**
  - ❑ 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 (**not applicable to AEC RFP**)
- ❖ For each RFP, two originals of credit application and one copy of supporting documentation

## PJM and FERC Qualifications

- ❖ Only applicable for **Block** and **Full Requirements** RFPs
- ❖ Applicants must certify
  - ❑ **Membership in PJM**
  - ❑ 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** to sell energy, capacity and ancillary services at market based rates
- ❖ For each RFP, two originals of the PJM Qualification Form and two originals of the FERC Authorization Form to be submitted as part of Qualifications

## *Bid Proposals Constitute Firm Offers to Supply*

- ❖ Applicants must submit a **Binding Bid Agreement** for each RFP in which they are participating
  - ❑ 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
- ❖ For each RFP, two originals to be submitted as part of Qualifications

# Abbreviated Process for RFP Bidder Qualified for Previous Solicitation

**Deadline: March 29 (noon)**

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

REFRESH

RESUBMIT

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

- 3. Proposed Modifications to Bid Assurance LOC
- 4. Proposed Modifications to Performance Assurance LOC and Guaranty

Optional

## *Bidders Will Have Time to Cure Deficiencies*

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- ❖ 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 for that RFP in a given solicitation

## *Modifications to Credit Instruments*

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- ❖ 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)
- ❖ 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 2 days prior to Cure Deficiency Deadline
- ❖ A list of all acceptable modifications to the credit instruments will be posted to RFP Web site by April 9

## *Step 2: Bidders Submit Bid Collateral and Contract*

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**Deadline: noon EPT on Friday, April 16**

1. Bid Assurance Collateral for each RFP
2. Two signed originals of SMAs for each RFP

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

# Bid Assurance Collateral

## ❖ Bid Assurance Collateral

- ❑ Separate collateral provided for each RFP:

  - ➔ Full Requirements & Block: \$500,000 per tranche bid

  - ➔ AEC: \$25,000 per product

- ❖ Bid Assurance Collateral is in the form of a letter of credit or cash deposit

- ❖ Cash transfer information available upon request

  - ❑ bidder must advise on cash allocation for each RFP

- ❖ Standard form of LOC is available on RFP Web site

  - ❑ use only standard form or with accepted modifications

  - ❑ early submission provides time to deal with corrections

## Pre-Signed SMA

- ❖ **Two signed originals of the SMA** must be received prior to the deadline (noon on Apr. 16)
  - All SMAs: The Form of Notice filled in with the appropriate contact information
  - In addition, for **Full Requirements SMA**:
    - ➔ PJM Declaration of Authority duly executed
- ❖ Bidders that have previously submitted SMAs do not need to do so again

## Step 3: Submission of Bid Proposals

**Deadline: Tuesday, April 20**

- ❖ Two Separate Bid Proposal Windows
  - ❑ **9AM – 11 AM** (Block and AEC RFP)
  - ❑ **Noon – 2 PM** (Full Requirements RFP)
- ❖ For each RFP, Bids are submitted using the **Bid Proposal Spreadsheet** for each Product
  - ➔ For example, different spreadsheets for Tier I (non solar), solar and Tier II for AEC RFP
  - ➔ All shaded cells on Spreadsheet must be completed
- ❖ Bid Proposal Spreadsheets **must be submitted online by electronic file transfer** to the PPL Electric secure server

# Full Requirements & Block: Bids are for Total Tranches

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

Total Tranches Supplied	Bid Assurance Collateral Amount	Price (\$/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, 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

## AEC RFP: One Price for all AECs Bid

- ❖ The Bid Proposal Spreadsheet for **AECs** will have the following table that will need to be completed as part of the bid submission
- ❖ Maximum quantity *and* price for each AEC must be indicated in a bid

Tier I AEC		
Maximum Quantity Supplied	Price (\$/MWh)	Bid Assurance Collateral Amount
19	3.95	\$25,000

## Bids Submitted Online

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- ❖ Bid Proposal Spreadsheets **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 deadline for bid submission by using the Binding Bid Withdrawal Agreement

# What Happens if Bid Assurance Collateral Is Insufficient ?

- ❖ Bids will be removed if Bid Assurance Collateral is insufficient
- ❖ For **Full Requirements** and **Block** RFPs, RFP Team will:
  - ❑ determine the greatest number of whole tranches that the amount of the Bid Assurance Collateral is sufficient to support;
  - ❑ remove unsupported tranches; first from product where there is the most competition, as measured by the ratio of the tranches bid to the number of tranches needed
- ❖ For **AEC RFP**, RFP Team will:
  - ❑ remove entire bids from product where there is the most competition, as measured by the ratio of the total quantity bid to the total quantity needed
- ❖ By submitting a Bid Proposal, Bidder is authorizing the RFP Manager to modify Bid Proposal documents in this manner

# Bids Evaluated on Price-Only Basis

## Full Requirements and Block RFPs:

- ❖ For each Product, the RFP Manager considers all combinations of Bids that fills needed tranches
- ❖ For each combination, the RFP Manager will calculate a Combination Average Price (“CAP”)
- ❖ The winning Bids will be those in the combination with the lowest CAP

## AEC RFP

- ❖ For each product separately, the RFP Manager will select the lowest Bids

## Example of Bid Evaluation (FR and Block)

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

## Practice and Training

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- ❖ Guide to submission of Bid Proposal Spreadsheets will be available on the RFP Web site
- ❖ Qualified Bidders will have opportunity to practice the bid submission process on April 13-15
  - Participation information will be distributed when Qualified Bidders are notified on April 12

## Technical Difficulties

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- ❖ If a Bidder experiences technical difficulties, the Bidder should call the PPL Electric RFP Manager directly at **(215) 568-0200**
  - ❑ PPL Electric RFP Manager 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 for that RFP

## Exchange of Transaction Confirmations

- ❖ The PPL Electric RFP Manager submits a report on the results to the PUC on **April 21 (Wednesday)**
- ❖ The PUC will issue its decision by **April 22 (Thursday)**
- ❖ If the PUC approves the results, all winning Bidders will receive a Transaction Confirmation from PPL Electric by fax on **April 22 (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 April 23 (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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# RFD Web site

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# Registration Link

## ❖ Register / Expression of Interest

## ❖ Receive emails and updates

<a href="#">&gt; Schedule for RFP Process</a>		
<a href="#">&gt; Register</a>	* = required information	<b>Expression of Interest</b>
<a href="#">&gt; Bidder Information Session</a>	Plan Name:	Default Service Procurement Plan (DSPP)
<a href="#">&gt; Rate Categories and Load Data</a>		<input checked="" type="checkbox"/> wholesale Block Supply service
<a href="#">&gt; RFP Results</a>	Products of Interest:*	<input checked="" type="checkbox"/> wholesale Load Following service
<a href="#">&gt; Supplier Documents</a>	Check all that apply.	<input checked="" type="checkbox"/> wholesale Spot service
<a href="#">&gt; PUC Order</a>		<input checked="" type="checkbox"/> Alternative Energy Credits
<a href="#">&gt; Alternative Energy Act</a>	Company:*	<input type="text"/>
<a href="#">&gt; Long Term Contracts</a>	Contact Name:*	<input type="text"/>
<a href="#">&gt; Switching Rules</a>	Contact Title :*	<input type="text"/>
<a href="#">&gt; PJM Deration Factors</a>		<input type="text"/> Street 1*
<a href="#">&gt; Size Distributions</a>		<input type="text"/> Street 2
<a href="#">&gt; Frequently Asked Questions</a>		<input type="text"/> City*
<a href="#">&gt; Ask a Question / Contact Us</a>		
<a href="#">&gt; File Transfer</a>	Address:*	

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

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- ❖ All documents required for qualifications
- ❖ Data to prepare Bids including
  - ❑ Hourly load data by rate class
  - ❑ 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

## *Submit your Questions Through the RFP Web Site*

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- ❖ You can go to the “Ask a Question” page of RFP Web site to contact the 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 RFP 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**

*Questions?*



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