



NERA
Economic Consulting

PECO Energy Company Bidder Information Session



PECO Procurement Process Winter 2012

Chantale LaCasse
Senior Vice President, NERA

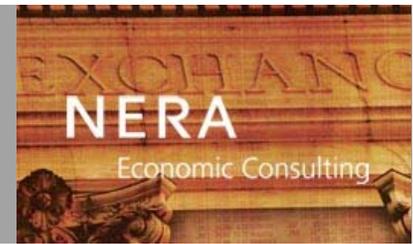
Tom Winingger
Consultant, NERA

Philadelphia

Monday, November 14, 2011

How Markets WorkSM

Disclaimer



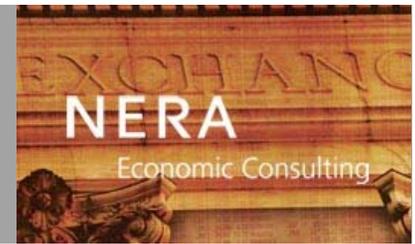
- Any statements herein describing or referring to documents and agreements are summaries only, and are **qualified in their entirety** by reference to such documents and agreements.
- The **governing documents** in this RFP are:
 - The Full Requirements RFP
 - The Full Requirements Supply Master Agreement
 - 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

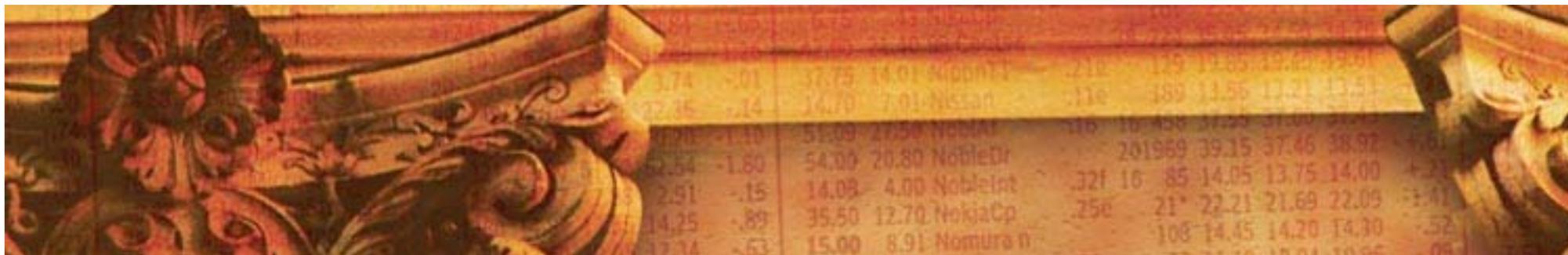
Role of NERA as the Independent Evaluator



- **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

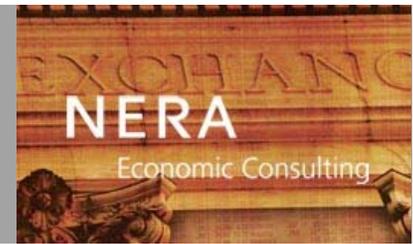


- **Background and Overview**
- **Product Design**
- **Qualifications and the Bidding Process**
- **Post-RFP Process**
- **RFP Web Site**



Background and Overview

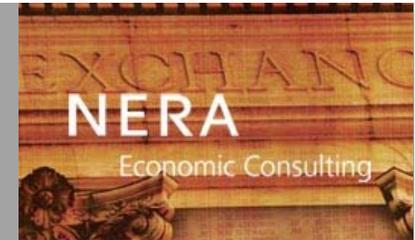
The RFPs Are Conducted Under an Approved Plan



- **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

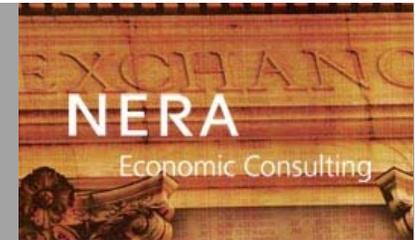
Procurement Classes



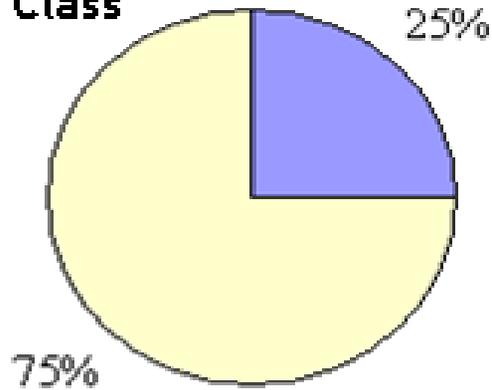
- A “Procurement Class” is a grouping of customers on PECO’s existing rate schedules

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

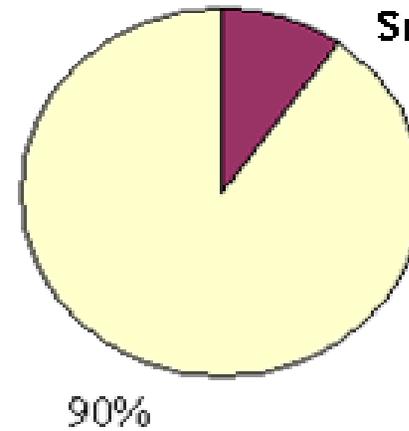


Residential Class

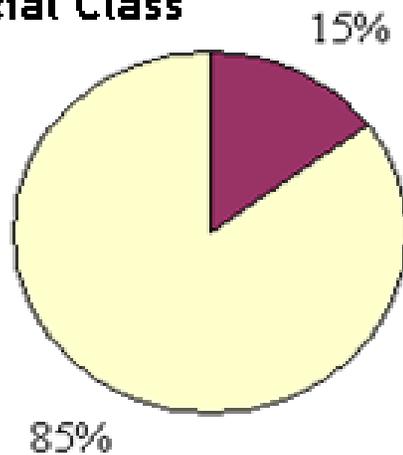


10%

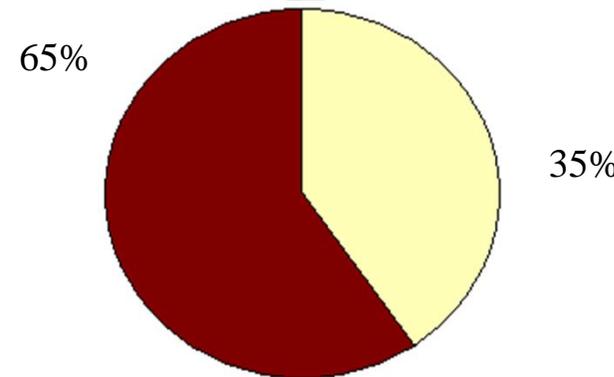
Small Commercial Class



Med. Commercial Class



Large C&I Class*



***Beginning January 1, 2012, 100% of Large C&I Default Service is Spot Price**



Full Requirements: Fixed-Price and Spot-Price



- **This Solicitation is Full-Requirements Only**
- **Full Requirements Fixed-Price**
 - All-in payment determined by bid
 - Residential, Small Commercial & Medium Commercial Classes:
 - June 1, 2012 – May 31, 2013 (12-month)
 - Residential Class:
 - June 1, 2012 – May 31, 2014 (24-month)
- **Full Requirements Spot-Price**
 - Energy priced to PJM day-ahead spot market
 - Small Commercial, Medium Commercial and Large C&I Classes:
 - June 1, 2012 – May 31, 2013 (12-month) **NEW!**
- **Block Energy**
 - Suppliers bid to provide baseload blocks or peak blocks
 - Not available again until Spring 2012 Solicitation

Tranches of 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)	Total Tranches	Tranche Size
R	2710.07	2032.55	47	1.60%
SC	706.07	635.47	25	3.60%
MC	252.75	214.84	19	4.47%

Available Tranches of Fixed-Price Default Load



- The following table lists the tranches available in this **Winter 2012 Solicitation:**

Type	Class	Supply Period	Available Tranches
Fixed Price	Residential	June 2012 - May 2013	10
Fixed Price	Residential	June 2012 - May 2014	7
Fixed Price	Small Commercial	June 2012 - May 2013	10
Fixed Price	Medium Commercial	June 2012 - May 2013	10

Tranches of Spot-Price Default Load



- Spot-Price Load is divided into tranches as well:

Class	Total PLC (MW)	Spot-Price PLC (MW)	Total Tranches	Tranche Size
SC	706.07	70.61	3	3.33%
MC	252.75	37.91	3	5.00%
LC&I	128.33	128.33	54	1.85%

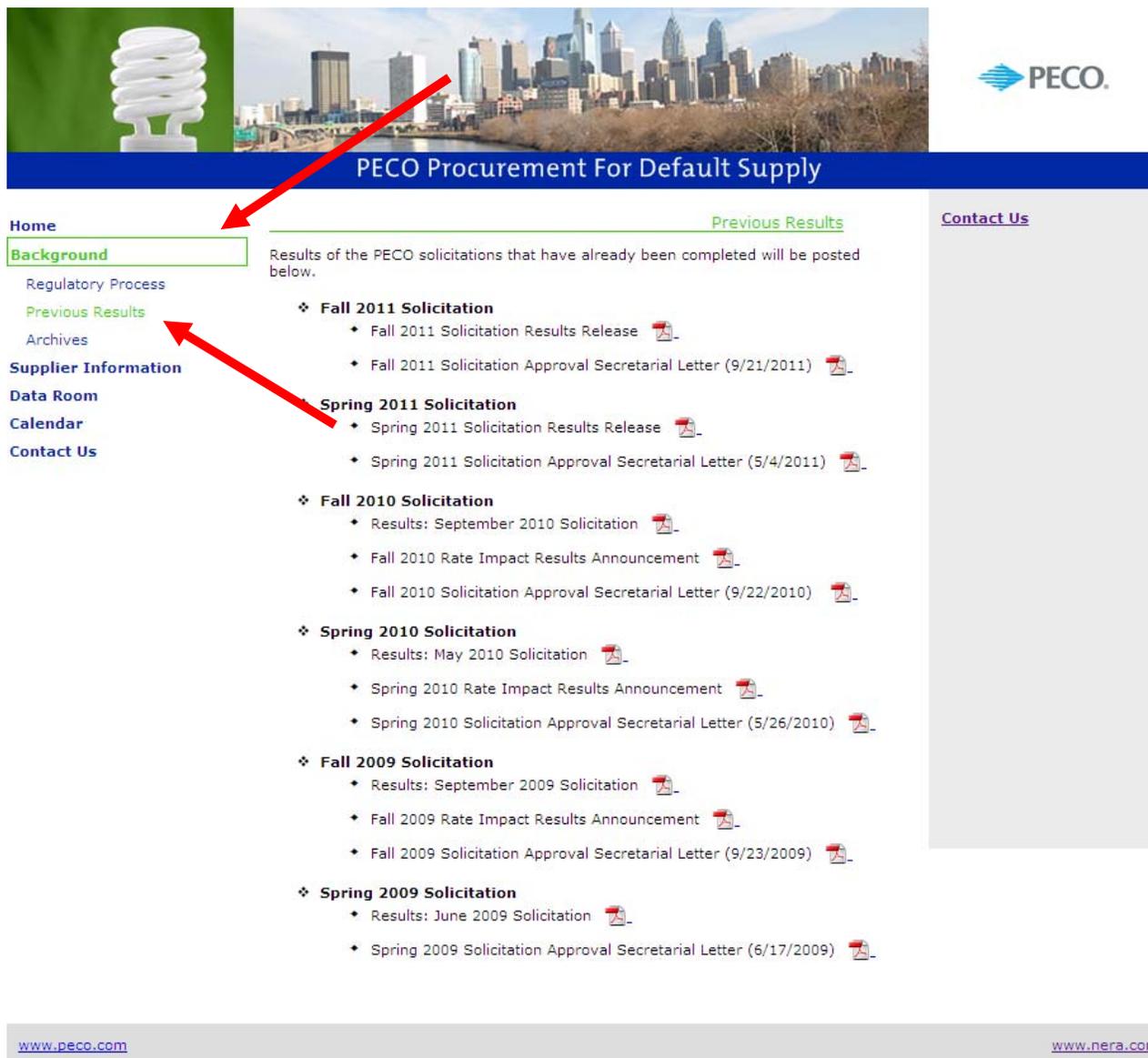
Available Tranches of Spot-Price Default Load



- The following table lists the tranches available in this **Winter 2012 Solicitation:**

Type	Class	Supply Period	Available Tranches
Spot Price	Small Commercial	June 2012 - May 2013	3
Spot Price	Medium Commercial	June 2012 - May 2013	3
Spot Price	Large C&I	June 2012 - May 2013	54

Results of the First Six Solicitations Available on Web Site



The screenshot shows the website for "PECO Procurement For Default Supply". At the top, there is a banner with a lightbulb on the left and a city skyline on the right, with the PECO logo on the far right. Below the banner is a navigation bar with "Home", "Previous Results", and "Contact Us". The "Previous Results" link is highlighted in green. A red arrow points from the "Previous Results" link in the navigation bar to the "Previous Results" link in the main content area. Another red arrow points from the "Previous Results" link in the main content area to the list of solicitations. The main content area contains a heading "Previous Results" and a paragraph: "Results of the PECO solicitations that have already been completed will be posted below." Below this is a list of solicitations, each with a diamond icon and a list of documents with PDF icons:

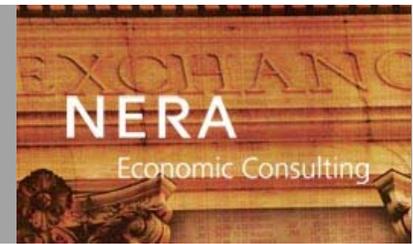
- ❖ **Fall 2011 Solicitation**
 - ♦ Fall 2011 Solicitation Results Release
 - ♦ Fall 2011 Solicitation Approval Secretarial Letter (9/21/2011)
- ❖ **Spring 2011 Solicitation**
 - ♦ Spring 2011 Solicitation Results Release
 - ♦ Spring 2011 Solicitation Approval Secretarial Letter (5/4/2011)
- ❖ **Fall 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)

At the bottom of the page, there are two URLs: www.peco.com on the left and www.nera.com on the right.

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



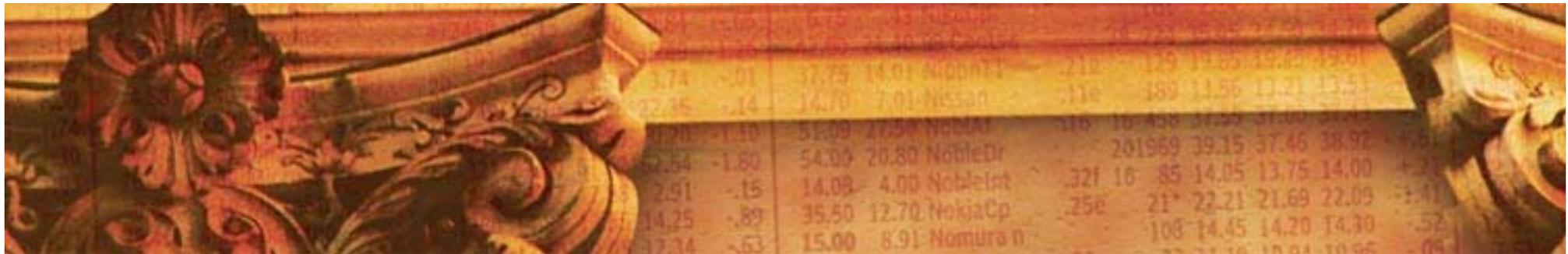
- RFP results are **contingent on final PUC approval**
- Independent Evaluator submits confidential report on winning bids to PUC on day after Bid Date
- The PUC will issue a decision within **one business day** of receipt of confidential report
- As provided in the PUC's October 12 directive, the IE will release certain results information within 15 days of the close of the solicitation



- **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

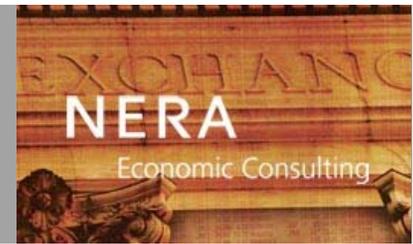


Product Design



- **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
- **Two types of Full-Requirements Products:**
 - Fixed Price Default Supply (\$/MWh)
 - Spot-Price Default Supply (\$/MWh)

Payment Mechanism for Full-Requirements Service



■ Fixed-Price Default Supply

- Supplier is paid a fixed price (its average winning bid price) for each MWh of load served

■ Spot-Price Default Supply

- Supplier is paid:
 - the day-ahead spot price for energy (PECO zone Day Ahead LMP)
 - the RPM price for capacity
 - calculated to offset the charge bidders will get from PJM on their bill
 - its average winning bid price for each MWh of load served to cover all other services included in full requirements service

■ See Article 7 of SMA (Billing and Settlement) for a complete description

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

- **On June 10, 2010, Exelon Generation Company, LLC filed its proposed Reliability Must-Run Rate Schedule**
 - Docket Number: ER101418000
 - Description: Exelon Generation Company, LLC submits tariff filing per 35.12: Rate Schedule 20 to be effective 6/1/2011.
 - Cromby Unit No. 2 and Eddystone Unit No. 2

- **PJM's Motion to Intervene:**
<http://www.pjm.com/~media/documents/ferc/2010-filings/pjmmotion.ashx>

Useful Links



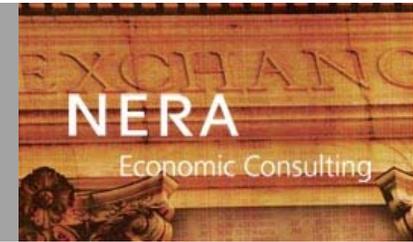
- **PJM Generation Retirement Study Results (main page):**
<http://www.pjm.com/planning/generation-retirements/gr-study-results.aspx>
- **Cromby Units 1 and 2 and Eddystone Units 1 and 2 Deactivation Study – updated May 10, 2010:**
<http://www.pjm.com/planning/generation-retirements/~media/planning/gen-retire/cromby-units-1-and-2-and-eddystone-units-1-and-2-deactivation-eval.ashx>
- **Exelon Response to Revised Deactivation Study for Cromby and Eddystone:** <http://www.pjm.com/planning/generation-retirements/~media/planning/gen-retire/exelon-response-to-revised-deactivation-study-for-cromby-and-eddystone.ashx>
- **Zonal Cost Allocations for 2011:**
 - **Cromby:** <http://www.pjm.com/planning/generation-retirements/~media/planning/gen-retire/cromby-2-zonal-cost-allocation-for-2011.ashx>
 - **Eddystone:** <http://www.pjm.com/planning/generation-retirements/~media/planning/gen-retire/eddystone-2-zonal-cost-allocation-for-2011.ashx>

Load Caps for the Full Requirements RFP



- **The Load Cap is 65%. The customers of a Class can have no more than a 65% exposure to any one Default Supplier at any given time**
 - Includes Spot-Price and Fixed-Price Products
- **A Bidder that has not previously won may, in this Winter 2012 Solicitation, bid on:**
 - All available Residential tranches (17)
 - All available Small (13) and Medium Commercial (13) tranches
 - 35 of the 54 LC&I tranches
- **For a Default Suppliers (that have won tranches in previous solicitations), Load Caps**
 - Are **bidder-specific** and take into account tranches previously won
 - Are provided in the Initial Status Notification sent on Nov 17, 2011

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**

Reporting Year	Time Period	Percent of Total Retail Electric Sales		
		Tier I Rqmt	Tier I (Solar) Rqmt	Tier II Rqmt
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)



- **The allocation of AECs to each tranche is specified in this presentation**
 - 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
 - PECO announces the allocation of AECs to each tranche prior to the opening of the Part 1 Window (see next slides)
- **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's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the ten (10) **12-month Residential Class Fixed Price tranches (June 2012 - May 2013),**

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	6,251	81	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the seven (7) **24-month Residential Class Fixed Price** tranches (June 2012 - May 2014),
Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	6,251	81	0
8	6/1/13 - 5/31/14	6,789	129	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the ten (10) 12-month Small Commercial Class **Fixed Price** tranches (June 2012 - May 2013),

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	2,654	34	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the three (3) 12-month Small Commercial Class **Spot Price** tranches (June 2012 - May 2013),

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	2,458	32	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the ten (10) 12-month Medium Commercial Class **Fixed Price** tranches (June 2012 - May 2013),

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	1,796	23	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- For the three (3) 12-month Medium Commercial Class **Spot Price** tranches (June 2012 - May 2013),

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	2,007	26	0

PECO's Allocation of Separately Procured Alternate Energy Credits (AECs) Winter 2012 Solicitation



- **For the fifty four (54) 12-month Large C&I Class Spot Price tranches (June 2012 - May 2013),**

Alternative Energy Credits will be allocated as follows:

AEPS Reporting Year	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
7	6/1/12 - 5/31/13	256	5	0



A decorative background featuring classical architectural elements like columns and scrolls. Overlaid on this is a semi-transparent stock market ticker with columns of numbers and company names.

1.74	-01	37.75	14.01	Alphabet	218	129	19.85	19.60	19.91		
12.45	-14	14.70	7.01	Nissan	118	189	13.56	13.21	13.51		
1.18	-1.10	51.09	27.50	Noboru	116	16	456	37.25	37.00	37.25	
2.54	-1.80	54.00	20.80	NobleDr		201969	39.15	37.46	38.97	+0.51	
2.91	-1.15	14.08	4.00	NobleInt	321	16	85	14.05	13.75	14.00	+0.25
14.25	-89	35.50	12.70	NokiaCp	250	21*	22.21	21.69	22.09	+1.41	
17.34	-63	15.00	8.91	Nomura n		108	14.45	14.20	14.30	-0.52	

Contract and Rates



- **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



- **Full Requirements Fixed-Price:**
 - Credit exposure to PECO is based on **Mark-to-Market exposure calculations**
 - Net of Accounts Receivable / Accounts Payable to Seller
- **Spot Price: credit exposure begins at \$250,000/tranche**
 - Recalculated each month
 - Multiplied by ratio of current PLC/tranche to MW-measure
 - Pro-rated by calendar days remaining in delivery period
- **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



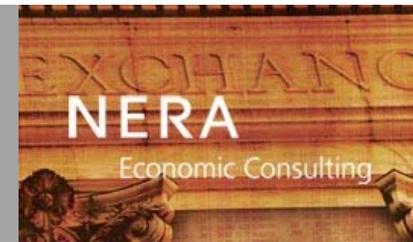
- **The Default Service rates of R customers determined on the basis of:**
 - prices determined through the Full Requirements RFP (fixed-price products)
 - prices determined through the Block Energy RFP, and
 - PECO's additional purchases to serve the 25% "PECO share"

- **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)**

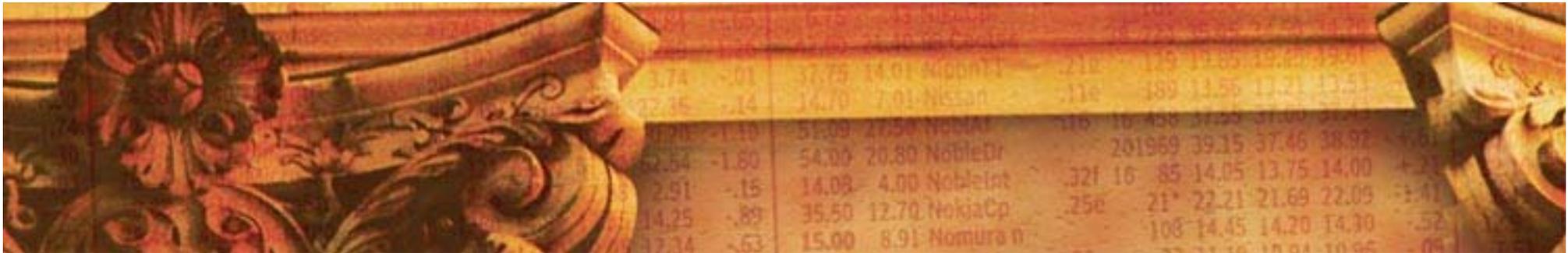
- **Price to Compare Calculator available on PECO website**
 - <https://www.peco.com/customerservice/ratesandpricing/energychoice/pages/pricetocompare.aspx>

Current Retail Choice Migration - "Shopping"



- **Customer Counts as of 9/30/2011 provided below**

	Total Customers	EGS Customers	Percent EGS Customers
Residential	1,491,470	298,087	20.0%
Small Commercial	156,231	62,117	39.8%
Medium Commercial	6,311	4,374	69.3%
Large Commercial & Industrial	1,823	1,629	89.4%



Qualifications and the Bidding Process

Winter 2012 Procurement Schedule



M	T	W	Th	F
November 14 Bidder Info Session	15	16	17	18
21	22	23	24	25
28	29	30	December 1 Part 1 Window Opens	2
5	6	7	8 Part 1 Date	9
12 Part 1 Notification	13	14	15	16
19	20	21	22	23
26	27	28	29	30
January 2	3 Part 2 Window Opens	4 Bidder Training	5	6
9	10 Part 2 Date	11	12	13 Part 2 Notification
16	17	18 BIDS DUE	19 Final Report to PUC	20 PaPUC Decision

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

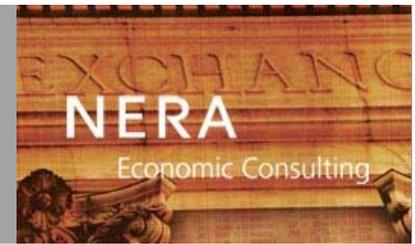
- information for **creditworthiness assessment**
- Confirm information for the preparation of the SMA
- May submit **modifications to letters of credit** (pre-bid and post-bid)

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 (ie@pecoprocmement.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

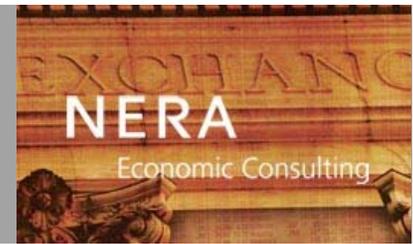
no

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:
- 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

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

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 **Monday, December 12, 2011** (Part 1 Notification Date)

Part 1 Proposal: Notification



- **An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal on **Monday, December 12, 2011****
- **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, January 3, 2012** to **Tuesday, January 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
 - \$250,000/tranche bid

- **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

– Full Requirements:

• Equals or exceeds the sum of:

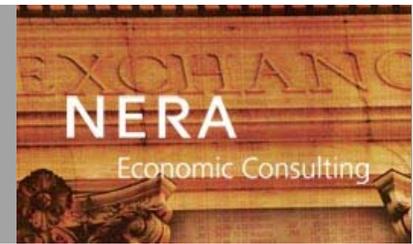
- the Guaranty Amount of any current guaranty held by PECO under the Block Energy SMA or the Default Service SMA with the RFP Bidder; and
- the total number of tranches bid (for all products) times \$600,000

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, January 13, 2012** (Part 2 Notification Date)

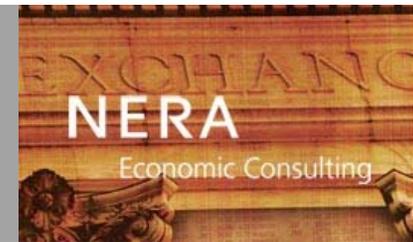
What is a Bid?



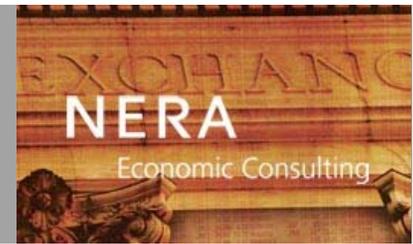
- **A bid is a price in \$/MWh**
 - For a tranche of a product (full requirements)
 - For a 10MW block (block energy)

- **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 **Wednesday, January 4, 2012**
- **Bids are due by 12 PM noon on Wednesday, January 18, 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



- **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



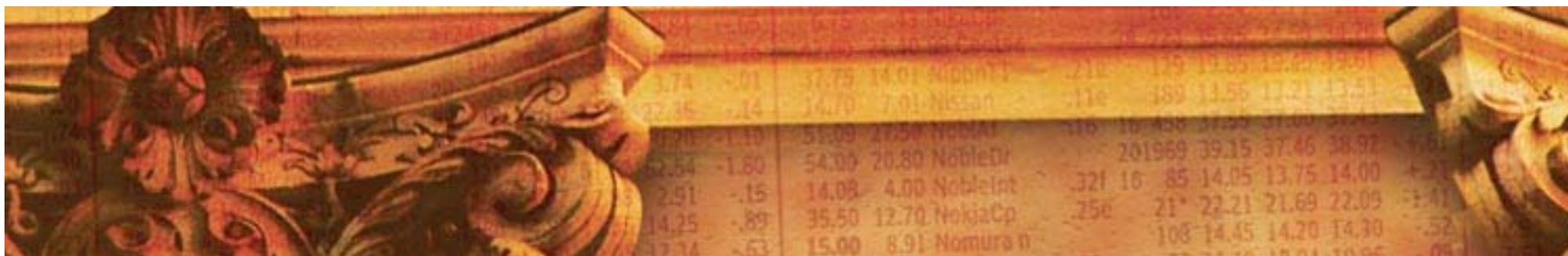
Enter Prices

Running Totals

Use running totals to keep track of load cap constraints

Bids (All Bids are in \$/MWh)						
Fixed-Price Residential June 2012 - May 2013	Fixed-Price Residential June 2012 - May 2014	Fixed-Price Small Commercial June 2012 - May 2013	Spot-Price Small Commercial June 2012 - May 2013	Fixed-Price Medium Commercial June 2012 - May 2013	Spot-Price Medium Commercial June 2012 - May 2013	Spot-Price Large Commercial & Industrial June 2012 - May 2013
Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)	Bid (\$/MWh)
1	1	1	1	1	1	1
2	2	2	2	2	2	2
3	3	3	3	3	3	3
4	4	4		4		4
5	5	5		5		5
6	6	6		6		6
7	7	7		7		7
8		8		8		8
9		9		9		9
10		10		10		10
						31
						32
						33
						34
						35

Number of Blocks bid						
Fixed-Price Residential June 2012 - May 2013	Fixed-Price Residential June 2012 - May 2014	Fixed-Price Small Commercial June 2012 - May 2013	Spot-Price Small Commercial June 2012 - May 2013	Fixed-Price Medium Commercial June 2012 - May 2013	Spot-Price Medium Commercial June 2012 - May 2013	Spot-Price Large Commercial & Industrial June 2012 - May 2013
-	-	-	-	-	-	-
Total Residential		Total Small Commercial		Total Medium Commercial		
-		-		-		



Post-RFP Process

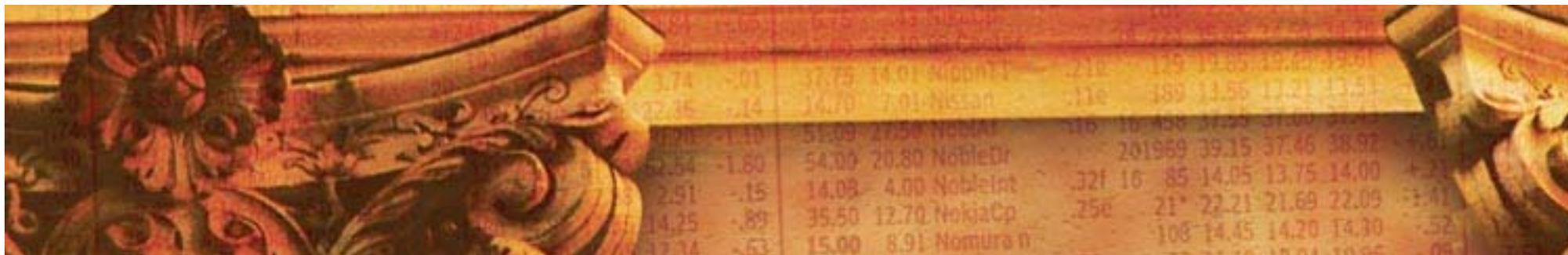
PUC Approval and Transaction Confirmation



- **Friday, January 20, 2012 is the PUC Decision.** IE provides information to PECO for transaction confirmations
- **Monday, January 23.** IE releases Pre-Bid Letters of Credit for losing RFP Bidders. PECO signs SMA, acknowledges guaranty
- **Tuesday, January 24.** PECO signs transaction confirmations, faxes to Supplier, overnights transaction confirmations and SMA
- **Wednesday, January 25.** Supplier faxes transaction confirmations to PECO **by 2pm**, overnights transaction confirmations to PECO, posts additional security if needed
- **Thursday, January 26.** IE releases winning RFP Bidders' Pre-Bid Letters of Credit



- **Information is released 15 days after the solicitation, per the Commission's October 12, 2010 Directive**
- **Key information about prices**
 - **Weighted average winning bid price by product**
 - **Percentage of total load represented by each tranche**
 - **Number of tranches of each product procured**



The RFP Web Site

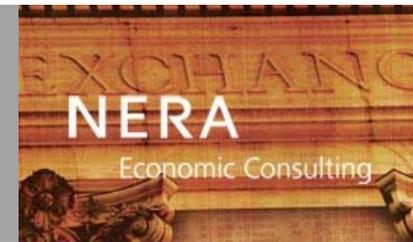
Central Source for RFP Information



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**

The screenshot shows the PECO Procurement For Default Supply website. At the top, there is a banner with a lightbulb on the left, a city skyline in the middle, and the PECO logo on the right. Below the banner is a blue bar with the text "PECO Procurement For Default Supply". On the left side, there 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. In the center, there is a section titled "Ask a Question" with a green underline. The text reads: "To ask a question regarding the PECO solicitations, please use our automated form below. To receive updates and information regarding the PECO solicitations directly via email, please use our automated form to [register](#) for our mailing list." Below this text is a form with four input fields: "Name *:", "Company *:", "Email Address *:", and "Question/Comment *:". A "Submit" button is located at the bottom of the form. On the right side, there is a grey sidebar with a link for "Contact Us".

Address for Submissions



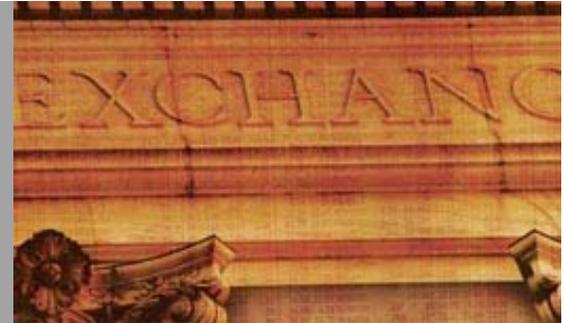
- **Submissions must be sent to us at the following address:**

**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?



© Copyright 2011
National Economic Research Associates, Inc.

All rights reserved.

