

Bidder Information Session DSP IV September 2019 Solicitation

Chantale LaCasse

Managing Director

Kathleen Orlandi

Senior Consultant

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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 governing documents.

- These governing documents are:
 - Commission Opinion and Order related to PECO's Fourth Default Service Program ("DSP IV") in Docket No. P-2016-2534980 and dated December 8, 2016
 - RFP Rules (posted August 2, 2019)
 - PECO Energy Company Pennsylvania Default Service Supplier Master Agreement ("Uniform SMA") (posted August 6, 2019)

Please see the RFP website for complete documentation

http://www.pecoprocurement.com/

NERA is the Independent Evaluator

 To ensure a transparent process for the RFP, 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 RFP Bidders
- To ensure the RFP 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 Commission

Agenda

- Overview of DSP IV and this Solicitation
- Contract and Rates
- RFP Process Details
- RFP Website
- Questions



Overview of DSP IV Products in this Solicitation



DSP IV Overview

- Default Service customers are those who:
 - do not elect to take service from an EGS or
 - return to PECO after receiving service from an EGS
- Eight (8) solicitations to procure Default Service Supply will be held in March and September of each year 2017 - 2020
- Supply procured generally for the period June 1, 2017 to May
 31, 2021 but some contracts extend beyond June 2021
- Full requirements service includes energy, capacity, ancillary services, certain transmission services, and Alternative Energy Portfolio Standard ("AEPS") requirements

Customer Classes in DSP IV

Class	Description	Criteria
RES	Residential	All Residential Customers
SC	Small Commercial	Less than 100 kW of annual peak demand
CCI	Consolidated Large Commercial and Industrial	100 kW or greater of annual peak demand

DSP IV Tranches

 Default Load for each Class is divided into a number of tranches, each representing a fixed percentage of the Default Load for the Class

Class	Total Tranches	% Size of a Tranche	Total Peak (MW)	Default Peak (MW)	MW- Measure of a Tranche
RES	62	1.60%	3,688.71	2,557.07	40.83
sc	24	4.17%	1,086.56	468.84	19.53
CCI	8	12.50%	3,351.56	196.31	24.54

Products in this Solicitation

- A product has three labels: the Class, the length of the supply period,
 and the start of the supply period
- Products procured in this solicitation:
 - RES-12-Dec19 and RES-24-Dec19
 - SC-12-Dec19 and SC-24-Dec19
- Load caps: a Default Supplier cannot supply more than 50% of Default Load for a Class at any point in time

Residential Products and Load Caps

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps for RES Class
RES-12- Dec19	12	Won more than 19 tranches of RES-24-Jun18, RES-24-Dec18, RES-12-Jun19, and RES-24-Jun19	31 less tranches of RES- 24-Jun18, RES-24-
RES-24- Dec19	9	Won more than 22 tranches of RES-24-Jun18, RES-24-Dec18, RES-12-Jun19, and RES-24-Jun19	Dec18, RES-12-Jun19, and RES-24-Jun19

Small Commercial Products and Load Caps

Products	Available Tranches	Load Caps Apply to an RFP Bidder When an RFP Bidder Has:	Load Caps	
SC-12-Dec19	6	Won more than 6 tranches of SC-24-Jun18, SC-24-Dec18, SC-12-Jun19, and SC-24-Jun19	12 less tranches of SC-24- Jun18, SC-24-Dec18, SC- 12-Jun19, and SC-24-	
SC-24-Dec19	3	Won more than 9 tranches of SC-24-Jun18, SC-24-Dec18, SC-12-Jun19, and SC-24-Jun19		

Schedule

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY		
August						
26	27	28	29	30		
			Part 1 Form Available			
		September				
2	3	4	5	6		
Labor Day		Part 1 Window Opens				
9	10	11	12	13		
	Part 1 Date (Part 1 Window Closes)		Part 1 Notification Date	Part 2 Window Opens		
16	17	18	19	20		
		Bid Submission Training	Part 2 Date (Part 2 Window Closes)			
23	24	25	26	27		
Part 2 Notification Date	Bid Date (Bids are Due)	IE provides its report to the Commission	Commission Decision (close of business)			

PUC Approval Process

- RFP results are contingent on final PUC approval
- Independent Evaluator submits confidential report on winning bids to PUC on the day after Bid Date
- The PUC will issue a decision within one business day of receipt of confidential report
- Information regarding solicitation released within 15 days of the close of the solicitation

Proposal Process is Online

- Part 1 and Part 2 Proposal will be submitted through online forms
- Completely online (almost!)
 - Provide required information
 - Upload supporting documents
 - Upload scanned signature pages ("Inserts")
 - Hardcopy only for Pre-Bid Letter of Credit required by the Part 2 Proposal

Accessing the Proposal Website

- The URL for the proposal website is <u>DSPproposal.com</u>
- The site is also accessible from links on the RFP website





PECO Procurement For Default Supply

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Background

Supplier Information

Data Room

Calendar

Contact Us

Online Proposal Website

Welcome to PECO Energy Company's ("PECO") website for the purchase of supply starting June 2017 under its fourth Default Service Program ("DSP IV"). The Pennsylvania Public Utility Commission ("PaPUC" or "Commission") rendered a decision on PECO's DSP IV (Docket No. P-2016-2534980) in its Order dated December 8, 2016.

There will be eight (8) solicitations to procure Default Supply for the period June 1, 2017 through May 31, 2021 and for a portion of the requirements for the period beyond June 1, 2021. Solicitations are expected to be held in March and September of each year, starting with a solicitation in March 2017 and ending with a solicitation in September 2020.

There are three classes of customers: the residential class, the small commercial class, and the consolidated large commercial and industrial class. Default Supply is procured through a Request for Proposals ("RFP") process for various supply periods. The RFP will procure tranches for full requirements service on a fixed-price basis for the residential and

Click here for the Online Proposal Website

Contact Us

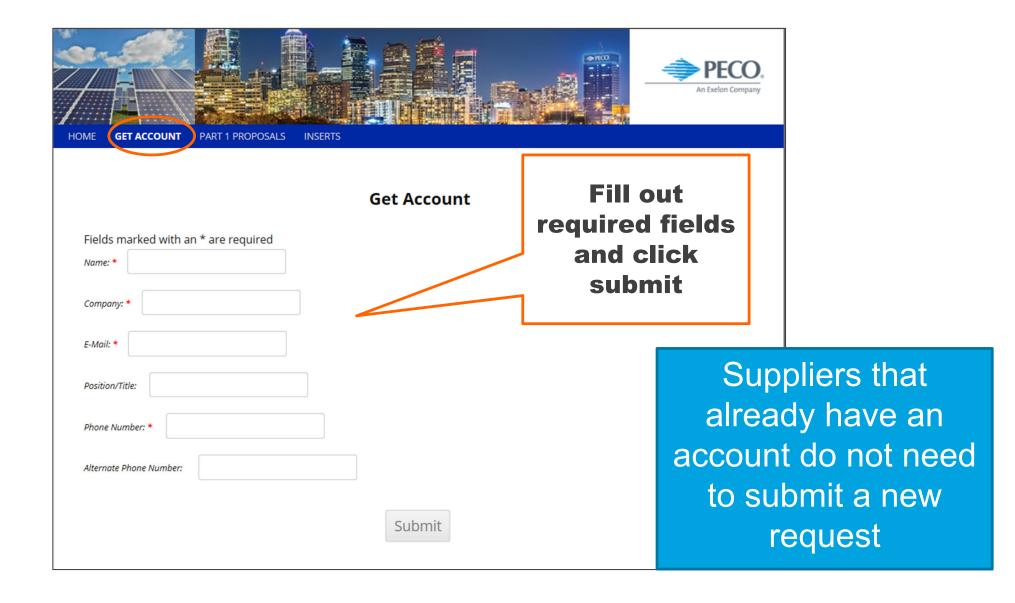
Important Dates:

- Tue 9/10/2019 Part 1 Date (Part 1 Window Closes)
- Thu 9/19/2019 Part 2 Date (Part 2 Window Closes)
- Tue 9/24/2019 Bid Date (Bids are Due)

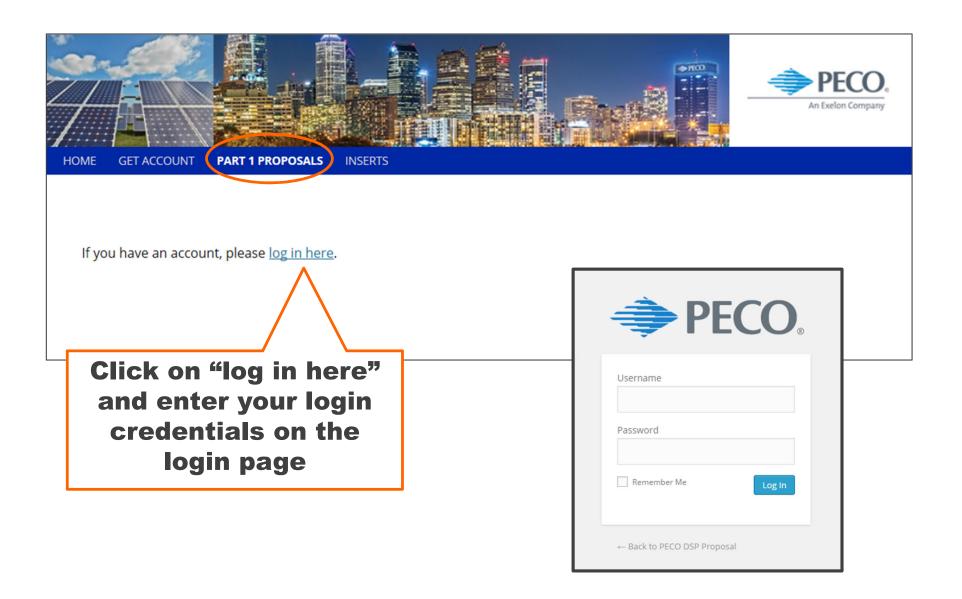
3 Steps to Get Started



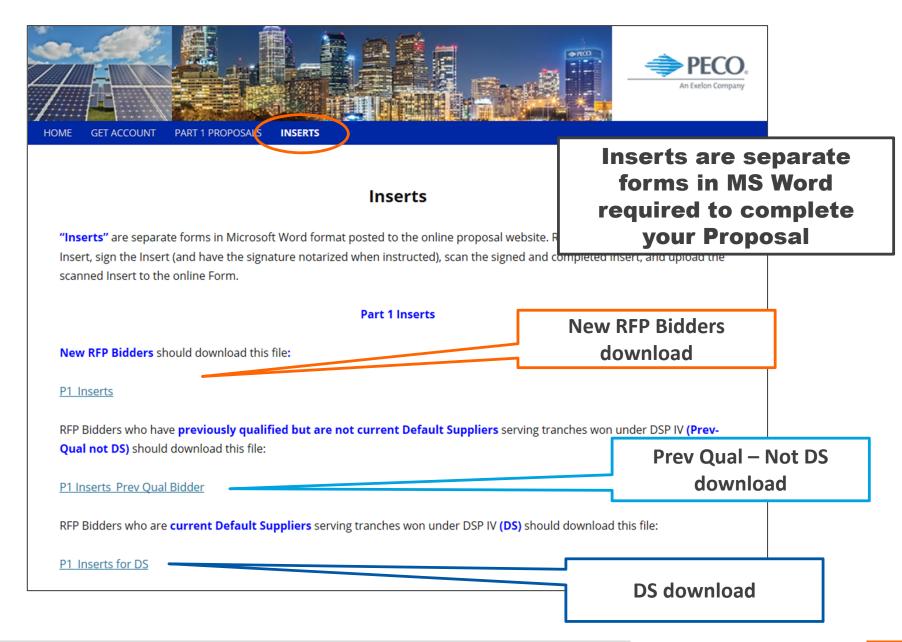
Step 1. Request an Account



Step 2. Log In



Step 3. Download the Inserts





Contract and Rates



Contract

- PECO uses the Uniform SMA developed for DSP III
- While the SMA is uniform across EDCs in PA, some EDCspecific provisions are included
 - Assign responsibility for generation deactivation charges to PECO (charges will be collected through its non-bypassable transmission rate)

Credit Requirements

- Credit exposure to PECO is based on Mark-to-Market exposure calculations net of Accounts Receivable / Accounts Payable to Supplier
- Performance assurance requirements will depend upon a credit evaluation using criteria specified in the Uniform SMA
- Standard Guaranty and Post-Bid Letter of Credit provided as exhibits to Uniform SMA

AEPS Requirements

- Default Suppliers are responsible for providing Alternative Energy Credits
 ("AECs") during the term of the Uniform SMA for PECO to comply with the
 AEPS Act, as well as other Orders, regulations and rules
- Each AEC is issued for each MWh of generation from a qualified alternative energy system
- Solar credits must be compliant and eligible to be retired in Pennsylvania in accordance with implementation of Act 40 of 2017
- If AEPS requirements change Default Suppliers are responsible to comply with any new obligations
- Each Default Supplier specifies the average cost for Non-Solar Tier I, Solar Tier I and Tier II AECs as part of the Transaction Confirmation process

		Percent of Total Retail Electric Sales			
Reporting Year	Time Period	Tier I	Solar Tier I	Tier II	
14	6/1/19 – 5/31/20	7.50%	0.4433%	8.20%	
15	6/1/20 – 5/31/21	8.00%	0.5000%	10.00%	
16	6/1/21 – 5/31/22	8.00%	0.5000%	10.00%	

PECO's Allocation of Separately Procured AECs

- Under the Uniform SMA, a Default Supplier's AEPS obligation will be reduced by the number of AECs allocated to the Default Supplier in the Transaction Confirmation
 - Prior to the opening of the Part 1 Window in each solicitation,
 PECO announces the allocation of AECs to each tranche (see next slide)
 - Any PECO AECs allocated to Default Supplier's AEPS Obligation remain the property of PECO and are not transferred to the Supplier

PECO's Allocation of Separately Procured AECs for this Solicitation

AECs will be allocated to each tranche as follows:

Product	Time Period	Tier I (non-solar) AECs per Tranche	Tier I (solar) AECs per Tranche	Tier II AECs per Tranche
RES-12-Dec19	12/1/19 – 5/31/20	0	70	0
RE3-12-Dec19	6/1/20 – 11/30/20	0	0	0
	12/1/19 – 5/31/20	0	80	0
RES-24-Dec19	6/1/20 – 5/31/21	0	80	0
	6/1/21 – 11/30/21	0	0	0
SC-12-Dec19	12/1/19 – 5/31/20	0	70	0
	6/1/20 - 11/30/20	0	0	0
SC-24-Dec19	12/1/19 – 5/31/20	0	80	0
	6/1/20 - 5/31/21	0	80	0
	6/1/21 – 11/30/21	0	0	0

Rate Translation: Determination of Retail Rates

- The Default Service rates for a Class are determined on the basis of prices determined through the RFP
- For the RES Class, rates also include purchases by PECO for approximately 1% of the Default Load
- Rates also incorporate a quarterly true-up and administrative costs (See PECO's GSA Tariff)
- A Default Service rate calculation model is posted to the PECO website:
 - https://www.peco.com/MyAccount/MyService/Pages/ElectricPricetoCompare.aspx

New York Power Authority Contract

- Under a multi-state arrangement, PECO receives for the benefit of its residential customers an annual allocation of capacity and associated energy from the St. Lawrence hydroelectric project operated by the New York Power Authority (NYPA) and administered by the Allegheny Electric Cooperative, Inc as NYPA's bargaining agent
- Allocation is dependent upon the number of residential customers PECO serves; PECO's allocation for PY 2019/20 is 5.43 MW
- Supplier's residential tranches are a share of the Default Load for the Residential Class, which excludes this allocation



RFP Process Details



Overview of RFP Process



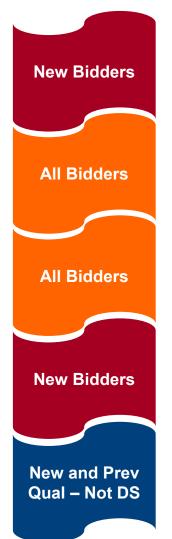
Alternate Guaranty Process (Optional)

- RFP Bidders with corporate policies that preclude them from using the standard guaranty can request consideration by PECO for an alternate guaranty form
- Requests for review were due by August 13, 2019
- RFP Bidders will have the opportunity to propose modifications to the Standard Guaranty during the Part 1 Window

Part 1 Proposal

- There are three types of RFP Bidders for the purposes of the Part 1 Proposal:
 - New RFP Bidders (that have not previously qualified under DSP IV)
 - 2. **Default Suppliers** (that have previously qualified and have executed a Uniform SMA for tranches won under DSP IV)
 - 3. Prev Qual Not DS (that have previously qualified but have not executed a Uniform SMA for tranches won under DSP IV)
- Default Suppliers and Prev Qual Not DS RFP Bidders may be eligible to use an abbreviated Part 1 Proposal Process
- The following slides outline the requirements of the Part 1 Proposal Process
 - Unless otherwise indicated, RFP Bidders participating in the abbreviated process may be asked to update or confirm the information previously provided

Part 1 Requirements



- 1. Bidder Information and Contact Information for Officer and Representative
- 2. Nominees (optional)
- 3. Financial Statements and Credit Ratings
- 4. Additional requirements for Agency Agreement (if applicable)
- 5. Information to prepare the SMA

Part 1 Requirements cont.



- 6. Modifications to the Standard Letters of Credit (LOCs) and Standard Guaranty
 - Responses to proposed Pre-Bid LOC and Standard Guaranty modifications within 2 business days
 - Responses to proposed Post-Bid LOC modifications within 7 business days
 - All approved modifications are posted to the Supplier Information page of the RFP website before the Part 2 Window

Good Idea! Check list before proposing modifications

Go to Pecoprocurement.com→
Supplier Information→
Documents

Part 1 Requirements cont.



7. Make Certifications and Representations

All Bidders

8. Foreign RFP Bidders and Foreign Guarantors (if applicable)

All Bidders

- 9. Justification of Omissions
 - if any of the information cannot be provided, explain here to avoid a Deficiency Notice
 - Also space for additional uploads

Part 1 Proposal Due on Tuesday, September 10, 2019

Additional Details on Roles

- Officer of the RFP Bidder: must be able to undertake contracts (including the Uniform SMA) and bind the RFP Bidder
- Correspondence will be sent to the "Bidder Team"
 - Representative: acts as main point of contact and receives all correspondence related to the solicitation
 - Nominees: Officer or Representative can designate up to three (3) authorized individuals to receive communications in addition to the Representative

Part 1 Notification

 An RFP Bidder is notified whether it has qualified to submit a Part 2 Proposal by Thursday, September 12, 2019 (the Part 1 Notification Date)

Contents

- Credit assessment based on financials submitted with the Part 1 Proposal
- Customized Bid Form and instructions for bid submission
- Confidential Login information to test secure file transfer system during training and to submit Bids on the Bid Date

Part 2 Requirements

Online Form

- 1. Certifications and Representations
- 2. RFP Bidders have additional requirements if
 - relying on the financial standing of a Guarantor
 - submitting a proposal with a foreign entity as RFP Bidder, Guarantor or Principal

Hardcopy in our Offices

3. Pre-Bid Letter of Credit

Part 2 Proposal Due on Thursday, September 19, 2019

Part 2 Proposal Credit Requirements

- All RFP Bidders must submit an executed Pre-Bid Letter of Credit
 - \$250,000 per tranche bid on the RES and SC products
- Maximum amount of Pre-Bid Letter of Credit:
 - \$7.5M
 - Depending on load caps, not all RFP Bidders will be able to bid on all tranches
- Must use standard form, or standard form incorporating only approved modifications posted to the RFP website



Bid Submission Process



What is a Bid?

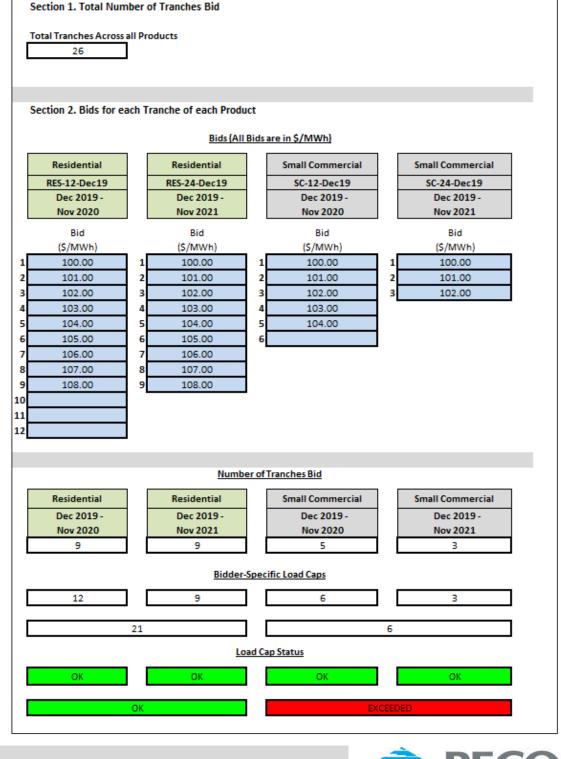
- A Bid is a price in \$/MWh for one tranche of a product
 - Automatically rounded to the nearest cent
 - Binding until six (6) business days after the Bid Date
 - Must be supported by sufficient security
- Bids will be evaluated by the Independent Evaluator on a price-only basis

Bid Form

Enter Prices

Running Totals

Check Load Caps



Bid Date Process

- Bids must be submitted between 10 AM and 12 PM noon on Tuesday, September 24, 2019 (Bid Date)
 - Bids submitted online through a secure file transfer system
 - Independent Evaluator calls and confirms receipt within 15 minutes
 - If there are errors, RFP Bidder has only until noon to correct them. RFP Bidders are encouraged to submit early for this reason!
 - By 6 PM on the Bid Date, Independent Evaluator determines provisional winning bids, and informs RFP Bidders whether or not they are provisional winners

RFP Bidders may participate in a training session on September 18, 2019

Post-Bid Process

Date	Action
Wednesday,	 RFP Bidders provide information to prepare the Uniform
September 25,	SMA and guaranty (if applicable) if not provided with the
2019	Part 1 Proposal
Thursday,	 PUC Issues a Decision Independent Evaluator provides PECO with Uniform
September 26,	SMA and guaranty (if applicable), and transaction
2019	confirmations
by Monday,	 PECO executes transaction confirmation, the Uniform SMA
September 30,	and guaranty (if applicable) and sends by email/fax and
2019	overnight delivery service
Tuesday, October 1, 2019	 RFP Bidders execute and return the Uniform SMA (including transaction confirmation) and guaranty RFP Bidders post additional security if needed

Information Released to Public

- Key information about prices is released 15 days after the solicitation:
 - Weighted average winning bid price by product
 - Number of tranches of each product procured



The RFP Website



Central Source for RFP Information

www.pecoprocurement.com

- Supplier and regulatory documents
- Data Room with historical data (2006-Present)
- Calendar page
- Contact us page to register to receive email announcements
- Archive page of postings from past solicitations

Ask a Question

- Contact Us / Ask a Question
 - RFP Bidder questions answered within 2 business days
 - New FAQs posted to RFP website every Wednesday (without identifying information)
 - Supplier Information / FAQs



Independent Evaluator Address

Please send your Pre-Bid Letter of Credit 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



Questions?

