

**1803 Electric Cooperative, Inc.**  
**2019 Request for Proposals for  
Long-Term Capacity and  
Energy Resources**

# Conference Introduction

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- Purpose of Conference
  - To Provide a General Overview of 1803's Long-Term RFP and to Afford Interested Persons the Opportunity to Ask Questions
- Best Efforts Will Be Made to Answer All Questions Received at Today's Conference
- Administrative
  - Please Mute Phones
  - Do Not Place Phones on Hold
  - In the Event of Inconsistency Between This Presentation and RFP Documents, the Final RFP Documents Will Govern

# Introductions

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- 1803 Electric Cooperative, Inc.
  - Joe Ticheli                      South Louisiana Electric Cooperative
  - Brian Rivet                      South Louisiana Electric Cooperative
  - Walt Sylvest                      Washington-St. Tammany Electric Cooperative
  - Nora Pylant                      Northeast Louisiana Power Cooperative
  - Jackie Johnson                      Northeast Louisiana Power Cooperative
  - Bill Dye                      Claiborne Electric Cooperative
  - Ron Marshall                      Beauregard Electric Cooperative
  - Kyle Marionneaux                      Counsel for 1803
  - Kara Kantrow                      Counsel for 1803

# Introductions

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- RFP Administrator
  - Jason Painter RFP Lead
  - Chris Haas RFP Oversight
  - Melissa Fischer RFP Process Control Team
  - Steve Zwilling RFP Process Control Team
  - Courtney Stooksbury Parker RFP Process Control Team
  - Kevin Suhanic Portfolio Strategy and Analysis Team
  - Ryan Evans PPA Evaluation Team
  - Chris York PPA Evaluation Team
  - Derek Waite PPA Evaluation Team

# RFP Overview

# RFP Questions and Communication

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- Questions or Requests for Clarifying Information Must Be Directed Through the Designated RFP Email Address:  
[1803RFP2019@acespower.com](mailto:1803RFP2019@acespower.com)
- The RFP Process Control Team Will Post Questions and Answers to the RFP Website:  
[www.acespower.com/1803LTRFP2019](http://www.acespower.com/1803LTRFP2019)
- Any Unsolicited Contact With 1803 Personnel, Member Cooperative Personnel, or the RFP Administrator Personnel By Potential Bidders is Not Permitted and May Constitute Grounds for Disqualification

# RFP Overview

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- 1803 is Conducting This RFP to Efficiently and Reliably Meet the Future Power Supply Requirements of Its Member Cooperatives
- The Objectives of 1803 and Its Member Cooperatives Are Uniform and Consistent With the Stated Purpose of the LPSC's MBM Order:
  - “To Provide Reliable Service at the Lowest Reasonable Cost”*
- Two-Phase RFP

# RFP Overview

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- Need for Power Supply Resulting From Expiration of Current Wholesale Power Supply Contracts
  - Initial Obligation Begins on January 1, 2025
  - All Member Cooperatives on New Supply on April 1, 2025
- Eligible RFP Participants – Including, But Not Limited to:
  - Electric Utilities
  - Power Marketers
  - Wholesale Generators
  - Independent Power Producers
  - Renewable Developers

# RFP Overview

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- 1803 Intends to Contract for the Optimal Product(s) to Meet Its Future Power Supply Needs
- The Optimal Portfolio May Be a Single Contract or Comprised of Multiple Proposals From Multiple Bidders
- 1803 is Seeking Proposals From Qualified Bidders Capable of Providing All or Portions of Its Future Power Supply Needs
- 1803 Will Accept Multiple Compliant Proposals From a Bidder

# RFP Overview

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- 1803 Will Not Purchase, Assume Ownership of, or Acquire Any Generating Assets as a Result of This RFP
- All Proposals Must Be Submitted in Accordance With the Appropriate Power Purchase Agreement Evaluation Form

# Tentative Schedule

Activity*	Target Date*
Technical and Bidders' Conference	January 16, 2020
Deadline for Bidder Comments	January 22, 2020
Final Version of 2019 Long-Term RFP	January 31, 2020
Deadline for Bidder Registration	February 12, 2020
Phase 1 Proposal Submission Deadline	February 25, 2020
Notification of Phase 1 Results	July 1, 2020
Phase 2 Proposal Submission Deadline	July 14, 2020
Winning Bidders Notified (as Early as)	October 19, 2020
Final PPA Execution (Subject to LPSC Approval)	October 30, 2020
File Certificate Application(s) With LPSC (as Early as)	November 6, 2020

\*Activities and Dates Are Subject to Change

# **RFP Process Control Team**

## Process Control Team

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- Per Section 4.10 of the RFP, the RFP Process Control Team Will Ensure All Proposal Documents Are Maintained in a Secure Location, Accessible Only to Appropriate RFP Personnel and All Identifying Bidder Information is Appropriately Redacted
- This Process Maintains a Fair, Consistent, and Equitable Evaluation Process
- Each RFP Team is Separate and Independent of Each Other
- The RFP Personnel Will Be Bound By the Terms of Confidentiality Agreements

# Bidder Registration

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- Per Section 4.8 of the RFP, Bidders Must Submit a Properly Completed Bidder Registration Form, Appendix D, to the RFP Email Address, [1803LTRFP2019@acespower.com](mailto:1803LTRFP2019@acespower.com), By 5:00 p.m. CPT on February 12, 2020
- Upon Receipt, the RFP Process Control Team Will Acknowledge Receipt Via Email and Furnish Each Bidder With a Unique Bidder Identification Code

# Submission of Proposals

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- Per Section 4.9 of the RFP, Bidders Must Electronically Submit Proposals to the RFP Email Address by 5:00 p.m. CPT on February 25, 2020
- All Proposals Must Be Submitted in Accordance With the Instructions and on the Forms Provided in Appendices B-1 Through B-6, as Applicable
- Original Signature Pages Must Be Physically Received By March 3, 2020

# Overview of Requested Proposals

# Designated **Generation Resources**

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- Baseload, Intermediate, Peaking, or Renewable Generation
  - Existing or New Resources
- Resource Must Be Designated a MISO Network Resource
- Minimum Capacity Quantity of 50 MW
- Preference Given to Resources Delivering to MISO LRZ 9
- Contract Terms: 5 to 20 Years
- Appendix B-1: Non-Renewable Designated Generation Resources
- Appendix B-2: Renewable Designated Generation Resources

# Firm Load Following Obligation

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- Firm, Non-Interruptible Energy and Capacity Required to Meet 1803's Hourly Real-Time Obligation, Including PRMR
- Minimum 5%, Maximum 100% of 1803's Real-Time Hourly Obligation, Including PRMR
- Preference Will Be Given for Proposals at Arkansas Hub or Louisiana Hub, Other Locations Will Be Considered
- Contract Terms: 5 to 20 Years
- Appendix B-3

# Energy **Only Blocks**

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- Monthly, Seasonal, Quarterly, or Annual Products
- 7x8, 2x16, 5x16, 7x16, 7x24, or Wrap
- Minimum Quantity of 25 MW
- Preference Will Be Given for Proposals at Arkansas Hub or Louisiana Hub, Other Locations Will Be Considered
- Contract Terms: 5 to 20 Years
- Appendix B-4

# Capacity Only

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- Preference Will Be Given to MISO Zone 9 ZRCs
  - If Proposal for Another MISO Zone, Bidder Shall Designate Which Party is Responsible for Delivery Risk
- Minimum Quantity of 25 MW
- No Minimum Contract Term
- Maximum Contract Term: 20 Years
- Appendix B-5

# Call Option

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- Monthly, Seasonal, Quarterly, or Annual
- 7x16 or 7x24
- Minimum Quantity of 25 MW
- Manual Strike or Auto-Settle
- Preference Will Be Given for Proposals at Arkansas Hub or Louisiana Hub, Other Locations Will Be Considered
- No Minimum Contract Terms
- Maximum Contract Term: 20 Years
- Appendix B-6

# PPA Evaluation Team

# Credit Evaluation Team

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- Per Section 4.12 of the RFP, the Credit Evaluation Team Will Evaluate Creditworthiness of Bidders
- Credit Assessment in Line With Industry Standards:
  - Tangible Net Worth Evaluation
  - Historical and Projected Measures of Cash Flow and Liquidity
  - Historical and Projected Leverage
  - Calculation of Credit Ratios
  - Earnings Volatility
  - Reviewing Unsecured or Issuer Credit Ratings

# Credit Evaluation Team

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- Composite Score Calculated for Each Bidder
  - Score Converted to a Scaled Score
  - Scaled Score Will Be Utilized When Comparing Bids as Part of the Criteria Outlined in Section 4.13 of the RFP
- Credit Evaluation Team May Request Additional Financial Information
- Credit Support May Be Required to Be Posted in a Form Acceptable to 1803 and the Credit Evaluation Team

# Contract Evaluation Team

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- Per Section 4.12 of the RFP, the Contract Evaluation Team Will Evaluate PPAs Provided By Bidders to:
  - Determine Appropriateness of Terms and Conditions in Meeting the Needs of 1803
  - Determine Conformance With Desired Contract Terms Outlined in Appendix E
- The Contract Evaluation Team Consists of a Multi-Disciplinary Team Comprised of Subject Matter Experts in Contracts, Credit, Operations, and Other Relevant Disciplines

# **Portfolio Strategy and Analysis Team**

# Proposal Evaluation

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- Per Section 4.13 of the RFP, the Portfolio Strategy and Analysis Team Will Perform Multi-Step Modeling Process to Evaluate Proposals
- Phase 1: Proposals Evaluated Using Levelized Cost Analysis
  - Levelized Costs Across Each Product Compared
  - Most Economic Proposals in Each Category Will Be Considered for the Next Step of Analysis

# Proposal Evaluation

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- 1803's Proposal Evaluation Criteria
  - Expected Cost of Serving 1803's Load
  - Potential Volatility and Market Risk
  - Exposure (Lack of) to Future Environmental Regulations
  - Exposure (Lack of) to Future Cost Increases Passed Through
  - Length of Contract Term for a Given Cost
  - Counterparty Creditworthiness
  - Desired Contract Terms
  - Renewable Generation Attributes
  - Location of Resources, Near Load or in Same MISO Zone

# Proposal Evaluation

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- Utilize Portfolio Modeling Tools to Evaluate Proposals in Isolation and as Part of Portfolio
  - Portfolio Model Used to Forecast Variable Costs and Revenues
  - Inputs Include Load Forecasts, Forward Power Prices, and Proposal Unit Assumptions
    - Forward Natural Gas Prices (for Heat Rate Call Options or Other Offers With Floating Fuel Costs)

# Proposal **Evaluation**

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- Phase 2 Analysis Similar to Phase 1
- Evaluation Based on Portfolio(s) of Combined Supply Options
  - Except Full Requirements, Treated as Individual Portfolio
- Scenarios of Potential Portfolios Created
  - Portfolios Must Be Low Cost and Low Risk
  - Total Cost to Serve Load Compared Across All Scenarios

# Proposal **Evaluation**

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- Only the Most Economical Scenarios Will Be Analyzed Using Stochastic Model Runs
- Added Benefit of Stochastic Model Runs is Risk Analysis
- Goal is to Develop Portfolio With Best Balance of:
  - Economics
  - Risk
  - Other Goals, Given 1803's Risk Tolerance

# Question and Answer Session