

1803 Electric Cooperative, Inc.

Informational Filing Containing Final
2019 Request for Proposals for
Long-Term Capacity and Energy Resources

LPSC DOCKET NO. X-35283

November 26, 2019

Contents

1.	General Information.....	4
1.1	Introduction	4
1.2	Independent Monitor.....	5
1.3	Inter-Affiliate Rules.....	6
1.4	Integrated Resource Plan (IRP)	7
2.	Demonstration of Need.....	7
2.1	Energy and Capacity Obligations.....	7
2.2	Completion of Full-Requirements Agreements.....	8
3.	2019 Long-Term RFP	8
3.1	Overview of the 2019 Long-Term RFP	8
3.2	RFP Administrator	9
3.3	Basic Requirements for PPA Proposals	11
3.3.1	PPA Proposals for Designated Generation Resources.....	11
3.3.2	PPA Proposals for Firm Load Following Obligation	12
3.3.3	PPA Proposals for Energy Only Blocks	13
3.3.4	PPA Proposals for Capacity Only Product.....	14
3.3.5	PPA Proposals for Call Option Product.....	14
3.4	Multiple Proposals.....	16
4.	Instructions to Bidders.....	16
4.1	Two-Phase RFP Proposal Process	16
4.2	Confidential Information and Confidentiality Agreements	17

1803 Electric Cooperative, Inc.
Information Filing Containing Final 2019 Request for
Proposals for Long-Term Capacity and Energy Resources

4.3	RFP Schedule	18
4.4	Modification or Cancellation of the 2019 Long-Term RFP.....	19
4.5	Technical and Bidders Conference; Technical and Bidders Conference Call	19
4.6	Question and Comment Process and Issuance of Final Version of the 2019 Long-Term RFP	20
4.7	Additional Questions and Comments	21
4.8	Bidder Registration.....	22
4.9	Submission of Proposals.....	22
4.10	Receipt of Proposals and Redaction.....	24
4.11	Screening for Requirements.....	25
4.12	PPA Evaluation Team	25
4.13	Portfolio Strategy and Analysis Team	27
4.14	Notification of Evaluation Results and Negotiations.....	30
5.	Regulatory Approvals	30
6.	Reservation of Rights.....	31
Appendices (Available on the Website Indicated Below)		
A	Peak Forecast and Capacity Need Assessment	
B-1	PPA Evaluation Form for Non-Renewable Designated Generation Resources	
B-2	PPA Evaluation Form for Renewable Designated Generation Resources	
B-3	PPA Evaluation Form for Firm Load Following Service	
B-4	PPA Evaluation Form for Energy Only Blocks	
B-5	PPA Evaluation Form for Capacity Only Products	
B-6	PPA Evaluation Form for Call Option Products	
C	Confidentiality Agreement	
D	Bidder Registration Form	
E	Desired Contract Terms	

www.acespower.com/1803LTRFP2019

1. General Information

1.1 Introduction

1803 Electric Cooperative, Inc. (1803) is a Louisiana electric cooperative incorporated on April 1, 2019, and organized pursuant to La. R.S. 12:401 et seq. 1803 is a member-owned electric cooperative consisting of five member electric cooperatives: Beauregard Electric Cooperative, Inc.; Claiborne Electric Cooperative, Inc.; Northeast Louisiana Power Cooperative, Inc.; South Louisiana Electric Cooperative Association; and Washington-St. Tammany Electric Cooperative, Inc. (hereinafter referred to collectively as the "Member Cooperatives").

The Member Cooperatives have full-requirements wholesale power supply contracts that expire in the 2025-2026 timeframe. The Member Cooperatives have formed 1803 in order to combine their power needs and to jointly seek power supply opportunities to fulfill the power needs for the Member Cooperatives upon the completion of their current full-requirements wholesale power supply contracts. 1803 will be regulated by the Louisiana Public Service Commission (LPSC or Commission).

Through 1803, the Member Cooperatives will fully explore available power supply solutions and will conduct a Request for Proposals (RFP) in accordance with the LPSC's established process. This Informational Filing Containing Draft 2019 Request for Proposals for Long-Term Capacity and Energy Resources (2019 Long-Term RFP), is thus submitted in compliance with the LPSC's Market Based Mechanism Order (MBM Order),¹ which supplements the LPSC's 1983 General Order.²

¹ General Order, issued April 10, 2002, in Docket No. R-26172, amended and superseded by General Order issued February 16, 2004, in Docket No. R-26172, Sub-docket A, amended by Special Order 33-2006, issued July 28, 2006, in Docket No. R-26172, Sub-docket B, and amended and superseded by General Order, issued November 3, 2006, in Docket No. R-26172, Sub-docket B, and amended and superseded by General Order, issued October 29, 2008, in Docket No. R-26172, Subdocket C (Market Based Mechanism Order or MBM Order).

² General Order, issued September 20, 1983, as amended and superseded by General Order (Corrected), issued May 27, 2009, in Docket No. R-30517 (1983 General Order).

Winning proposals selected pursuant to the 2019 Long-Term RFP will require LPSC approval and certification under the 1983 General Order, as described in Section 5. Upon LPSC approval, following the completion of the RFP and LPSC certification of all involved contracts, 1803 will enter into a contract or contracts with the winning bidder(s) to meet the power supply requirements of the Member Cooperatives beyond their existing full-requirements wholesale power supply contracts.

All documents and communications related to the 2019 Long-Term RFP may be accessed on the 1803 Long-Term RFP website:
www.acespower.com/1803LTRFP2019.

To efficiently and reliably meet the power supply requirements of the Member Cooperatives' members, 1803 is issuing the 2019 Long-Term RFP seeking to replace the existing full-requirements wholesale power supply contracts of the Member Cooperatives. The objectives of 1803 and the Member Cooperatives are uniform and consistent with the requirements of the MBM Order in that they seek the resources that will allow them to provide reliable service at the lowest reasonable cost.

To fulfill the Member Cooperatives' power supply requirements, 1803 needs to secure up to approximately 1,000 MW of resources, some of which will need to be available by April 1, 2025, and all of which will need to be available by January 1, 2026, subject to certain exceptions. The need for resources by 1803 is due to the completion of the existing full-requirements wholesale power supply contracts of the Member Cooperatives. 1803 is issuing this 2019 Long-Term RFP to replace these existing full-requirements wholesale power supply contracts. The energy and/or capacity proposals solicited in the 2019 Long-Term RFP will enable 1803 to meet its long-term power supply obligations beginning April 1, 2025.

1.2 Independent Monitor

The MBM Order requires the appointment of an independent monitor (IM) to oversee, on behalf of the LPSC, a utility's compliance with the inter-affiliate and self-build requirements of the MBM Order (see order paragraph 15). Specifically, the MBM Order defines the IM's oversight functions as follows:

- (a) The IM will review and track the utility's conduct of the RFP to ascertain that no undue preference is given to affiliates and their bids, self-build or self-supply projects. This will include, to the extent necessary, reviewing the draft RFP and the utility evaluation of bids, monitoring communications (and communications protocols) with market participants; monitoring adherence to codes of conduct; and monitoring contract negotiations.
- (b) The IM shall report to the LPSC Staff at appropriate intervals and facilitate regular communication between Staff and the utility on the RFP process. The IM will immediately report any irregularities, problems, or concerns with the RFP process to the utility and Staff. The IM shall also submit a final RFP evaluation report to Staff and the Commission, including any recommendations for improving the process.

The MBM Order further provides in footnote 5 that "(t)he requirement for an Independent Monitor is only applicable if a utility proposes a self-build, permits affiliate bidding or proposes self-supply."

Neither 1803, the Member Cooperatives, nor any affiliate thereof are proposing a self-build or self-supply option through this RFP. Accordingly, the 2019 Long-Term RFP does not require supervision by an IM pursuant to the MBM Order.

1.3 Inter-Affiliate Rules

The LPSC, in its MBM Order, requires objective and arm's-length RFP procedures for procuring significant power supplies. The MBM Order, in ordering paragraph 8(i), accordingly requires that 1803 in the 2019 Long-Term RFP adopt safeguards to ensure "the utility's merchant affiliate bid receives no preferential treatment, preferential access to information or unfair or improper advantage." In addition, the MBM Order, in ordering paragraph 8(h), requires 1803 "to protect the confidentiality of bids and bidder information and to ensure such information is not improperly used by the utility or its utility affiliates nor provided to the utility's merchant affiliate." Further, the MBM Order requires that the utility's informational filing must describe its "methods and safeguards" to meet the inter-affiliate and

self-build/self-supply requirements of the MBM Order, as well as any other applicable codes of conduct governing affiliate bids or inter-affiliate contracting (see ordering paragraph 8).

As stated in Subsection 1.2 above, neither 1803, the Member Cooperatives, nor any affiliate thereof are proposing a self-build or self-supply option; therefore, no inter-affiliate bidding is planned in this RFP.

1.4 Integrated Resource Plan (IRP)

The LPSC currently has Integrated Resource Planning (IRP) Rules³ which are to be used by jurisdictional investor-owned utilities regulated by the LPSC to develop long-term resource plans in order to satisfy the utility's load requirements. Under the IRP Rules, in conjunction with footnote 2, electric cooperatives are excluded from participation in IRP requirements. Accordingly, 1803 and the Member Cooperatives have not participated in the LPSC's IRP process to date.

2. Demonstration of Need

2.1 Energy and Capacity Obligations

The projected energy and capacity obligations for 1803 are forecast utilizing historical energy usage and projected normal future load growth provided by 1803 members. The load growth rate assumed for both peak and energy throughout the 25-year forecast period (2026 through 2050) is 1% annually. Historical load data is available to qualified bidders upon request.

The Member Cooperatives of 1803 are load-serving entities (LSE) of the Midcontinent Independent System Operator, Inc. (MISO) and have a total obligation, referred to as Planning Reserve Margin Requirement (PRMR), equal to its peak load forecast plus a planning reserve margin (PRM) of approximately 7.75%. The PRM will be established by MISO prior to each planning year. In addition to serving its energy obligations, 1803 will be obligated to procure

³ LPSC General Order dated April 18, 2012 (Corrected April 20, 2012), Docket No. R-30021 - LPSC, ex parte. In re: Development and Implementation of Rule for Integrated Resource Planning for Electric Utilities.

capacity, known as Zonal Resource Credits (ZRC) equal to its PRMR for each planning year prior to the start of the planning year. Each MISO planning year begins on June 1 and continues through May 31 of the following year. The PRMR is the number of ZRCs required to meet an LSE's Resource Adequacy Requirements (RAR). The RAR is established to ensure that LSE's have enough planning resources to reliably serve load.

1803's forecast peak system demand, with the additional PRM MW included, is 977 MW for 2026 and 1,242 MW for 2050. The projected future energy and capacity obligations are detailed in Appendix A.

2.2 Completion of Full-Requirements Agreements

On June 28, 2019, 1803 provided notice to the LPSC of its intent to conduct an RFP competitive solicitation process for long-term power purchase contracts and/or generating capacity to serve 1803's Member Cooperatives' obligations. As a result of this notice, 1803 will become the full-requirements provider for the entirety of the load-serving obligations for its Member Cooperatives upon completion of the current full-requirements wholesale power supply contracts. With the exception of 32 MW of hydro resources, 1803 does not own or have contractual rights to any generation resources. Therefore, 1803 will likely enter into a variety of power purchase agreements (PPA) to fulfill the energy and capacity obligations of its Member Cooperatives.

1803 will begin serving the full-requirements energy and capacity obligations for Claiborne Electric Cooperative, Inc. and Washington - St. Tammany Electric Cooperative, Inc. on April 1, 2025; Beauregard Electric Cooperative, Inc. and South Louisiana Electric Cooperative Association on June 1, 2025; and Northeast Louisiana Electric Power Cooperative, Inc. on January 1, 2026.

3. 2019 Long-Term RFP

3.1 Overview of the 2019 Long-Term RFP

1803, by means of the 2019 Long-Term RFP, intends to purchase a reliable, competitive and diverse power supply portfolio to meet its long-term load-serving obligations. 1803 requests proposals for energy and/or capacity from all types of suppliers including, but not limited to: electric utilities, power marketers, exempt wholesale generators, independent power producers, and renewable developers.

Subject to the limitations specified in this RFP, 1803 will consider proposals for all types of resources as well as energy only, capacity only, and call option proposals. 1803 will evaluate all offers using the criteria and procedures specified in this RFP. 1803 will not purchase, assume ownership of, or acquire any generating assets as a result of this RFP. All proposals for energy and/or capacity must be submitted in accordance with the appropriate Power Purchase Agreement Evaluation Form in Appendices B1-B6.

For purposes of this RFP, the terms bid(s) and bidder(s) shall have meaning and use consistent with their meaning and use in the MBM Order.

3.2 RFP Administrator

The duties of the RFP Administrator for the 2019 Long-Term RFP, as further described in Section 4, will be performed by Alliance for Cooperative Energy Services Power Marketing LLC (ACES). As the RFP Administrator, ACES' responsibilities will be delegated among three separate and independent teams: the RFP Process Control Team, as described in Subsections 4.9, 4.10 and 4.11; the PPA Evaluation Team, as described in Subsection 4.12; and the Portfolio Strategy and Analysis Team, as described in Subsection 4.13.

As RFP Administrator, ACES' suite of services and business model provide an established infrastructure of independent energy management practices that support the verification of, and compliance with, applicable processes, policies, and procedures. ACES manages a significant amount of confidential data through a combination of specific internal guidelines, the company's independent control group, the company's corporate compliance manager, and periodic reporting to the Board of Directors Risk Oversight and Audit Committee. ACES takes its

obligations regarding the maintenance of Confidential Information very seriously and we will handle all Confidential Information with the highest professional regard.

Additionally, ACES has periodic/annual independent examinations of its energy risk management controls:

- From 2002 through 2018, ACES engaged internationally recognized accounting firms to perform examinations of its risk control environment, in accordance with the American Institute of Certified Public Accountants Statements on Standards for Attestation Engagements No. 18 (SSAE 18) - Service Organizational Controls (SOC) Report 1 Type II;
- These voluntary SOC 1 examinations focused on ACES' risk control processes and procedures associated with the transaction execution services ACES provides as agent for its Clients in the energy markets;
- The scope of the examinations covered the following areas: Risk Oversight, Contract Administration, Credit, Trading Control, Position Valuation, Settlements, and Information Technology;
- ACES has received unqualified (clean) opinions on these examinations;
- ACES plans to undergo another independent examination of its energy risk management controls in 2019.

3.3 Basic Requirements for PPA Proposals

The RFP Process Control Team, the PPA Evaluation Team, and the Portfolio Strategy and Analysis Team shall evaluate proposals based on the appropriate price and the non-price factors discussed in Subsections 4.9, 4.10, 4.11, 4.12, and 4.13. All proposals will be reviewed by the RFP Process Control Team for accuracy and completeness. Any proposal deemed to not have met the requirements of this RFP may be discarded at the sole judgement and discretion of 1803, and will not be evaluated.

1803 intends to contract for the optimal portfolio, as further described in Subsection 4.13, of products which meets its future power supply needs based on the proposals received as a result of this RFP. The optimal portfolio may be comprised of multiple proposals submitted by multiple bidders. 1803 is seeking proposals from qualified bidders capable of providing all or portions of its future power supply needs.

The laws of the state of Louisiana shall govern all subsequent contracts and agreements resulting from the 2019 Long-Term RFP.

Bidders' responses may contain one or more of the following PPA proposals:

3.3.1 PPA Proposals for Designated Generation Resources

1803 is requesting proposals from bidders for a diverse variety of generation resources including, but not limited to: baseload generation, intermediate generation, peaking generation, and renewable generation. PPA proposals for designated generation resources may be for a new resource or an existing resource.

PPA proposals for non-renewable designated generation resources shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-1.

PPA proposals for renewable designated generation resources shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-2.

1803 will accept proposals from all types of generation resources. In order to be evaluated, proposals for designated generation resources must meet the following minimum qualifications:

- Minimum capacity quantity of 50 MW
- Must specify generation resource
- Resource must be designated a Network Resource for Resource Adequacy purposes by MISO
 - o In order to be considered a Network Resource for purposes of this RFP, bidder must have, or agrees to obtain, a quantity of network resource interconnection service (NRIS) from MISO sufficient to allow the resource to receive an amount of ZRCs a resource of its size could receive under applicable MISO rules, in order to allow bidder to fulfill its contracted ZRC obligations to 1803
 - o Bidders must have submitted, or agree to submit, an interconnection request for the generation resource to MISO as part of the next definitive planning phase (DPP) cycle after the 1803 2019 Long-Term RFP submission.
- MISO accredited or creditable capacity in the form of ZRCs
 - o Preference will be given to generation resources delivering to MISO Local Resource Zone (LRZ) 9
 - Proposals for generation resources delivering to MISO Zone 8 or Zone 10 may be considered
- Contract terms between five and twenty years

3.3.2 PPA Proposals for Firm Load Following Obligation

1803 is requesting proposals from bidders able to provide either all or a portion of its firm load following obligations. Firm load following service is defined as the firm, non-interruptible energy and capacity required to meet 1803's hourly real-time obligation, including MISO PRMR.

PPA proposals for firm load following service shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-3. Upon full execution of a Confidentiality Agreement, Appendix C, 1803 and/or the RFP Administrator will provide historical load data to any bidder providing a proposal for firm load following service or as requested by bidders for other legitimate business reasons.

In order to be evaluated, proposals for firm load following service must meet the following minimum qualifications:

- Supply minimum of 5% of 1803's real-time hourly load obligation
 - o Must supply corresponding percentage of 1803's annual PRMR capacity obligation
 - o Will consider proposals to supply up to 100% of 1803's real-time hourly load obligation plus annual PRMR capacity obligation
- Energy supply must be physical
- Preference will be given for proposals at MISO ARKANSAS.HUB or MISO LOUISIANA.HUB; however, other locations will be considered
- Contract terms between five and twenty years

3.3.3 PPA Proposals for Energy Only Blocks

1803 is requesting proposals from bidders for fixed or shaped energy blocks to meet a portion of its power supply obligations.

PPA proposals for energy only blocks shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-4.

In order to be evaluated, proposals for energy only blocks must meet the following minimum qualifications:

- Minimum quantity of 25 MW
 - o Proposals must be provided as either 7x8, 2x16, 5x16, 7x16, 7x24, or wrap

- All submissions must be in eastern prevailing time (EPT) to align with MISO and Intercontinental Exchange standard products
- 16-hour period defined as hour ending (HE) 08 – HE 23 EPT
 - Proposals must be provided as monthly, seasonal, quarterly, or annual
- Proposals must be for the day-ahead (DA) settled product
- Proposals must be Firm (Liquidated Damages)
- Preference will be given for proposals at MISO ARKANSAS.HUB or MISO LOUISIANA.HUB; however, other locations will be considered
- Contract terms between five and twenty years

3.3.4 PPA Proposals for Capacity Only Product

1803 is requesting proposals from bidders for ZRCs, to meet a portion of its power supply obligations.

PPA proposals for capacity only products shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-5.

In order to be evaluated, proposals for capacity only products must meet the following minimum qualifications:

- Minimum quantity of 25 MW
- Preference will be given to MISO Zone 9 ZRCs
 - Proposals from other MISO Zones may be considered
 - If not MISO Zone 9, bidders shall designate which party is responsible for delivery risk to MISO Zone 9
- No minimum contract term
- Maximum twenty-year contract term

3.3.5 PPA Proposals for Call Option Product

1803 is requesting proposals from bidders for call options to meet a portion of its power supply obligations. Call options can be a heat rate or fixed strike price.

PPA proposals for the daily call option product shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-6.

Bidders may bundle ZRCs with the PPA proposal for the daily call option product. ZRCs bundled with the call option product must meet the minimum qualifications specified in Subsection 3.3.4 PPA Proposals for Capacity Only Product.

In order to be evaluated, proposals for call options must meet the following minimum qualifications:

- Minimum quantity of 25 MW
 - o Proposals must be provided as either 7x16 or 7x24
 - All submissions must be in eastern prevailing time (EPT) to align with MISO and Intercontinental Exchange's (ICE) standard market specifications
 - 16-hour period defined as hour ending (HE) 08 – HE 23 EPT
 - o Proposals must be provided as monthly, seasonal, quarterly, or annual
- Proposals may be structured as Auto-Settle or Manual Strike
 - o Preference will be given to the Auto-Settle Product
- Proposals may be for physical or financial energy
- Proposals must specify either a fixed strike price or both a heat rate, in terms of MMBtu/MWh, and natural gas price index
- Proposals must be for the day-ahead (DA) settled product
- Proposals must be Firm (LD), as defined in Schedule P: Products and Related Definitions of the Edison Electric Institute (EEI) Master Power Purchase & Sale Agreement
- Preference will be given for proposals at MISO ARKANSAS.HUB or MISO LOUISIANA.HUB; however, other locations, such as a generation node, will be considered

- No minimum contract term
- Maximum twenty year contract term

3.4 Multiple Proposals

1803 will accept multiple proposals from a bidder. In the event multiple proposals are provided by the same bidder, the bidder must indicate whether or not the proposals are mutually exclusive.

4. Instructions to Bidders

4.1 Two-Phase RFP Proposal Process

1803 is conducting a two-phase RFP process. The RFP Administrator will evaluate proposals pursuant to the appropriate evaluation methods described in Subsections 4.9, 4.10, 4.11, 4.12, and 4.13.

During the first phase, the RFP Administrator will evaluate proposals as further detailed in Section 4. Based on this evaluation, the RFP Administrator will select bids for further evaluation, or reject proposals. Bidders will be notified of their selection for further evaluation or rejection.

Upon notification that a bidder's proposal has been selected for advancement to the second phase, the RFP Administrator will request final pricing from the bidder. This final pricing will be considered binding, until otherwise notified by the RFP Administrator, for a period not to exceed ninety (90) days. It is the expectation of 1803 and the RFP Administrator that the variance in price between a bidder's first phase proposal and second phase proposal will be consistent with, and align with, market fluctuations from the initial submission deadline. Any second phase proposal deemed to be inconsistent with, and not aligning with, reasonable directional market fluctuations from the initial submission deadline will be disqualified.

1803 has posted the 2019 Long-Term RFP document and all related appendices on the RFP website, www.acespower.com/1803LTRFP2019. To participate in the 2019

Long-Term RFP, bidders are required to submit a Bidder Registration Form, Appendix D. Upon receipt of the Bidder Registration Forms, the RFP Process Control Team will acknowledge their receipt and furnish each bidder with a unique bidder identification code.

Bidders should note that, with the exception of forms containing original signatures, 1803 will only accept electronically submitted notices and proposals. Bidders are required to submit all completed forms by the specified deadlines to the 2019 Long-Term RFP submission e-mail address described in the next paragraph. All proposals must be signed by an officer or agent of the bidder who is duly authorized by the bidder's authorizing governance body to sign and submit such proposals.

All proposals must be registered and submitted electronically via email to 1803LTRFP2019@acespower.com. In addition, originals of form signature pages must be received by the RFP Process Control Team, as described in Subsections 4.9 and 4.11, no later than the specified deadlines.

4.2 Confidential Information and Confidentiality Agreements

1803, the Member Cooperatives, the RFP Administrator, and LPSC Staff will treat all proposals submitted by bidders as confidential; however, bidders shall submit their proposals with the knowledge and acceptance that any information provided by them is subject to disclosure in order for 1803 to cooperate with LPSC Staff's informational requirements in the 2019 Long-Term RFP, to seek the LPSC's authorization of any accepted and fully negotiated bids pursuant to the LPSC's 1983 General Order, and to support any applications for other necessary regulatory and governmental approvals.

In the event that 1803 and the RFP Process Control Team, in their judgment and discretion, determines that information contained in any question, response, or other communication between it and a bidder, which is not contained in the bidder's proposal, requires confidential treatment, an appropriate Confidentiality

Agreement, Appendix C, will be submitted to the bidder. Otherwise, 1803 will ensure that all bidders have access to the same information from 1803, and that no bidder will have selective or otherwise preferential access to non-public market sensitive information from 1803 through the 2019 Long-Term RFP.

4.3 RFP Schedule

The schedule for the 2019 Long-Term RFP is shown below. As circumstances warrant, 1803, in its sole judgment and discretion, but subject to prior consultation with the LPSC Staff, may change this schedule, and in that event, the RFP Process Control Team will inform all potential bidders as far in advance as reasonably possible by posting any change on the RFP website, www.acespower.com/1803LTRFP2019. 1803 will consult with the LPSC Staff prior to determining and announcing any significant change to the schedule shown below:

<u>RFP Schedule (Updates will be posted on the 2019 Long-Term RFP website):</u>	
Notice to LPSC	06/28/19
File Informational Filing Containing Draft 2019 Long-Term RFP	11/26/2019
Technical and Bidders' Conference	01/16/2020
Bidder Comment and Q&A Period on Draft RFP	11/26/2019- 1/22/2020
Deadline for Bidder Comments	1/22/2020
LPSC Staff Files Comments	1/24/2020
Issue Final Version of 2019 Long-Term RFP	1/31/2020
Continuing Q&A on Substantive RFP Issues	1/31/2020-2/12/2020
Technical and Bidders' Conference Call	2/12/2020
Open Period for Submission of Bidder Registration Forms	1/31/2020-2/12/2020
Deadline for Submission of Bidder Registration Forms (Appendix D) at 5:00 p.m. CPT	2/12/2020

1803 Electric Cooperative, Inc.
Information Filing Containing Final 2019 Request for
Proposals for Long-Term Capacity and Energy Resources

Bidder Registration Original Signature Deadline to the RFP Administrator at 5:00 p.m. CPT	2/19/2020
Open Period for Submission of Proposals – Phase 1	2/17/2020-2/25/2020
Proposals (Appendices) Deadline at 5:00 p.m. CPT	2/25/2020
Proposal Original Signature Deadline to the RFP Administrator at 5:00 p.m. CPT	3/3/2020
Phase 1 Bid screening and analysis period	2/26/2020-6/26/2020
Notification of Round 1 Results	7/1/2020
Phase 2 Proposal Update Window	7/7/2020-7/14/2020
Phase 2 screening and analysis period, including PPA terms negotiation	7/15/2020-9/18/2020
Winning Bidders notified (as early as)	10/19/2020
Final PPA Execution (subject to LPSC approval)	10/30/2020
File certificate application(s) with LPSC	11/6/2020

4.4 Modification or Cancellation of the 2019 Long-Term RFP

1803 reserves the right, in its sole judgment and discretion, but subject to prior consultation with LPSC Staff, to modify or cancel the 2019 Long-Term RFP. In such event, 1803, via the RFP Administrator, will post a notice on the RFP website, and make a reasonable attempt to notify directly all participants who have filed a timely Bidder Registration Form of any such modifications or cancellation. 1803, or the RFP Administrator, shall have no liability or responsibility for failing to make such direct notification to participants.

4.5 Technical and Bidders Conference; Technical and Bidders Conference Call

On a date to be determined by the LPSC and at a time and location determined by the LPSC, LPSC Staff will conduct a Technical and Bidders' Conference for 1803 and persons interested in the 2019 Long-Term RFP. The primary purposes of the

Technical and Bidders' Conference are to review the 2019 Long-Term RFP and to afford interested persons the opportunity to ask questions and make suggestions about it. Potential bidders for 1803's 2019 Long-Term RFP are encouraged, but not required, to attend and participate actively. A dial-in number will be posted on the RFP website for any bidder that desires to participate in the Technical and Bidders' Conference, but is unable to attend in person. Following the Technical and Bidders' Conference, 1803's complete presentation at the Technical and Bidders Conference will be posted on 1803's RFP website.

1803 may, in its sole judgment and discretion, but subject to prior consultation with LPSC Staff, schedule and conduct additional Technical and Bidders' Conferences if considered beneficial to the RFP process.

4.6 Question and Comment Process and Issuance of Final Version of the 2019 Long-Term RFP

1803 encourages questions and comments from potential bidders about the 2019 Long-Term RFP. Effective 11/26/2019, the date that 1803 files the draft version of the 2019 Long-Term RFP with the LPSC and posts it on the 2019 Long-Term RFP website, all communications between potential or actual bidders and 1803 or the RFP Administrator shall be conducted by means of the procedures specified in the 2019 Long-Term RFP. Questions or requests for clarifying information must be directed through the designated RFP email address, 1803LTRFP2019@acespower.com. Any unsolicited contact with any 1803 personnel or the RFP Administrator by potential bidders concerning the 2019 Long-Term RFP is not and will not be permitted and may constitute grounds for disqualification.

The RFP Process Control Team will post all questions submitted by bidders, as well as 1803's responses to such questions, on the RFP website, www.acespower.com/1803LTRFP2019. 1803's objective in posting these questions and responses is to ensure that all bidders have equal access to non-confidential information that may be potentially relevant to their proposals.

In addition to directing inquiries to the RFP Administrator, interested persons are encouraged to submit questions or comments, directly to 1803 and LPSC Staff during the Technical and Bidders' Conference. 1803 will review all timely submitted questions and comments and take them into consideration when it files final RFP documents with the LPSC on January 31, 2020.

4.7 Additional Questions and Comments

Bidders may continue to submit questions about the 2019 Long-Term RFP to the RFP email address any time prior to deadline for submission of bidder registration forms, but are encouraged to do so as far in advance as possible of the bidding deadlines in order to allow the RFP Process Control Team to have adequate time to respond to the questions and post responses to those questions to the RFP website. If bidders have any unresolved concerns or questions at any time during the 2019 Long-Term RFP, they may also send them to the LPSC Staff for consideration and response.

Solely to respond to bidders' technical questions regarding the electronic registration or proposal submission processes, 1803 will post an RFP Telephone Hotline number on the RFP website.

4.8 Bidder Registration

1803 and the RFP Process Control Team will accept bidder registrations only during the open submittal period beginning January 31, 2020 and concluding 5:00 PM CPT on February 12, 2020. Potential bidders are required to submit a properly completed Bidder Registration Form, Appendix D, to the RFP email address: 1803LTRFP2019@acespower.com.

Upon receipt of the electronic Bidder Registration Forms, the RFP Process Control Team will acknowledge receipt of these registrations via email and furnish each bidder with a unique bidder identification code.

4.9 Submission of Proposals

Through the RFP Process Control Team, 1803 will accept proposals during the open submittal period of February 17, 2020 through 5:00 PM CPT on February 25, 2020. Only electronically submitted proposals will be accepted, with the exception of all pages requiring an original signature, which must be sent to the RFP Process Control Team noted below.

Bidders are required to submit all completed forms by the specified deadlines to the RFP email address: 1803LTRFP2019@acespower.com.

Proposals will not be accepted after 5:00 PM CPT on February 25, 2020. Any proposals received later than this date and time will be rejected and not be considered or evaluated.

All proposals must be submitted in accordance with the instructions and on the forms provided in Appendix B-1, Appendix B-2, Appendix B-3, Appendix B-4, Appendix B-5, and Appendix B-6, as applicable.

Proposals must be signed by an officer or agent of the bidder duly authorized to make such proposals by the bidder's Board of Directors or comparable governing body for an unincorporated bidder. In addition to the electronic submission of all

proposals and notices, original signature pages for each proposal must be received by the RFP Process Control Team no later than 5:00 PM CPT on March 3, 2020.

Original signature pages must be delivered by commercial overnight courier or by U.S. certified or registered mail, addressed to:

RFP Process Control Team
ACES
4140 West 99th Street
Carmel, IN 46032
Phone: 317-344-7100 (for commercial overnight mailing only)

Proposals submitted in response to the 2019 Long-Term RFP will not be returned to bidders. At the conclusion of the 2019 Long-Term RFP, all proposals will be confidentially archived by the RFP Process Control Team until at least the conclusion of the LPSC certification process related to the 2019 Long-Term RFP, and the conclusion of any FERC or other related regulatory review and approval process. All proposals will be treated as confidential and will be subject to all governing regulatory requirements.

4.10 Receipt of Proposals and Redaction

The RFP Process Control Team will document the receipt of all proposals and will ensure that all proposal electronic files, original signature pages, and any other proposal documents are maintained in a secure location that is accessible only to appropriate RFP personnel.

The RFP Process Control Team will review all relevant proposal information to ensure:

- All identifying information, including a bidder's company name, location, contact information, and affiliate names is appropriately redacted;
- Unique bidder, generating unit, and proposal identification codes, as applicable, are accurately provided;
- Separate proposal database information is organized appropriately for distribution to either the PPA Evaluation Team or the Portfolio Strategy and Analysis Team such that each evaluation team receives only the appropriate information required to perform its specific portion of the RFP evaluation process.

While no process can completely ensure that the identity of a bidder remains completely anonymous due to otherwise identifying proposal information such as the location of a specific resource that will be used to evaluate congestion and/or deliverability, the RFP Process Control Team's intent is to provide a reasonable level of anonymity of bidders within the RFP process so as to maintain a fair, consistent, and equitable evaluation process.

Any proposals identified as non-conforming will be segregated for discussions with the bidder, and to allow the bidder opportunity to correct any non-conforming aspect of its proposal, subject to the limitations described in Subsection 4.11.

4.11 Screening for Requirements

The RFP Process Control Team will thoroughly review and assess all proposals to ensure that each:

- Is received on time
- Is signed by a duly authorized officer or agent of the bidder
- Meets the informational requirements and other conditions specified in the applicable appendix
- Meets the applicable basic requirements detailed in Subsection 3.3 of this RFP

The Process Control Team reserves the right to contact bidders to clarify proposal terms and/or request additional information.

Proposals that have been submitted on time and meet the basic requirements of this RFP and the basic requirements for the appropriate proposal in Subsection 3.3 shall be considered conforming.

Proposals may be deemed non-conforming if they do not meet the requirements specified in the applicable appendix. Except for proposals not received on time, at the judgement and discretion of 1803 and the RFP Process Control Team, proposals that are non-conforming may be given three business days after the proposal submission deadline to remedy their non-conformity. 1803, however, reserves the right to reject any proposal that is non-conforming. 1803 and the RFP Process Control Team will notify the LPSC of the disqualification of any proposal on the basis it is non-conforming and shall identify the manner in which it is non-conforming.

4.12 PPA Evaluation Team

The PPA Evaluation Team Consists of the Contract Evaluation Team and the Credit Evaluation Team. The Credit Evaluation Team will evaluate the creditworthiness of bidder(s) (or their parent organizations) through a credit assessment which, at a minimum and in line with industry standards, may include the following factors:

- Tangible net worth evaluation
- Historical and projected measures of cash flow and liquidity
- Historical and projected leverage
- Calculation of credit ratios

Other credit risk issues may also be evaluated, including, but not limited to: earnings volatility, risk management practices, the status of ongoing legal, regulatory, or other governmental processes or proceedings or significant contract negotiations, or other pertinent factors that impact ongoing operations. A Composite Score will be calculated and converted to a scaled score with "1" being the best Scaled Score and "7" being the worst Scaled Score. The Scaled Score for a bidder will be utilized in comparing bids as part of the criteria outlined in section 4.13.

Scaled Score	Composite Score	
	From	To
1	1	1.99
2	2	2.99
3	3	3.32
4	3.33	3.99
5	4	4.79
6	4.8	5.39
7	5.4	7

As part of this process, the Credit Evaluation Team may request further financial information from bidders (or their parent organizations) and will consider confidentiality agreements with such bidders (or their parent organizations) to protect such information, as appropriate.

The credit evaluation process may also include, but is not limited to, reviewing the unsecured or issuer credit ratings issued by Standard & Poor's, Moody's, and/or Fitch, if applicable, and ratings issued by Dun & Bradstreet. 1803 and the Credit Evaluation Team may require any successful bidder (or its parent organization) to

post a form of credit support to ensure the bidder's performance under the proposed transaction. The amount of credit support will be determined by the Credit Evaluation Team's credit evaluation of the bidder's (or its parent organization's) credit condition and determination of financial obligations of the bidders and the potential costs to replace the proposed transaction.

Credit support must be in a form acceptable to 1803 and the Credit Evaluation Team and may include a parental guarantee from a creditworthy entity, a letter of credit from an investment grade financial institution, cash on deposit in escrow, or equivalent credit support. In addition to the considerations above, 1803 and the Credit Evaluation Team will consider the credit support customarily and ordinarily required in similar transactions compared to the proposed transaction.

The Contract Evaluation Team, also a subset of the PPA Evaluation Team, will evaluate the PPAs provided by bidders to determine the appropriateness of the terms and conditions in addressing the needs of 1803, and conformance with the desired contract terms outlined in Appendix E. The Contract Evaluation Team will consist of a multi-disciplinary team consisting of experts in contracts, credit, operations and other relevant disciplines and coordinated by the contract administration specialist. Each team member will review the portions of the PPA addressing its area of expertise, with the contract administration specialist to coordinate comments and make the final assessment of the reasonableness and appropriateness of the proposed terms and conditions.

4.13 Portfolio Strategy and Analysis Team

The Portfolio Strategy and Analysis Team will perform a multi-step modeling process to evaluate the conforming proposals.

Initially, the Phase 1 proposals will be evaluated using levelized cost analysis. The levelized costs across each product (non-renewable, renewable, load following, energy, capacity, and call options) will be compared, and only the most economic proposals for each category will be considered for the next step of analysis. Levelized costs will consider both fixed and variable costs of the proposals as a

ratio of expected energy production, which allows for consistent comparisons across the proposals.

The Portfolio Strategy and Analysis Team will weigh several factors in assessing the best responses to meeting 1803's goals. These goals, in order of relative importance are:

1. The expected cost of serving the 1803 Load,
2. Potential volatility and market risk
3. Exposure (lack of) to future environmental regulations
4. Exposure (lack of) to future cost increases passed through to 1803
5. Length of contract term for a given cost
6. Counterparty creditworthiness
7. Desired contract terms outlined in Appendix E
8. Renewable generation attributes
9. The location of resources near load or in same MISO zone

The expected cost, volatility, and market risk (the most important criteria in the list above) will be assessed using standard industry modeling techniques as outlined in this section.

The next step in the Phase 1 analysis is to use portfolio modeling software, as well as spreadsheet analysis to evaluate the proposals both in isolation and as a part of the portfolio.

The portfolio model is used to forecast variable costs and revenues. Load forecasts, forward power and natural gas prices, and proposal unit assumptions are inputs to the portfolio model. Forward market hub power and natural gas prices are a blend of market quotes in the short-term and modeled curves in the long-term. Basis expectations are applied to the forward hub prices to capture congestion differences between the proposal locations and capture congestion at the load node. Basis spreads are calculated using a blend of historical congestion, if applicable, and modeled congestion expectations from a nodal commitment and dispatch model.

Unit assumptions include renewable contract prices and expected renewable energy production, operating and cost assumptions for battery storage, and both operating and variable cost assumptions for thermal resources, such as minimum and maximum capacity, heat rate curves, variable operations and maintenance (VOM) cost, start cost, forced outage rate, and minimum up and down times. The model optimizes thermal generation dispatch given variable cost assumptions against forward prices, and calculates contract margins.

The portfolio model can be run deterministically or stochastically. Deterministic model runs produce only one output set, given forward price and load forecast inputs. Stochastic model runs introduce volatility, mean reversion, and correlations on the inputs, such as prices and load, to produce the range of outputs. Stochastic runs are usually set to produce 100 different iterations. Stochastic model runs are helpful for assessing portfolio risk, which is defined as the 95th percentile variable cost output less the expected value (mean) variable cost output. Deterministic and Stochastic modeling may both be used in the analysis.

Initial analysis will focus on expected costs to serve the 1803 load. Initially each proposal will be run deterministically; however, proposals with cost characteristics that are dependent on market prices or other triggered events (e.g., option contracts or dispatchable resources) will be run stochastically to properly capture those proposals economic value. Expected values from each model run for each proposal will be combined with its fixed cost assumptions in a spreadsheet.

Other attributes desirable to 1803, outlined earlier as goals in this section, will also be documented among the proposals. Proposals will be compared again using similar methods as the initial analysis with consideration for meeting the other goals of 1803, to further reduce the quantity of resources which will then be analyzed from a portfolio perspective.

For Phase 2, the analysis will be similar to Phase 1 but the evaluation will be performed based on portfolios of combined supply options (except for any full requirement offers, which would be treated as portfolios themselves.) Using the remaining proposals and load data, scenarios of possible portfolios will be created. The proposals included in each portfolio will need to have a low cost, and lower risk profile within the portfolio, in regard to expected energy output against the

load forecast. Scenarios which cause the portfolio to be significantly long or short energy likely won't be considered. The total production costs will be compared across the scenarios, and only the most economical three to five scenarios will be analyzed using stochastic model runs.

The final proposals and scenarios will be compared using stochastic model runs. The added benefit of stochastic model runs is risk analysis. The expected total production costs, portfolio positions from a peak and energy standpoint, as well as production cost risks, will be compared across the proposals and scenarios. The goal is to find the scenario with the best balance of economics, risk levels, and 1803's other goals given 1803's risk tolerance.

4.14 Notification of Evaluation Results and Negotiations

Upon selection of proposals by 1803, the RFP Process Control Team will contact each bidder to notify it of the status of its proposal(s). At that time, each bidder will also be advised as to whether or not due diligence and/or additional discussions or negotiations are warranted.

5. Regulatory Approvals

The results of the 2019 Long-Term RFP will be subject to regulatory approvals. Successful proposals will be subject to prior authorization by the LPSC under its 1983 General Order in connection with its MBM Order. PPAs between 1803 and prospective bidders will be conditioned upon prior LPSC authorization, and possibly other regulatory approvals, that is satisfactory in form and substance to 1803, in its sole judgment and discretion. 1803 reserves the right to reject any proposed PPAs that result from the 2019 Long-Term RFP, if subsequently issued regulatory approvals or authorizations are subject to terms or conditions, including ratemaking treatments that are unacceptable to 1803 in its sole judgment and discretion.

Other than the prior LPSC and regulatory authorizations, for which 1803 shall apply, a bidder whose proposal is selected by 1803 for LPSC certification will be solely responsible, financially, legally, and otherwise, as applicable, for acquiring and maintaining all necessary creditor and other third party authorizations and consents necessary or appropriate to facilitate effectuation of the selected proposal, including all authorizations, permits, licenses, consents, and approvals associated with a selected proposal, as well as compliance with any and all governmental rules and regulations for the construction and operation of the assets or project identified in the proposal. A bidder whose proposal is selected will be solely responsible for obtaining and maintaining financing for its project. Further, a bidder whose proposal is selected shall cooperate with 1803 in 1803's activities to obtain LPSC and other regulatory authorizations.

6. Reservation of Rights

A bidder's proposal will be deemed accepted only when a definitive agreement has been executed and delivered by 1803 to the chosen bidder and the bidder also has executed that agreement and delivered the thus fully-executed agreement to 1803. 1803 has no obligation to accept any proposal, whether or not the stated price in such proposal is the lowest price offered in the 2019 Long-Term RFP, and may reject any proposal, in its sole judgment and discretion, for any reason whatsoever, without any obligation to disclose the reason or reasons for rejection, except as required in the LPSC's MBM Order.

By participating in the 2019 Long-Term RFP, each bidder agrees that (i) except as expressly and specifically provided in any representations and warranties contained in a fully executed definitive agreement with 1803, any and all information furnished by or on behalf of 1803 in connection with the 2019 Long-Term RFP is or will be provided without any representation or warranty, express or implied, as to the usefulness, accuracy, or completeness of such information, and (ii) except as otherwise expressly and specifically provided in a fully executed definitive agreement with 1803, neither 1803, the Member Cooperatives, nor any of their personnel or representatives shall have any liability to any bidder or its personnel or representatives relating to or arising from the use of or reliance upon any such information or any errors or omissions therein.

The 2019 Long-Term RFP does not commit or obligate 1803 to pay any costs incurred by the bidder in the preparation of a proposal in response to the 2019 Long-Term RFP, or to contract for any products or services proposed by any bidder. 1803 reserves the right to modify or withdraw the 2019 Long-Term RFP, to negotiate with any and all qualified bidders to resolve any and all technical or contractual issues, or to reject any or all proposals and to terminate negotiations with any bidder at any time. 1803 reserves the right, at any time and from time to time, without prior notice and without specifying any reason and, within its sole judgment and discretion, to:

- cancel, modify or withdraw the 2019 Long-Term RFP, reject any and all responses, and terminate negotiations at any time during the RFP process;
- discuss with a bidder and its advisors the terms of any proposal submitted by the bidder and obtain clarification from the bidder and its advisors concerning the proposal;
- consider all proposals to be the property of 1803, subject to the provisions of the 2019 Long-Term RFP relating to confidentiality and any confidentiality agreement that may be executed in connection with the 2019 Long-Term RFP, and destroy or archive any information or materials developed by or submitted to 1803 in the 2019 Long-Term RFP;
- request from a bidder information that is not explicitly detailed in the 2019 Long-Term RFP, but which may be useful for evaluation of that bidder's proposal;
- determine which proposals to favor, pursue, accept, or reject;
- reject any proposals that are not complete or contain irregularities, or waive irregularities in any proposal that is submitted;
- accept proposals that do not provide the lowest evaluated cost;
- determine which bidders to allow to participate in the 2019 Long-Term RFP, including disqualifying a bidder due to a change in the qualifications of the bidder or in the event that 1803 determines that the bidder's participation in the 2019 Long-Term

RFP has failed to conform to the requirements of the 2019 Long-Term RFP;

- conduct negotiations with any or all bidders or other persons or with no bidders or other persons; and
- execute one or more definitive agreements with any bidder that submits a proposal, with any other person, or with no one.

If, at any time, 1803 determines that there is a defect in the 2019 Long-Term RFP process or a deviation from the requirements of the 2019 Long-Term RFP, or that collusive or fraudulent bidding has occurred or appears to have occurred, 1803, in its sole judgment and discretion, in consultation with LPSC Staff, may suspend the 2019 Long-Term RFP in whole or in part as to any bidder or bidders so involved.

Under all circumstances, each bidder is responsible for all costs and expenses it incurs in connection with the 2019 Long-Term RFP. Under no circumstances, including 1803's termination of the 2019 Long-Term RFP at any time for any reason, whatsoever, will 1803 or any of its representatives be responsible for any costs or expenses of any bidder incurred in connection with the 2019 Long-Term RFP.