1803 Electric Cooperative, Inc.

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

LPSC DOCKET NO. X-35283

February 14, 2020

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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 between January and March of 2025. 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 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]

Any winning proposal(s) selected pursuant to the 2019 Long-Term RFP will require LPSC approval and certification under the 1983 General Order, as described in

[1] General Order, issued April 10, 2002, in Docket No. R-26172, amended and superseded by General Order issued February 16, 2004, in Docket No. R-26172, Sub-docket A, amended by Special Order 33-2006, issued July 28, 2006, in Docket No. R-26172, Sub-docket B, and amended and superseded by General Order, issued November 3, 2006, in Docket No. R-26172, Sub-docket B, and amended and superseded by General Order, issued October 29, 2008, in Docket No. R-26172, Subdocket C (Market Based Mechanism Order or MBM Order).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

Section 5. Upon LPSC approval, following the completion of the RFP and LPSC certification of any and all involved contract(s), 1803 may 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. In the event that 1803 does not select a full-requirements contract to replace the existing full-requirements contract, 1803 will actively manage a portfolio of contracts starting in 2025. This could result in future RFPs for supply not obtained in this RFP; however, this RFP is intended to acquire the majority of supply over the 2025-2044 period and nearly 100% of firm energy and generation capacity sources in the first five (5) years (2025-2029).

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, 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 resource(s) 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 January 1, 2025, and the term of resources can extend to no longer than December 31, 2044. Bid proposals can be for any period between 2025 and 2044. 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 proposals solicited in the 2019 Long-Term RFP will enable 1803 to meet its long-term power supply obligations beginning January 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 contemplated in this RFP.

1.4 Integrated Resource Plan (IRP)

The LPSC currently has Integrated Resource Planning (IRP) Rules[3], 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.

1803 is using the RFP process to drive its planning decisions similar to an IRP but with no significant existing resources or desire to construct its own resources. 1803 is relying upon market offers for physical generation in the RFP to determine the best plan to move forward. 1803 has informally surveyed the market and has a strong belief the RFP will garner many diverse responses, which will be analyzed in the same manner an IRP plan would, with more reliable cost estimates than 1803 could develop on its own. The conclusion of this RFP process will be an 1803

[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.

resource plan to begin in 2025. Section 2 of the RFP provides further details around 1803's obligations and how this RFP will meet those obligations.

2. Demonstration of Need

2.1 Energy and Capacity Obligations

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 contract(s) 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 30.4 MW of hydro resources, 1803 does not own or have contractual rights to any generation resources. Therefore, 1803 will enter into a single power purchase agreement (PPA) or multiple PPAs to fulfill the full power supply obligations of its Member Cooperatives.

1803 will begin serving the full-requirements energy and capacity obligations for Northeast Louisiana Electric Power Cooperative, Inc. on January 1, 2025; Beauregard Electric Cooperative, Inc. and South Louisiana Electric Cooperative Association on March 28, 2025; and Claiborne Electric Cooperative, Inc. and Washington - St. Tammany Electric Cooperative, Inc. on April 1, 2025.

2.1.1 Load Forecast

Appendix A provides the currently available load forecast for the 1803 Cooperative. This load forecast was aggregated from individual load forecasts received from each of the 1803 Member Cooperatives, which utilized different forecasting methods. As explained below, this aggregated forecast will be updated around March 15, 2020, with a more current load forecast. Since the new forecast could be published after initial bids are received, bidders will be given the opportunity to revise their bids if they are concerned that the updated load forecast has impacted their bids. While bidders will be afforded this opportunity, 1803 does not expect the forecast in Appendix A to change materially with the update.

The 1803 Member Cooperatives completed their load forecasting studies at different times over the last several years. Some the load forecasts were projected by 1803 Member Cooperatives from historical data, and others were developed based on comprehensive load forecasting studies. To provide consistency, demonstrate need, and provide bidders with the most current information, 1803 has contracted for a full update to the load forecast from an econometric forecasting company. The results of this forecast are expected to be available around March 15, 2020, at which time 1803 will update Appendix A and provide bidders with a two week period to resubmit their bids. The "8760" hourly load forecast file will also be updated at that time, and the RFP Administrator will email all bidders a notice of such updates, as well as post the update on the RFP website.

1803's current forecasted peak system demand plus reserve margin is 1,022 MW for 2026 and 1,225 MW for 2044. The projected future energy and capacity obligations are detailed in Appendix A and discussed further in the next section.

2.1.2 Planning Goals of 1803

1803 recognizes that the goal of the Midcontinent Independent System Operator, Inc. (MISO) market is to match buyers and sellers of different products sold in the market to achieve the lowest possible cost for consumers while maintaining reliable service. 1803 also recognizes that there are differences in time periods over which the markets operate - the energy market is a day-ahead market for the next 24-hour period and the capacity market is a one year ahead market. Given this market operates over a relatively short period, 1803 desires longer term rate certainty and reliability in both energy and capacity supplies, and as such does not plan to rely on the short-term MISO market for long-term needs. While 1803 does plan to acquire firm capacity resources, it will rely on MISO to balance energy and capacity positions in the near-term for any unplanned imbalance.

2.1.3 Capacity and Energy Needs

To reliably meet the capacity needs of the state of Louisiana and the region, 1803 has reviewed its load duration curve to provide prospective bidders better insight into the resource plan. 1803 defines its baseload need as the capacity required to serve load at the point in which load is exceeded in approximately 85% of the

hours. Intermediate need is defined as load values that exist in approximately 10% to 15% of hours above the baseload need, and peaking need is defined as the highest load values that occur for approximately 10% of the hours above the intermediate need, as shown in Figure 1 for 2026 and Figure 2 for 2044.

Figure 1:

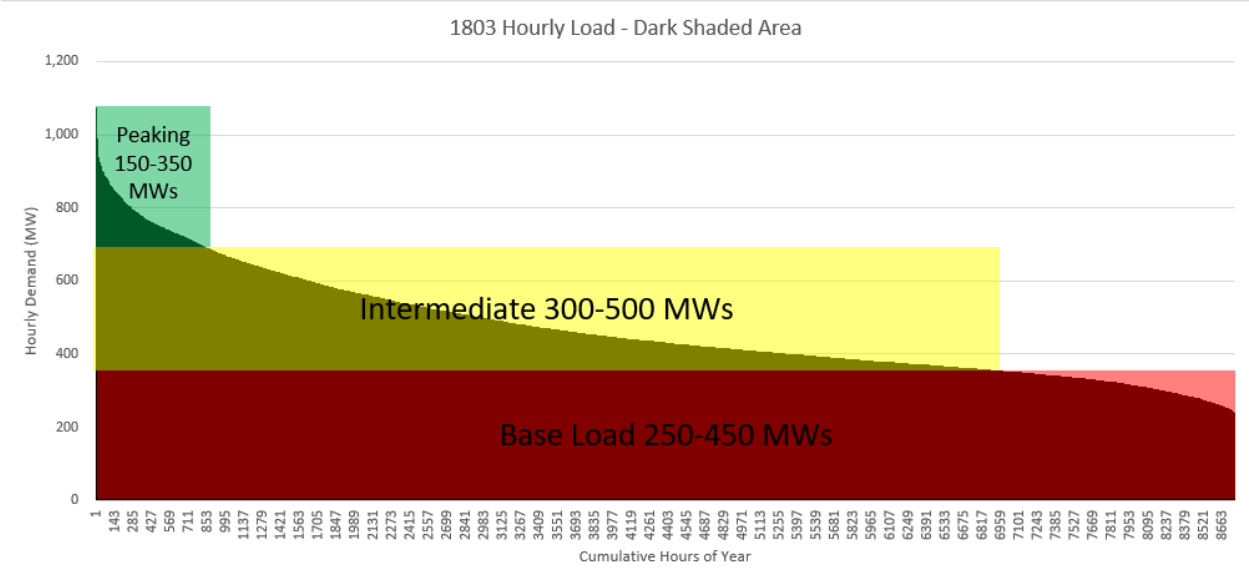
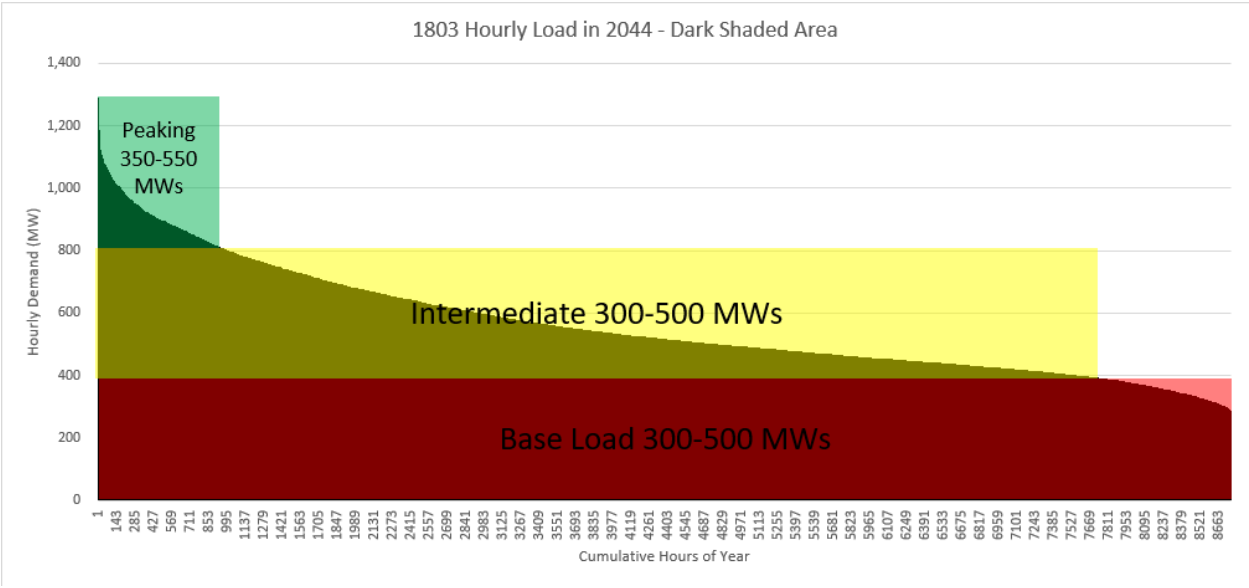


Figure 2:



Ranges are expressed for each type of resource need, as these are simply guidelines to aid in the resource planning process. As the grid has evolved, these

definitions may fit several different types of resources. The analysis described in section 4.13 will determine the best portfolio fit of offer(s) to satisfy the load requirement as identified in Appendix A.

2.1.4 MISO Requirements

MISO's requirements are that prior to the start of the planning year, load-serving entities (LSE) such as 1803 are obligated to have sufficient Zonal Resource Credits (ZRC), equal to the LSE's Planning Reserve Margin Requirement (PRMR). MISO's planning year begins on June 1 and continues through May 31 of the following year. The PRMR is the LSE's Resource Adequacy Requirements (RAR) and is established to ensure that LSE's have enough planning resources to reliably serve load. MISO also includes a Local Clearing Requirement (LCR) that is a specific amount of capacity that MISO must procure from within each zone, which in the case of 1803 is Zone 9 for Louisiana loads. The LCR has historically been approximately 91% of the Zone 9 PRMR, as was the case in the most recent MISO Results.

ZRCs represent 1 MW of unforced capacity tied to resources that are accredited by MISO and that are located in specific Zones. ZRCs are only created by physical resources (or registered Demand Response) in accordance with MISO rules verifying capabilities of resources.

The Member Cooperatives of 1803 are LSEs of MISO and have a total obligation, PRMR, equal to its coincident peak load forecast plus a planning reserve margin (PRM) of approximately 8.9%, based on the most recent MISO Loss of Load Expectation (LOLE) study. The PRM will be updated by MISO prior to each planning year. The PRMR uses "unforced" capacity, which accounts for resources' forced outage rates.

As noted earlier, 1803 intends to procure ZRCs (created by MISO for accredited resources) in advance from resources, through this and future RFPs, and would only expect to acquire credits through the MISO Planning Reserve Auction (PRA) to manage small imbalances, typically plus or minus 10% of total capacity requirements. Additionally, in light of the risk of Zone 9 imports being limited, 1803

intends to procure around 90% of these ZRCs from Zone 9 to ensure reliability and effectiveness of the procured ZRCs in offsetting 1803's exposure.

2.1.5 Existing Supply – SWPA Contract

1803's Member Cooperatives are preference customers of the Southwest Power Administration (SWPA) and as such receive allocations of hydroelectric power from SWPA totaling 37 MW of nameplate capacity. These contracts are classified as "Use-Limited Resources" by MISO and will receive a derated capacity credit. In aggregate, the SWPA contracts are expected to provide 1803 with 54,020 MWh of energy and 30.4 ZRCs annually. Appendix A includes the ZRCs as a reduction in capacity procurement needs and SWPA energy has been subtracted from the energy totals.

1803's Member Cooperatives do not have any demand-side resources currently as they have not had interest from their membership for such programs.

2.1.6 Existing Transmission System

1803 does not own or operate any transmission facilities and does not plan to do so.,. 1803 is provided transmission service under the MISO Open Access Transmission Tariff administered by MISO. MISO, in conjunction with its transmission owners, including Cleco Power and Entergy Louisiana, maintains transmission system reliability through a host of measures outside the scope of this RFP.

MISO's most recent system planning study can be found at the following link
https://www.misoenergy.org/planning/planning/mtep-2019-/

MISO's also publishes interconnection studies for groups of projects within areas of the market. The last two of interest to the area of 1803 load can be found here:
2018 DPP Posted 1/2/2019 https://cdn.misoenergy.org/GI-DPP-2018-APR-South-Ph2_System_Impact_Study_Final_rev2_PUBLIC414340.zip
2017 DPP Poste 5/19/2019 https://cdn.misoenergy.org/GI-DPP-2017-AUG-South-Phase3_System_Impact_Study_Final_PUBLIC344182.zip

2.1.7 Identification of Viable Resource Alternatives

1803 is using this RFP as the means to identify what resources are viable to serve its load and to provide an opportunity to all bidders to compete in offering PPAs to 1803. As stated previously, 1803 does not desire to build or own any resources directly. See Section 3.3 for the broad range of solicited supply resource types. Further detail is also included in appendices B1-B6. The analyses discussed in Step 2a of that section will be similar to the analyses that are typically performed in an IRP, but they will use actual offer costs and information to create a reference portfolio, see Section 4.13.6 for a discussion of Step 2a. Additionally, sensitivity and scenario analyses will be completed in Phase 2 of the RFP analysis.

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 reliable and economically competitive power supplies to meet the long-term load-serving obligations of its Member Cooperatives, the reliability goals of the state of Louisiana, and the requirements of the MISO market. 1803 requests proposals from all types of suppliers including, but not limited to: electric utilities, power marketers, exempt wholesale generators, independent power producers, and renewable developers. 1803 will accept proposals for terms starting no earlier than January 1, 2025 and ending no later than December 31, 2044 and any term in between these dates.

Subject to the limitations specified in this RFP, 1803 will consider proposals for all types of resources as well as for full-requirements service contracts, partial-requirements service contracts, energy only contracts, capacity only contracts, and call option contract proposals. 1803 will evaluate all offers using the criteria and procedures specified in this RFP. 1803 shall 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 in Appendices B1-B6. Phase 1 Bids should be priced as of close of business on March 11, 2020.

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 (3) 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 Section 4.12; and the Portfolio Strategy and Analysis Team, as described in Section 4.13.

Each independent team and its members are bound by an internal non-disclosure agreement that strictly prohibits sharing Confidential Information outside the 1803 RFP process. Failure to abide by the terms of the internal non-disclosure agreement can result in disciplinary action, up to and including termination. Additionally, ACES is prohibited from disclosing Confidential Information regarding the 1803 RFP with its Member-Owners or Customers pursuant to the Consulting Agreement with 1803.

As RFP Administrator, ACES' business model provides an established infrastructure of independent energy management practices that supports 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 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 2019, 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; and
- ACES plans to undergo another independent examination of its energy risk management controls in 2020.

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 Sections 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.

1803 intends to contract for the optimal portfolio, as further described in Subsection 4.13, of product(s) 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 a single proposal or multiple proposals from 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 are strongly preferred to govern any subsequent contract(s) and agreement(s) resulting from the 2019 Long-Term RFP. Any PPA that references the laws of states other than Louisiana will also be considered and evaluated.

Bidders' responses may contain one or more of the PPA proposals outlined in Sections 3.3.1. through 3.3.5.

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, energy storage resources 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, including energy storage 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 25 MW;
- Must specify generation resource and physical location;
- Resource must be designated a Network Resource for Resource Adequacy purposes by MISO
    - 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 sufficient ZRCs under applicable MISO rules, to allow bidder to fulfill its contracted ZRC obligations to 1803
    - 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 accreditable capacity in the form of ZRCs
    - 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 will be considered;
- Contract terms between five and twenty years, not to exceed December 31, 2044; and
- Designated Generation Resources could meet baseload, intermediate or peaking needs based upon technology and/or contractual flexibility.

3.3.2 PPA Proposals for Partial-Requirements or Full-Requirements Obligation

1803 is requesting proposals from bidders able to provide Partial-Requirements or Full-Requirements Obligation, defined below. Full-Requirements Obligation is defined as supplying 100% of the firm, requirements to meet 1803's hourly real-time load obligation, including MISO PRM. Any proposal to supply less than 100% of the firm requirements needed to meet 1803's hourly real-time load obligation, including MISO PRM, will be considered Partial-Requirements.

PPA proposals for Partial-Requirements or Full-Requirements Obligation shall provide the information required in the Power Purchase Agreement Evaluation Form in Appendix B-3.

Section 2 of Appendix B-3 provides a requested physical documentation checklist for bidders submitting a cost of service proposal for Partial-Requirements or Full-Requirements Obligation. Cost of service proposals are requested to provide the physical documentation listed in Section 2 of Appendix B-3. In addition to the requested physical documentation, bidders are encouraged to include any additional documentation that may assist in proposal analysis. The submission deadline for the requested physical documentation for cost of service proposals will be the same as the Proposal Original Signature Deadline, as referenced in the RFP Schedule in Section 4.3.

Upon full execution of the Confidentiality Agreement, Appendix C, 1803 and/or the RFP Administrator will provide the 8760 hourly load forecast for the period of the RFP and historical load data to any bidder providing a proposal for Partial-

Requirements or Full-Requirements obligation or as requested by bidders for other legitimate business reasons.

In order to be evaluated, proposals for Partial-Requirements or Full-Requirements Obligation must meet the following minimum qualifications:

- Supply minimum of 5% of the firm requirements needed to meet 1803's hourly real-time load obligation, including PRMR
- Energy supply must be physical, 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 the Load Zone, MISO ARKANSAS.HUB, or MISO LOUISIANA.HUB; however, other locations will be considered
- Contract terms between five and twenty years, not to exceed December 31, 2044

Section 3 of Appendix B-3 assumes bidders submitting Full-Requirements Obligation proposals are including in their offer the Full-Requirements Services costs, which are defined as the non-energy and capacity requirements costs, including all MISO charges and energy management fees that will be necessary to fully serve a MISO LSE. Bidders must indicate whether pricing for Full-Requirements services will be fixed or if certain costs will be passed through to 1803; therefore, indicate which costs are fixed and which are passed through. For all bids other than Partial-Requirements and Full-Requirements Obligation, ACES will include costs associated with providing Full-Requirements Services as an additional cost in the bid analysis process.

3.3.3 PPA Proposals for Energy Only Blocks

1803 is requesting proposals from bidders for energy only 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
    - 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 (ICE) 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 may be for physical or financial energy
    - Proposals for physical energy 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 will be considered;
- Contract terms between five and twenty years, not to exceed December 31, 2044; and
- Energy Only Products could be combined with Capacity Only products in the following section to meet baseload and/or intermediate needs.

3.3.4 PPA Proposals for Capacity Only Product

1803 is requesting proposals from bidders for ZRCs from physical generating and demand response resources, to meet a portion of its power supply obligations.

PPA proposals for capacity only product 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 product 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 will 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, not to exceed December 31, 2044; and
- Capacity Only Products could be combined with Energy Only products in the previous section to meet baseload and/or intermediate needs.

3.3.5 PPA Proposals for Daily Call Option Product

1803 is requesting proposals from bidders for daily call options to meet a portion of its power supply obligations. Daily call options can be a heat rate or fixed strike price. 1803 will consider strike prices that meet baseload, intermediate, or peaking needs.

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 daily call option product must meet the minimum qualifications specified in Section 3.3.4 PPA Proposals for Capacity Only Product.

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

- Minimum quantity of 25 MW
  - 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
  - Proposals must be provided as monthly, seasonal, quarterly, or annual;
- Proposals may be structured as Auto-Settle or Manual Strike
  - Preference will be given to the Auto-Settle Product;
- Proposals must be for the day-ahead (DA) settled product;
- Proposals may be for physical or financial energy

    - Proposals for physical energy must be Firm (LD), as defined in Schedule P: Products and Related Definitions of the Edison Electric Institute (EEI) Master Power Purchase & Sale Agreement;
- Proposals must specify either:
    - 1) fixed strike price or
    - 2) heat rate, in terms of MMBtu/MWh
        - Heat rate proposals must identify natural gas price index;
- 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; and
- Maximum twenty year contract term, not to exceed December 31, 2044.

3.4 Multiple Proposals

1803 will accept multiple proposals from a bidder. In the event the same bidder provides multiple proposals, the bidder must indicate whether 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 Sections 4.9, 4.10, 4.11, 4.12, and 4.13.

During the Phase 1, the RFP Administrator will evaluate proposals as further detailed in Section 4. As explained above in Section 2.1.1, bidders will have an opportunity to update their bids during Phase 1 if they feel the load forecast update impacts their offer. At the completion of Phase 1, 1803, in consultation with the RFP Administrator, will select proposals for further evaluation in Phase 2, or may reject proposals. Bidders will be notified of their selection for further evaluation or rejection. The LPSC staff will also be notified of bid evaluation results and consulted for input.

Upon notification that a bidder's proposal has been selected for advancement to Phase 2, 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 90 days.

To ensure a fair process to all bidders, 1803 and the RFP Administrator will examine the variance in prices between a bidder's Phase 1 proposal and Phase 2 proposal if the Phase 2 proposal is greater in price than the Phase 1. Any Phase 2 proposal increase deemed to be inconsistent with, and not aligning with, market increases from the initial submission deadline may be disqualified.

The market increases referenced for evaluating an increased second phase proposal will be specific to the type of offer. For example, Non-Renewable Designated Generation Resources (Appendix B-1) would be evaluated based upon changes in building costs, such as steel and labor. Renewable Designated Generation Resources (Appendix B-2) would be evaluated based on the change in input costs such as turbine and panel forward costs. For Partial-Requirements or Full-Requirements Obligation offers (Appendix B-3), both building costs and input

fuel costs would be considered. An increase in an Energy Only Block offer (Appendix B-4) would be compared to movement in MISO forward hub prices. An increase in a Capacity Only Product (Appendix B-5) would be compared to movement in MISO forward capacity prices. An increase in a Call Option Product (Appendix B-6) would be compared to the movement in MISO forward hub prices for fixed strike price offers, and heat rate based offers would be compared to forward heat rates based upon MISO forward hub prices and forward Natural Gas prices.

This list is not meant to be an exhaustive list and any bidder with a higher Phase 2 offer will be given an opportunity to demonstrate that the change in offer is supported by a change in observable costs. This process is purely intended to prevent bidders from submitting unrealistic Phase 1 bids to be advanced and then increasing the offer in Phase 2. Any Phase 2 offer that is the same or lower cost than the Phase 1 offer will not be examined in this process.

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 must 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 (1803LTRFP2019@acespower.com). 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 proposal(s) 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 in Figure 3 below.

Figure 3.

RFP Schedule (Updates will be posted on the 2019 Long-Term RFP website):	
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	1/28/2020
Issue Final Version of 2019 Long-Term RFP	2/14/2020
Continuing Q&A on Substantive RFP Issues	2/14/2020- 2/19/2020
Open Period for Submission of Bidder Registration Forms	1/31/2020- 2/19/2020
Deadline for Submission of Bidder Registration Forms (**Appendix D**) at 5:00 p.m. CPT	2/19/2020
Bidder Registration Original Signature Deadline to the RFP Administrator at 5:00 p.m. CPT	2/26/2020
Open Period for Submission of Proposals – Phase 1	3/12/2020- 3/25/2020
Phase 1 Proposals (**Appendices**) Deadline at 5:00 p.m. CPT	3/25/2020
Proposal Original Signature Deadline to the RFP Administrator at 5:00 p.m. CPT	4/1/2020
Phase 1 Bid screening and analysis period	3/26/2020- 7/26/2020
Notification of Round 1 Results	8/3/2020
Phase 2 Proposal Update Window	8/7/2020-8/14/2020
Phase 2 Proposals (**Appendices**) Deadline at 5:00 p.m. CPT	8/14/2020
Phase 2 screening and analysis period, including PPA terms negotiation	8/15/2020- 11/18/2020
Winning Bidders notified (as early as)	11/19/2020
Final PPA Execution (subject to LPSC approval)	12/4/2020
File certificate application(s) with LPSC (as early as)	12/14/2020

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 Call

LPSC Staff conducted a Technical and Bidders' Conference for 1803 and persons interested in the 2019 Long-Term RFP on January 16, 2020. The primary purposes of the Technical and Bidders' Conference was 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 were encouraged, but not required, to attend and participate actively. 1803's presentation at the Technical and Bidders Conference is posted on 1803's RFP website. Prior to the Technical and Bidders' Conference, bidders were able to submit questions or issues to LPSC Staff to be presented anonymously during the conference. These questions, as well as 1803's response to these questions, are posted to the RFP website.

1803 may, in its sole judgment and discretion, but subject to prior consultation with LPSC Staff, schedule and conduct a Technical and Bidders' Call 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 November 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 or actual 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 were 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 consider them when it files final RFP documents with the LPSC on February 14, 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 the 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 19, 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 Phase 1 proposals during the open submittal period of March 12, 2020 through 5:00 PM CPT on March 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 March 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.

Phase 1 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 April 1, 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: 317-344-7000 (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 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, office location, contact information, and affiliate names is appropriately redacted;
- Unique bidder, generating unit, and proposal identification codes, as applicable, are accurately provided; and

- 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 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 proposal(s) identified as non-conforming will be segregated for discussions with the bidder and the bidder will be allowed the opportunity to correct any non-conforming aspect of its proposal, subject to the limitations described in Section 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; and
- 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, meet the basic requirements of this RFP, and the basic requirements for the appropriate proposal detailed in Section 3.3 will be considered conforming.

Proposals may be deemed non-conforming if they do not meet the requirements specified in the applicable appendix or if they do not meet the basic requirements for the appropriate proposal detailed in Section 3.3. Proposals not received on time will be rejected. Proposals that are deemed non-conforming for reasons other than timeliness will be given three (3) business days after notification of non-conformity from the Process Control Team to remedy any non-conformity. 1803 and the RFP Process Control Team will notify the LPSC Staff 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; or
- 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 most favorable Scaled Score and "7" being the least favorable Scaled Score. The Scaled Score for a bidder will be utilized in comparing bids as part of the criteria outlined in Subsection 4.13.

Figure 4.

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 may consider additional 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 comprised 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 will support 1803 in order to make the final assessment of the reasonableness and appropriateness of the proposed terms and conditions.

4.13 Portfolio Strategy and Analysis Team

4.13.1 Overview

The Portfolio Strategy and Analysis Team will perform a multi-step modeling process to evaluate the conforming proposals. This process is broken down into four steps: 1a, 1b, 2a, and 2b, with Steps 1a and 1b using Phase 1 offers, and Steps 2a and 2b using Phase 2 offers for proposals that advanced to Phase 2.

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. Reliably serving load at the lowest reasonable cost;
2. Minimize the Potential volatility and market risk associated with 1803's rates;
3. Minimize cost Exposure to future environmental regulations and unknown environmental mitigation and/or clean-up costs;
4. Minimize Exposure to future cost increases passed through to 1803;
5. 1803 prefers fixed price contracts over cost based contracts;
6. 1803 prefers a longer-term contract length, all else being equal;
7. Desirable Counterparty creditworthiness;
8. Desired contract terms outlined in Appendix E;
9. Renewable generation attributes; and

10. The location of resources near load or in the same MISO zone 9 and the state of Louisiana.

The expected cost, reliability, 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. These goals are used in both Step 1b and Step 2b of the analysis.

4.13.2 Step 1a

1803 expects a robust response to this RFP, and will use Step 1a as a screening process to eliminate less competitive offers within each type of product as listed in Appendices B1-B6. Step 1a will only compare bids of the same type of product requested in Appendices B1-B6 to each other. Furthermore, within each product grouping, only similar resource technologies will be compared. For example, a non-renewable peaking combustion turbine resource would not be compared to a non-renewable base/intermediate resource such as a combined cycle. In the event that, only one or two offers are submitted for a given product and technology type then that offer(s) shall automatically pass Step 1a.

In the event that three or more responses are received for a given product type with similar resource characteristics, those proposals will be evaluated against each other using a levelized cost analysis. The levelized cost analysis will be performed as follows: the costs of each proposal will be totaled annually by energy and capacity separately, as well as the volume of capacity and/or energy expected from the proposal. For responses with varying delivery points and/or capacity zones, a forecasted basis cost or premium will be added/subtracted to the annual cost; this process is discussed in section 4.13.8.

These values will then be discounted to 2025 dollars using 1803's discount rate. The annual discounted values are then summed and divided by the capacity and/or energy provided by the contract. Depending upon the resource type and proposal format, the analysis will be ranked on a $/MWh or a $/kW-mo. basis.

Should an offer include credit(s) or cash payment(s) prior to 2025, these would be restated in 2025 dollars using the discount rate and would be treated as a reduction to the 2025 present value cost.

For products with three or more offers, the levelized costs across each product type (Appendices B1-6) and technology type will be compared, and only the most economic proposals for each category will be considered for Step 1b of the analysis. The actual cutoff for the most economic proposals will depend on the MW volumes of responses for each type. If response volumes are deemed sufficient, 1803 anticipates that approximately 500 MW for each type of product and further subdivided by technology. For Partial- or Full-Requirements, approximately 200% of load for Partial- and Full-Requirements is anticipated to advance to Step 1b. For example, for Appendix B2 Designated Generation Resources that are renewable generation, up to 500 MW of wind, up to 500 MW of solar, and up to 500 MW of energy storage resources could advance to Phase 1b, along with up to 500 MW of proposals that are combinations of wind, solar, and energy storage resources.

Proposals eliminated in Step 1a will be reviewed with the LPSC staff and eliminated bidders will be informed they were eliminated due to non-economic levelized costs as compared to peers.

4.13.3 Step 1b

Step 1b uses the Phase 1 bids advanced from Step 1a. The goal of Step 1b is to assess the relative merits of proposals of both the same product and across products (Appendices B1-6) for meeting 1803's goals outlined in Section 4.13.1.

Step 1b analysis uses industry standard portfolio modeling software, as well as spreadsheet analysis to evaluate the proposals in isolation. The outcome of Step 1b is a list of projects and their associated Net Present Value (NPV) under several cases to be moved on to Step 2 and short-listed for potential PPA negotiations. These cases will be:

1. Typical Case – LMPs are consistent with forward curves and do not include any impacts of a potential carbon tax;
2. Higher energy prices - Natural Gas prices increase by two standard deviations (SD), and the Market Heat Rate (LMP divided by Natural Gas Price) remains consistent with the typical case;
3. Lower energy prices - Natural Gas prices decrease two SD, and the Market Heat Rate (LMP divided by Natural Gas Price) remains consistent with the typical case; and

4. Carbon "tax" cost starting in 2030 and escalating until 2044, including associated impacts

This NPV will be calculated for each case against forward energy, capacity, ancillary services, and other market revenues and costs. 1803 desires to move at least one offer of each product type (Appendices B1-B6) to Step 2.

4.13.4 Energy Market Modeling

The portfolio modeling software is used to forecast variable energy costs and revenues. Forward power and natural gas prices and proposal 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 adjustments are applied to the forward hub prices to capture congestion differences between the proposal locations and the load node, as discussed in Section 4.13.6. Basis spreads are calculated using a blend of historical congestion results, if applicable, and modeled congestion expectations from a nodal commitment and dispatch model.

Unit assumptions include, but are not limited to, renewable contract prices and expected renewable energy production, operating and cost assumptions for energy storage resources, 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 market revenues in the MISO market. Partial- and Full-Requirements offers will use the loads specified in Appendix A to calculate market revenues on the volume provided as compared to the proposal price. Any differentiation in product offers for Partial and Full-Requirements will be accounted for to get an "apples to apples" comparison of multiple Partial or Full-Requirements offers received such that the best overall products can be moved forward to Phase 2.

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 as needed.

Step 1b will focus on expected revenues from each offer. 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. These model results represent the value of the energy portion of the market revenue for each offer, which require several adders to create an "apples to apples" comparison across all projects. The following section details the additional potential adders based upon the details of each unique proposal.

4.13.5 Value of Capacity, Ancillary Services, Energy Management Services, MISO Charges, and Forecast Error Costs

Three amounts will be assigned to each resource for capacity value, a base capacity value, and then a high and low capacity value, and each will be derived based on forward price forecasts and be added as revenue to products providing capacity. For renewable generation and energy storage, capacity will be accredited based upon current MISO rules, using forecasted actual capacity credit beyond year 1, and using MISO provisional values for the first year of service. Any degradation of capacity credits due to saturation will be addressed in Step 2b. Full capacity credit value will be considered in Step 1b, since resources are considered independently in that step.

Ancillary Services, such as regulation service, value will be modeled in the same way, with a base, high and low value added as revenue to products providing ancillary services, including energy storage resources, if applicable.

Beyond capacity and ancillary services costs, there are still more differences in the costs to 1803 for different types of offers that 1803 will account for in this analysis, made up of 1803 energy management overheads. These costs will be provided to the RFP Administrator by 1803 who is engaging a consultant to assist in

determining these costs. Figure 5 on the next page outlines how these costs will be applied to offers in Step 1b.

Figure 5.

Offer Type:	Full-Requirements	Partial Requirements	All Others
Energy Management Overhead	No Cost Adder	Adder = Total Adder x % of Load Not Served by Partial Requirements	Full Adder x % of Load MWh Served by Offer*
MISO Market Charges (Except Energy, Capacity, and Ancillary Services)	Full Adder**	Full Adder** x % of Load Served by Offer	Full Adder** x % of Load Served by Offer
Auction Revenue Right (ARR) Credits (MISO Funded)	No ARR Credit, Assumed Retained by Supplier	ARR Credit = Total Credit x % of Load Not Served by Partial Requirements	ARR Credit x % of Load Served by Offer
Load Forecast Costs (other than Energy costs)	No Cost Adder	No Cost Adder***	Full Adder** x % of Load Served by Offer
*This is on a per-offer basis. E.g., if the Adder is $100 and the project serves 20% of load, the adder would be $20 for each project, totaling 100% for the full load needs			
**Assuming costs are pass-through to 1803. If any of these costs are indicated as fixed in the offer, they will be removed from the adder. If an offer is variable and includes these adders in a forecasted price the adder will be adjusted accordingly.			
***Assuming Partial Requirements Serves a % of Real-Time Load			

Auction Revenue Rights (ARR) are effectively partial congestion "rebates" provided by MISO to Transmission Customers. MISO Terms not defined herein are defined in the MISO Tariff and Business Practices These largely are based on historical usage of the system and 1803 would be eligible for a share of ARR's attributable from resources serving load at the time of MISO South integration. If a Partial-Requirements or Full-Requirements Obligation offer is chosen, the supplier would typically retain this value as they are taking on the congestion risk to deliver to the load. If a portfolio is chosen, then 1803 would likely retain this ARR value, as it would be exposed to the congestion costs. The value of the "ARR Credit" will be developed as part of the basis modeling discussed in Section 4.13.8.

Load forecast risk is captured in MISO market charges, which includes all costs borne by 1803 except those noted, including Revenue Sufficiency Guarantee (RSG) and Day-Ahead to Real-Time (DART) costs.

Unit performance risk is captured in the portfolio model using forced outage rates provided for Non-Renewable Units. For Renewable Generation, an additional cost for RSG and DART (separate from the Load Forecast Costs) will be added to these projects to reflect those costs properly.

The results will be reviewed across all six cases described in Section 4.13.3 for overall NPV as well as variation between the cases. Other attributes desirable to 1803, outlined earlier as goals to be met in the resource acquisition process (see Section 4.13.1 above), 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 in Step 2a and Step 2b. 1803 intends to move at least one offer of each product type (Appendices B1-6) and technology within each product type to Phase 2 unless there are no offers with a reasonable chance of selection for a given type. Overall, 1803 intends to advance two to three times the final need (as practicable) to Phase 2 to allow for a robust portfolio analysis.

At the end of Phase 1, bidders selected for Phase 2 will be allowed to make their best and final offer that will be used for the Phase 2 analysis.

4.13.6 Step 2a

The next step, Step 2, will be performed based on the bids that passed through from Phase 1 and this step will be performed using the updated bids supplied by bidders as discussed above. The purpose of Step 2 will be to develop a reference portfolio of resources that best fits 1803's capacity and energy needs based on the RFP offers for different generation product types identified in the prior steps. In this step, the RFP Administrator will create a reference case using industry standard capacity expansion and portfolio production cost modeling software. This will use the RFP offers for different generation types as a generic input for costs of different

supply types, 1803's projected load, and forward power and gas prices as of the Phase 2 pricing date.

While the results of this process will be used to develop a reference portfolio of resources that best fits 1803's needs for capacity and energy, it will not yet have accounted for all aspects of 1803's costs. 1803 will next add in to the reference portfolio the costs identified in Figure 5 (depending on portfolio the model sets up as the reference case) to arrive at a complete reference case cost assumption. This reference portfolio total cost to 1803 will serve as the baseline for Step 2b.

4.13.7 Step 2b

Utilizing the Reference Case developed in Step 2a, an 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. Scenarios which cause the portfolio to be significantly long or short energy or capacity may not be considered. The total costs to serve full requirements load will be compared across the scenarios, and only the most economical three to five scenarios will be analyzed using stochastic model runs.

A series of stochastic model runs will be conducted to evaluate various key sensitivities. These runs inherently include sensitivities by combining 100 iterations per hour around the following variables, even allowing interactions among these variables to create a full distribution of outcomes:

1. Fuel prices,
2. Load levels and shape, and
3. Energy market prices.

These variables provide a robust set of outcomes similar to the scenario analysis performed in 1b, but additional scenario analysis will be done both with and without a $20/ton CO2 emissions tax starting in 2030, as another full set of stochastic runs to fully assess the impacts of such a scenario.

After the energy modeling analysis is performed, in a similar way to step 1b (but for the entire portfolio rather than individual resources) base, high, and low

scenarios for capacity will be created and applied to the low, expected, and high outcomes from the stochastic energy market model results described above.

For renewable generation and energy storage resources, the capacity will be "tentatively accredited" based upon current MISO rules, using forecasted actual capacity credit beyond year 1, and using MISO provisional values for the first year of service. As solar or wind penetration increases, there is concern that solar and wind capacity accreditation may be reduced, as MISO has discussed in some forums and other markets are moving towards an Effective Load Carrying Capacity (ELCC) approach to deriving renewable resource capacity value. To account for this possibility, which increases with greater renewable penetration, the "tentatively accredited" capacity will be discounted for capacity levels above 10% of the PRMR as indicated in Figure 6.

Figure 6.

"Tentative" Renewable Capacity in Portfolio as a % of PRMR	Multiplier to "Tentative" Capacity Credit for All Renewables
0-10%	100%
10%-20%	90%
20%-30%	75%
30%-40%	50%
40%-50%	40%
50% - 100%	25%

Ancillary value will be modeled in the same way, with a base, high and low value added as revenue to products providing ancillary services, including storage if applicable.

In the exact same manner as step 1b, but on a portfolio basis, other costs to be borne by 1803 will be applied to the analysis. Figure 7 outlines how these costs will be applied to offers in step 2b (similar to Figure 5 but Figure 7 covers the entire portfolio.)

Figure 7.

Portfolio Composition:	Full-Requirements	Partial Requirements and Others	Others with No Partial Requirements
Energy Management Overhead	No Cost Adder	Adder = Total Adder x % of Load Not Served by Partial Requirements	Full Adder
MISO Market Charges (Except Energy, Capacity, and Ancillary Services)	Full Adder**	Full Adder**	Full Adder
Auction Revenue Right (ARR) Credits (MISO Funded)	No ARR Credit, Assumed Retained by Supplier	ARR Credit = Total Credit x % of Load Not Served by Partial Requirements	Full ARR Credit
Load Forecast Costs (other than Energy costs)	No Cost Adder	Adder = Total Cost x % of Load Not Served by Partial Requirements	Full Adder
**Assuming costs are pass-through to 1803. If any of these costs are indicated as fixed in the offer, they will be removed from the adder. If an offer is variable and includes these adders in a forecasted price the adder will be adjusted accordingly.			
***Assuming Partial Requirements Serves a % of Real-Time Load			

As in Step 1b, ARRs are effectively partial congestion "rebates" provided by MISO to Transmission Customers. These are largely based on historical usage of the system and 1803 would be eligible for a share of ARRs attributable to resources serving load at the time of MISO integration. If a Full- or Partial-Requirements offer is chosen, the supplier would typically retain this value as they are taking on the congestion risk to deliver to the load. If a portfolio is chosen, then 1803 would likely retain this ARR value, as it would be exposed to the congestion costs. The "ARR Credit" value will be developed as part of the basis modeling discussed in Section 4.13.8.

Similar to Step 1b, load forecast risk is captured in MISO market charges, which includes all costs borne by 1803 except those noted, including Revenue Sufficiency Guarantee (RSG) and Day-Ahead to Real-Time (DART) costs.

Unit performance risk is captured in the portfolio model using forced outage rates provided for Non-Renewable Units. For Renewable Generation, the energy market

model will capture the energy market cost to production forecast errors, but an additional cost for RSG and DART (separate from the Load Forecast Costs) will be added to these projects to reflect those costs properly.

The final proposals and scenarios will be compared for cost, reliability, and risk, using expected, low, and high scenario values. 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 meet 1803's other goals given 1803's risk tolerance.

4.13.8 Basis Modeling in the Evaluation

The MISO market uses LMPs to operate the grid economically while respecting transmission system constraints. As such, other than offers proposing delivery to the load, 1803 will face basis risk in MISO, where the price MISO charges at the load node is not the same as that 1803 receives for energy procured through this RFP for certain products. In order to properly assess offers through this process, the Portfolio Strategy and Analysis Team will conduct several nodal basis assessments, using historical values and forecasted future modeling results.

All of the basis modeling will be done using an industry standard Security Constrained Economic Dispatch (SCED) engine with Unit Commitment modeling, similar to what will be used to perform congestion modeling. This analysis will rely on vendor-supplied data with changes to the network topology that ACES will apply to account for recently added transmission facilities and other changes to grid topology not accounted for in the vendor data that can be obtained from MISO transmission information. The grid will be simulated hourly in the nodal forecasting model in the same manner as MISO commits and dispatches units. Historical data and forward basis modeling will be combined to create a basis forecast (and an ARR valuation) used in several steps of the analysis.

The first basis modeling analysis will be to develop a high-level estimate of area to load basis to use in Step 1a screening. The main purpose of this forecast is to account for major locational differences that might significantly impact the relative

ranking of projects within a given offer type. This basis will be generalized to areas within the MISO footprint to provide a high level screening overview

The second assessment will be to derive a basis ratio to be applied to each offer in Step 1b based on its delivery location. This translates the forward hub prices into locational prices for the model to use.

The third use of locational modeling will be to provide an ARR valuation based on 1803's likely nomination opportunities in MISO under a non-Full-Requirements portfolio. This estimate will only include congestion differentials and not differences in marginal losses as ARRs are based on the FTR auction values which are only based on congestion, not loss, differences.

The final basis assessment will be used in Step 2b. This will be similar to the development of the basis ratio provided for the Step 1b analysis, but down to the specific delivery point(s) of offers. A high and low basis ratio will also be developed and employed as part of the scenario analysis. The RFP administrator has a wealth of experience in nodal power flow modeling to support these assessments.

4.14 Notification of Evaluation Results and Negotiations

Upon selection of any proposal(s) 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. Any successful proposal(s) 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 are 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/or
- 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.