

REQUEST FOR PROPOSALS FOR GENERATION CAPACITY RESOURCES UNDER LONG-TERM CONTRACT

Frequently Asked Questions (FAQs)

General

Q-1. Why did the MDPSC issue this RFP?

- A. The RFP was issued to mitigate risks faced by Maryland with regards to long-term reliability of electricity supply. This risk is heightened by several factors including: the potential that load forecasts could rise unexpectedly; the risk that pending EPA regulations and future emissions legislation could cause substantial retirements of base-load generation; the cancellation or delay of new transmission lines; risk that demand response will not continue to grow at current pace; risk that the State will not have enough flexible generation to accommodate renewables; risk that the State may not fully benefit from low natural gas prices; and risk that the RPM may not attract new capacity.

Q-2. What were the actions that led to the issuance of the RFP?

- A. In August 2007, the MDPSC issued Order No. 81563 to initiate review of the SOS process. In September 2009, the MDPSC issued Order No. 82936, which initiated Case No. 9214 to explore whether to issue an RFP for new generation resources. In December 2010, the MDPSC issued a draft RFP for comments. After having considered comments from nearly 30 parties and in consideration of the lead time needed to construct new generation, the MDPSC determined the issuance of an RFP to be in the best interest of Maryland ratepayers and the best way to promote the long-term electric reliability of the State.

Q-3. Will there be any further discussion about the necessity of the RFP?

- A. Yes. The MDPSC is holding a separate hearing on January 31, 2012 to determine whether new generation is needed to meet the long-term anticipated demand for Standard Offer Service in Maryland and if so, the quantity of generation that is needed. Comments regarding this hearing are due by Friday, January 13, 2012. Please see the Issuance Order in MDPSC Case No. 9214 for further information. Comments regarding this hearing can be sent to:

Dave J. Collins
Executive Secretary
6 St. Paul Street, 16th floor
Baltimore, MD 21202

Q-4. What is the schedule for the RFP?

- A. A full schedule can be found on page 16 of the RFP, however, an updated schedule is provided below. Key milestones include submission of eligibility documents by Friday, January 6, 2012 and submission of Proposals by Friday January 20, 2012.

Activity	Date
RFP issued	Thursday, September 29, 2011
Pre-offer conference	Friday, October 21, 2011
Eligibility Documents due	Friday, January 06, 2012
Issue Respondents' eligibility status	Friday, January 13, 2012
Deadline for receipt of Respondents' questions	Friday, January 13, 2012
Proposal Due Date	Friday, January 20, 2012
Commission hearing	Tuesday, January 31, 2012
Initial Shortlist evaluation complete	Friday, February 24, 2012
Notification of Initial Shortlist winners	Monday, February 27, 2012
Notification of intent to offer into BRA due to PJM	Thursday, March 01, 2012
Final Shortlist evaluation complete	Friday, March 30, 2012
Commission selects and approves any winning offers	Friday, April 06, 2012
EDC(s) execute Commission-approved agreements	Friday, April 13, 2012

Q-5. How will the cost of the RFP and the contracts be recovered?

A. The method of cost recovery will be determined in a future proceeding by the MDPSC.

Q-6. Where should I send questions regarding this RFP?

A. All questions must be submitted to Doline Serra by Friday January 13, 2012 at dserra@psc.state.md.us.

Bid Parameters

Q-7. What is the RFP soliciting?

A. The RFP is soliciting up to 1,500 MW of new natural-gas fired generation located within the SWMAAC LDA. This Resources will be owned and operated by the Supplier and must come online between June 1, 2015 and June 1, 2017.

Q-8. What is the deal being offered?

A. The ultimate agreement will be a Contract for Differences between one or more EDCs and a bidder. The bidder will offer a capacity price and a energy price (consisting chiefly of a heat rate and fuel index). The bidder will operate their unit and sell the output into the PJM markets. To the extent that the bidder earns less than their offered capacity and energy price ratepayers will pay the difference. To the extent that bidders earn more than their offered capacity and energy price, they will return the difference to ratepayers.

Q-9. What is the term of the offer?

B. Bidders may submit a proposal for any term length of up to twenty years, with the possibility of extension at the discretion of the MDPSC.

Q-10. Can a Generation Capacity Resource be built outside SWMACC and deliver power into SWMACC?

A. No. The unit must be physically located within the SWMAAC LDA.

Q-11. Why are resources limited to SWMAAC?

- A. The MDPSC is issuing the RFP because of specific concerns related to reliability within the SWMAAC LDA. Any resource built outside of SWMAAC would be unable to fulfill the reliability needs that this RFP is addressing.

Q-12. Is an existing generator able to participate?

- A. The bidders must provide proposals for building new natural gas-fired Generation Capacity Resources. Existing generation capacity does not satisfy threshold procurement criteria set forth in this RFP nor does an uprate of existing RFP. However, proposals for new units of this technology type to be constructed on the same site as existing facilities will be considered in accord with the minimum threshold requirement set forth in this RFP, but only for the capacity associated with the new unit(s) at the existing facility.

Q-13. Why did the MDPSC issue this RFP with such a condensed timeline?

- A. Given the risk that potential reliability issues could occur as early as 2015, the MDPSC wanted to allow for Resources to clear in the 2015 BRA. Having the contracts executed by March 2012 helps ensure that the facility can be constructed by 2015, if desired.

Eligibility

Q-14. Who can participate?

- A. Any entity, including an affiliate of an EDC, is invited to submit eligibility documents. Any affiliate will be subject to the same rules and receive the same treatment as third-party bidders.

Q-15. What must a bidder do to become eligible?

- A. By Friday January 6, 2012, bidders must submit one original, five copies, and an electronic copy of the non-binding Expression of Interest Form (Attachment 3), Certification that Resources has not cleared a Prior BRA (Attachment 4), Executed PJM Membership Certification (Attachment 5), Binding Offer Agreement (Attachment 6), and Confidentiality Agreement (Attachment 9). See Section 5.1 of the RFP for further details.

Q-16. When will bidders be notified of eligibility status?

- A. Bidders will be notified of eligibility status by Friday January 13, 2012.

Proposal

Q-17. When are Proposals due?

- A. Proposals are due on Friday January 20, 2012 and must contain one original, five copies, and an electronic version. Please see Section 6.1 of the RFP for a full list of required Proposal content.

Q-18. Does the Proposal require a financing plan?

- A. Yes. The Proposal must contain a detailed financing plan that addresses: sources of debt and equity; anticipated usage of any federal loans or tax credits; other sources of tax benefits; *Pro Forma* cash flow statements showing financial viability of the Resource; two most recent years of audited financial statements; currently available debt credit ratings from S&P, Moody's and Fitch; and a Letter of Intent to provide credit security within 30 days of being selected to the final shortlist.

Q-19. What Heat Rate will be used to determine the contract energy price?

- A. In Attachment 7, the bidder will provide one heat rate value to be used each year for the purposes of calculating the contract energy price.

- Q-20. What pricing elements are required as part of the Proposal?
- A. Bidders must submit all requested data in accordance with Section 6.1 of the RFP. This primarily includes a capacity payment, a fixed or indexed energy payment, a contractual heat rate and a fuel index. In addition, Bidders must submit a completed Operating Data and Pricing Parameters (Attachment 7).
- Q-21. Will there be an opportunity for a bidder to adjust their bid after initial submission?
- A. Bidders selected to the Final Shortlist will be offered the chance to submit a Best and Final Offer.
- Q-22. What if I submit a Proposal that is missing any information?
- A. Bidders who submitted proposals with deficiencies will be contacted after Friday January 20, 2012, for additional information.
- Q-23. Where should I send the Proposal?
- A. All documents must be submitted to:
Dolline M. Serra
6 St. Paul Street, 16th Floor
Baltimore, MD 21202
Phone: 410-767-8009

Evaluation of Proposals

- Q-24. What are the minimum threshold criteria?
- A. As an initial screen, Bidders must submit all eligibility documents in accordance with Section 5.1 of the RFP. Bidders must also demonstrate: technical, managerial, and financial capability; that the Resource will not receive cross-subsidization by an EDC or other regulated affiliated entity; legal entitlement to site; that the Resource is a new natural gas-fired plant physically located in SWMAAC LDA; that the Resource's online date is no earlier than June 1, 2015 and no later than June 1, 2017; that there is a financing plan for the Resource and a Letter of Intent to provide credit security within 30 days of being selected to the final shortlist; and that no material changes to the Agreement which would shift risk to the ratepayer are being sought. Please see Section 6.5.1 of the RFP for more details.
- Q-25. How will proposals be selected to form the initial shortlist?
- A. Proposals meeting the minimum threshold criteria will be given a price score (out of 70 points) and a non-price score (out of 30 points) for a total of 100 points to determine an initial shortlist. Proposals with the highest total scores will be chosen to form the initial shortlist of up to two times the requested need (3,000 MW).
- Q-26. How will the price score be determined?
- A. The annuitized cost of bids is compared on a \$/MWh basis. The cost of bids will be derived from: the requested capacity and fixed O&M payments; operating costs (i.e. heat rate and fuel index); and expected output (MWh). The cost of individual bids is compared to the average cost of all bids. Bids that cost 80% or less than the average cost of all bids automatically receive the maximum price score of 70 points. Bids that cost 140% or more than the average cost of all bids automatically receive the minimum price score of 0 points. All bids in between are linearly interpolated.
- Q-27. How will the non-price score be determined?

- A. The non-price score will be determined by allocating percentage points under three categories: Development and Feasibility Risk; Site Control and Permitting; and Operation Viability Risk Impacts and Benefits. Under Development and Feasibility Risk, bids will be allocated 5 points for financing plan, 2.5 points for engineering design and technology, and 2.5 points for fuel supply and transportation strategy. Under Site Control and Permitting, bids will be allocated 5 points for required permits, 2.5 points for access to operational utility supply, and 2.5 points for right of ways. Under Operation Viability Risk Impacts and Benefits, bids will be allocated 2.5 points for compliance with model contract, 2.5 points for environmental compliance strategy, 2.5 points for O&M plan, and 2.5 points for benefits to the State. Please see Section 6.5.3 of the RFP for details.

Q-28. How will proposals be selected to form the final shortlist?

- A. All bids selected to the initial shortlist will be modeled in PROMOD IV (a production cost model) to determine cost to ratepayers. Bids will be modeled in a reference case and in select sensitivity cases. The bids that produce the lowest cost solution for ratepayers when adjusted for risk will be selected to the final shortlist.

Agreement

Q-29. Is physical delivery of either energy or capacity to Maryland required?

- A. No. The contract is a financially settled Contract for Differences under which physical delivery of capacity, energy, and ancillary services is not required.

Q-30. Can the Agreement be extended? Under what circumstances and for how long?

- A. Yes. In accordance with Section 12.11 of the Agreement, the MDPSC may elect to extend contracts for a term not to exceed ten years.

Q-31. Who will sign the Agreement?

- A. The contract will be executed by the Bidder and EDCs to be determined by the MDPSC.

Q-32. Can bidders suggest edits to the Agreement?

- A. Yes. Bidders can submit changes to the model Agreement for consideration. However, offers which conform to all major terms will receive preference in the evaluation. Changes that shift risk to ratepayers are strongly discouraged.

Q-33. What happens if the Resource does not clear the PJM Base Residual Auction (BRA)?

- A. To receive any payment under the contract, the Supplier must bid into and clear the BRA. The Supplier bears full risk of MOPR mitigation. The contract will remain in effect even if the Supplier fails to clear BRA. The Supplier must bid in the BRAs in subsequent years and will be paid for any year in which they do clear the BRA.

Q-34. Are bidders required to bid into the ancillary services markets? What happens to revenues from the ancillary services markets?

- A. Supplier must bid into the appropriate ancillary services market(s). All revenues earned through the sale of ancillary services will be retained by the Supplier.

Finance & Credit

Q-35. How much collateral is necessary and by when?

- A. Supplier is required to post Completion Security collateral in the amount of \$100/kW of expected UCAP within 30 days of being selected to the final shortlist. Supplier must also post Plant

Performance Security in an initial amount of \$50/kW of UCAP effective on the COD, reduced thereafter in proportion to remaining years of the contract.

Q-36. What are the acceptable forms of security?

- A. The Completion Security and Plant Performance Security shall be provided in some combination of: cash; which will be held in an interest-bearing Escrow account by a Qualified Institution selected by the Buyer for the benefit of the Buyer; a Letter of Credit; a performance bond; a certified check made payable to the Buyer; a bank draft made payable to the Buyer; or other equivalent form of security acceptable to the Buyer acting reasonably, and subject to approval of the Commission, but for certainty, shall not include guarantees.

Q-37. As part of the non-price score described in Section 6.5.3 of the RFP, what criteria will be used when evaluating the strength of a bidder's financial plan?

- A. The financial plan should demonstrate that the bidder will be able to secure the necessary funds to construct and operate the proposed facility. Bidders should describe the proposed financing structure of the project. They should then provide a full description of debt and equity sources. Bidder's are encouraged to submit evidence of debt and equity provider's willingness to provide debt or equity to the project if selected as a winner. Bidders should also provide a pro forma cash flow statement that demonstrates the financial viability of the proposed resource. Bidders should describe, and include in the pro forma, any assumptions made about the receipt of federal loans and/or tax or other type of benefits.

In addition to the financial plan, we will assess Respondent's overall financial condition and evidence of creditworthiness, including senior unsecured long-term debt credit ratings from major rating agencies and the most recent two years' audited financial statements for Respondent and Guarantor, if applicable.