



**WEBINAR:**  
**FirstEnergy Ohio Utilities’  
Request for Proposals for  
2015 Ohio Compliant  
Renewable Energy Credits and  
Solar Renewable Energy Credits**

Prepared for:  
FirstEnergy Ohio Utilities



Good Morning!

**Thank you for attending FirstEnergy Ohio Utilities' Request for Proposal ("RFP") for 2015 Ohio Compliant Renewable Energy Credits and Solar Renewable Energy Credits Webinar**

**Our session will begin shortly**

Our key presenter this morning:

Dan Bradley

Director, Navigant Consulting ("RFP Manager")

# Disclaimer

Any statements in this Webinar presentation describing or referring to documents and agreements are summaries only, and are qualified in their entirety by reference to such documents and agreements as provided in the following RFP governing documents:

- » RFP Bidder Rules
- » Communications Protocol
- » Purchase & Sale Agreement
- » Qualification Application
- » Credit Application
- » Pricing Proposal
- » Confirmation of the PSA

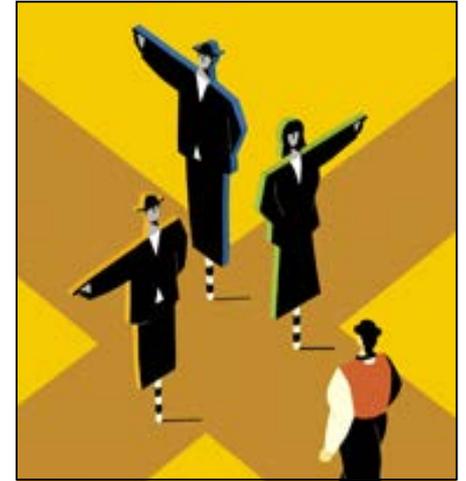
# Agenda

- Today's Webinar
- Communications Protocol
- RFP Overview
- Eligibility & Requirements
- PSA Overview
- Credit Application & Requirements
- Proposal Submittal Requirements
- PUCO Certification Process
- Evaluation & Selection
- Execution of Purchase & Sale Agreement
- Target Schedule of Events
- Questions about the RFP



# Today's Webinar

- Phones will remain muted throughout
- If you have any questions, please submit them via e-mail to [manager@feohiorecrfp.com](mailto:manager@feohiorecrfp.com)
- We will post responses to all questions submitted and received during the Webinar and prior to the FAQ Deadline of October 14, 2015 to the RFP website by October 21, 2015



# RFP website

Visit the RFP website for more details

<http://www.feohiorecrfp.com>

BROWSE PAGE PUBLISH

**FirstEnergy** FirstEnergy Ohio 2015 REC and SREC RFP Documents Q&A

## FirstEnergy Ohio 2015 REC and SREC RFP

Site Links

- Home
- Announcements
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Previous RFPs

- 2014 REC RFP

Site Contents

### FirstEnergy Ohio Utilities

#### Request for Proposals for 2015 Ohio Compliant Renewable Energy Credits and Solar Renewable Energy Credits

This website will be used to support the Request for Proposal ("RFP") process for The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company, ("FirstEnergy Ohio Utilities") purchase from Qualified Proposers the Delivery of 6,800 Solar Renewable Energy Credits ("SRECs") and 233,000 Renewable Energy Credits ("RECs"). The RFP process will be managed by Mr. Dan Bradley of Navigant Consulting, Inc., a specialized, global consulting firm with expertise in energy markets and procurements. Mr. Bradley can be contacted via email at [manager@feohiorecrfp.com](mailto:manager@feohiorecrfp.com).

**Navigant is the independent request for proposal manager.** This website is maintained by Navigant.

#### Announcements

| ✓ | Date of Announcement | Title                             | Body  |
|---|----------------------|-----------------------------------|---|
|   | 9/30/2015            | 2015 Ohio REC RFP has been Issued | Please note that the 2015 Ohio REC RFP has been Issued. See the Documents section to download the: <ul style="list-style-type: none"><li>The RFP Bid Rules;</li><li>The Communications Protocol;</li><li>The Form of Pricing Proposal;</li><li>The SREC Purchase and Sale Agreement;</li><li>The Confirmation of Agreement; and</li><li>The Credit Application</li></ul> <p><a href="#">Click here to view the FirstEnergy Ohio RFP Issuance Press Release.</a></p> |

# RFP Communications Protocol

**Important to note that in order to ensure a fair and impartial procurement process, contact with FirstEnergy Ohio Utilities is restricted during the RFP process.**

- FirstEnergy Ohio Utilities has retained Navigant Consulting as the solicitation manager for this RFP.
- Navigant is conducting this RFP for FirstEnergy Ohio Utilities
- Proposers may submit questions via:
  - » The RFP website
  - » email to [manager@feohiorecrfp.com](mailto:manager@feohiorecrfp.com)

**All correspondence pertaining to the RFP should be directed through the RFP website or email**

*RFP Communications Protocol is posted in the “Documents” section of the RFP website*

# Overview

- FirstEnergy Ohio Utilities is seeking to purchase a fixed number of PUCO-certified SRECs and/or RECs to be Delivered on or before February 14, 2016 in the following quantities:
  - » 6,800 SRECs; and
  - » 233,000 RECs.
- Note that there is no longer an “In-State” requirement in Ohio
- *This RFP is NOT seeking proposals for the following:*
  - *Long term proposals for delivery of RECs or SRECs in future years*
  - *Associated energy, capacity or ancillary services*

# Eligibility and Requirements

- All RECs and SRECs proposed pursuant to this RFP shall:
  - » be or have been derived from Eligible Resources\*;
  - » be or have been generated no earlier than January 1, 2013 and no later than December 31, 2015;
  - » be consistent with any and all applicable Ohio laws, rules and regulations, including without limitation, rules and regulations promulgated by the PUCO;
  - » be Delivered to FirstEnergy Ohio Utilities no later than February 14, 2016 via the PJM Environmental Information Services Inc.'s ("PJM-EIS") Generation Attributes Tracking System ("GATS"); and
  - » become the sole property of FirstEnergy Ohio Utilities.

*\*Eligible Resource means a renewable energy resource generating facility that has been certified by the Public Utilities Commission of Ohio ("PUCO") to be eligible to create RECs or SRECs that may be used to comply with Ohio's alternative energy portfolio requirement.*

# PSA Overview

The terms and conditions of FirstEnergy Ohio Utilities' purchases will be subject to a Purchase and Sale Agreement for Renewable Energy Credits ("PSA")

- All terms and conditions incorporated in the PSA are considered final and non-negotiable
- All RECs and SRECs Delivered pursuant to the PSA executed under this RFP shall be firm and not "unit contingent"
- In the event a successful Proposer fails to secure the quantity of RECs and/or SRECs from the renewable generating facility that the Proposer originally planned to use to provide such RECs and/or SRECs, it remains that successful Proposer's obligation to Deliver to FirstEnergy Ohio Utilities the quantity of RECs and/or SRECs set forth in the PSA
- Proposers must be able to meet all requirements of the PSA, and failure to do so will result in exclusion of the Proposer's proposal from further consideration

*The PSA is posted in the Documents section of the RFP website*

# Credit Application

- All Proposers must submit a credit application. Proposers who do not submit a Credit Application will be deemed ineligible and their Proposals will not be considered for further evaluation
- Credit Applications are required to be submitted by all Proposers and are used to determine the amount (*if any*) of Security required under the PSA
- Proposers may submit a credit application beginning October 28, 2015. Submitting a Credit Application does not bind a Prospective Proposer to submit a Proposal in this RFP
- Prospective Proposers who submit a Credit Application prior to the Proposal Due Date may be provided feedback from the RFP Manager and FirstEnergy Ohio Utilities
- Provided a revised credit application is provided prior to the Proposal and Credit Application Due Date, Proposers are able to make any needed corrections or modifications
- Credit applications will be accepted by FirstEnergy Ohio Utilities and the RFP Manager until **November 4, 2015 by 5:00 PM EPT.**

# Credit Requirements: Security

- Security is determined, in part, by the **total notional dollar value** of each Proposal(s)
- To calculate the total notional dollar value of your Proposal(s), multiply the quantity of RECs and/or SRECs to be Delivered by the proposed price for each REC and/or SREC
  - » If the total notional dollar value of a PSA under this RFP is less than **\$500,000**, no security is required (provided the Proposer has no special conditions, e.g., in bankruptcy)
  - » If the total notional dollar value of the PSA is in excess of \$500,000 and if FirstEnergy Ohio Utilities has determined that the Proposer does not have an adequate credit rating to support the credit required for the PSA, then the Proposer will post and maintain Security in an amount of **5%** of the total notional dollar value of the PSA if selected as a successful Proposer.

# Credit Requirements: Unsecured Credit

- Proposers with Proposals with a total notional dollar value of greater than \$500,000 may qualify for an Unsecured Credit Line (“UCL”).
- To qualify for a UCL, Proposers must at minimum provide and demonstrate:
  - » That the entity providing security (parent or self) is a rated entity with a minimum credit rating, provided by either Standard & Poor’s, Moody’s, or Fitch of BB+ or Ba1;
  - » Two audited financial statements for the previous two fiscal years;
  - » The applicant and/or parent company is not operating under federal bankruptcy laws or bankruptcy laws in any other jurisdiction;
  - » The applicant and/or parent company is not subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the applicant’s and/or parent’s financial condition; and
  - » The applicant and/or parent company is not subject to collection lawsuits or outstanding judgments that could impact solvency
- Notwithstanding the above, FirstEnergy reserves the right to extend or withhold a UCL to the parties

# Credit Requirements: Example Calculations

- In the table below, there are three examples of credit requirements for the purpose of exemplifying the calculations
- The volume and price in the table below are examples only and are not intended to represent market prices or expectations

|  | Ex 1. Notional Value Less than \$500,000 | Ex 2. Notional Value More than \$500,000 and does not qualify for UCL | Ex 3. Notional Value More than \$500,000 and qualifies for UCL |
|--|--|---|--|
| 2015 RECs Proposed   | 10                                       | 200,000   | 200,000  |
| REC Price Proposed<br><i>(EXAMPLE ONLY, NOT INDICATIVE OF MARKET PRICES)</i> | \$5.00                                   | \$5.00  | \$5.00   |
| Delivery Years (2015 Only)   | 1  | 1   | 1  |
| Total Notional Dollar Value  | \$50                                     | \$1,000,000   | \$1,000,000  |
| Security Required (5%)   | None                                     | \$50,000  | None   |

# Credit Requirements: Posting Security

- **No Security needs to be posted unless the bid award is greater than \$500,000 and the Proposer does not have an adequate credit rating to support the credit required for the PSA. In this case, a Proposer is required to post security by November 19, 2015**
- Seller shall post such Security in the form of:
  - » Letter of Credit in the form of Appendix B in the PSA; or
  - » Guaranty in the form of Appendix C in the PSA; or
  - » Cash; or
  - » Another substantially similar form approved in advance by FirstEnergy Ohio Utilities.
- Proposers shall receive back a corresponding percentage of the Security upon Delivery of the 2015 RECs and/or SRECs based on the percentage of RECs or SRECs Delivered

# Proposal Submittal Requirements

- Proposals must be received by the RFP Manager via email no later than 5:00 pm on November 4, 2015, without exception
- **To submit a proposal, send one email to [manager@FEOhioRECRFP.com](mailto:manager@FEOhioRECRFP.com) which includes all of the following completed documents:**
  - » Credit Application (either submitted by October 28 or simultaneously with the Proposal);
  - » Qualification Application;
  - » Pricing Proposal(s); and
  - » Confirmation of PSA
- Note: Faxed or hard copy proposals will not be accepted

*All documents and forms listed above are posted in the Documents section of the RFP website*

# Qualification Application

- Proposers are requested to fully complete each field contained on the Form of Qualification Application, as follows:
  - » Section I – Complete all requested fields regarding the Proposer’s Information
  - » Section II – Statement of REC/SREC Compliance

*Form of Qualification Application is posted in the Documents section of the RFP website*

# Pricing Proposal

- All Pricing Proposals shall specify the total number of RECs and/or SRECs proposed for Delivery to FirstEnergy Ohio Utilities
  - » Proposers may submit Multiple Pricing Proposals provided that each such Pricing Proposal offers different REC and/or SREC Quantities at different prices; and
  - » such Multiple Pricing Proposals must be structured in a way that, should all Pricing Proposals be selected, the Proposer is capable of Delivering the total REC and/or SREC Quantities proposed
- Within each Pricing Proposal, the Proposer must specify whether the bid is “All or Nothing” in the indicated field (Proposers are cautioned that All or Nothing proposals may decrease the chances of selection)

*The Form of Pricing Proposal is available on the RFP website in Microsoft Excel format*

# Scenario A: All-or-nothing included in low-cost combination

## Illustrative Target: 15 SRECs

| Bid #   | Product | Type           | Quantity       | Price    | Select?         |
|---|---------|----------------|----------------|----------|-----------------|
| 1   | SRECs   | Up To          | 6              | \$50     | Y - All         |
| 2   | SRECs   | Up To          | 5              | \$60     | Y - All         |
| 3   | SRECs   | Up To          | 2              | \$90     | N               |
| 4   | SRECs   | All or Nothing | 4              | \$100    | Y - All         |
| 5   | SRECs   | Up To          | 2              | \$150    | N               |
| Impact of selecting up the bid stack vs. selecting the low cost combination |         |                | Total Quantity | Total \$ | Average \$/SREC |
| Bid Stacking: Bids 1, 2, 3 and 5  |         |                | 15             | \$1,080  | \$72.00         |
| Low Cost Combination: Bids 1, 2, 4  |         |                | 15             | \$1,000  | \$66.67         |
| Selection Cost Savings  |         |                | -              | \$80     | \$5.33          |

- In this example, selection of Bid #3 and #5 has been bypassed to select the combination of bids that minimizes the cost of the procurement.
- By skipping the “Up To” Bid #3 and #5 in favor of the “All or Nothing” Bid #4, the SRECs will cost \$80 less.

# Scenario B: All-or-nothing excluded from low-cost combination

## Illustrative Target: 15 RECs

| Bid #   | Product | Type           | Quantity       | Price    | Select?         |
|---|---------|----------------|----------------|----------|-----------------|
| 1   | RECs    | Up To          | 6              | \$50     | Y - All         |
| 2   | RECs    | Up To          | 5              | \$60     | Y - All         |
| 3   | RECs    | Up To          | 2              | \$75     | Y - All         |
| 4   | RECs    | All or Nothing | 4              | \$100    | N               |
| 5   | RECs    | Up To          | 2              | \$105    | Y - All         |
| Impact of selecting up the bid stack vs. selecting the low cost combination |         |                | Total Quantity | Total \$ | Average \$/SREC |
| Bid Stacking: Bids 1, 2, 3 and 4  |         |                | 15             | \$1,000  | \$66.67         |
| Low Cost Combination: Bids 1, 2, 3 and 5                                    |         |                | 15             | \$960    | \$64.00         |
| Selection Cost Savings  |         |                | -              | \$40.00  | \$2.67          |

- In this example, the combination that minimizes the cost of the procurement *excludes* the all-or-nothing bid.
- Here, skipping Bid #4 in favor of Bids #3 and #5 would have a total cost of \$960 versus \$1,000 had Bid #3 and #5 been skipped and Bid #4 been selected instead.

# Confirmation of PSA

- All Proposers must provide a Confirmation of PSA form signed by an authorized representative, which confirms the understanding that:
  - » Proposers are able to meet all requirements of the PSA; and
  - » All terms and conditions incorporated in the PSA are considered final and non-negotiable

*The Confirmation of PSA is posted in the Documents section of the RFP website*

# PUCO Certification Process

- All proposed RECs or SRECs must be produced from PUCO certified facilities prior to Delivery to FirstEnergy Ohio Utilities. To become a PUCO certified facility, a Proposer must first follow the application instructions and complete the online application for Certification of a Renewable Energy Resource Generating Facility available at the commission's website:  
<http://www.puco.ohio.gov/puco/index.cfm/puco-forms/renewable-energy-resource-generating-facility-application-for-certification/>
- All RECs or SRECs must be transferred using PJM EIS GATS, each of which requires its own separate registration.

# Evaluation & Selection: Part 1 Qualification

- **Part 1 – Proposal Qualification: During Part 1, the RFP Manager reviews:**
  - » Credit Application
  - » Qualification Proposals
  - » Confirmation of PSA
- RFP Manager reserves the right to ask clarifying questions of a Proposer via email to complete its review. Time is of the essence and failure to respond or late response to any such request may result in a Proposal not being qualified

# Evaluation & Selection: Part 2 Proposal Sorting

- Only Proposals that have satisfied the qualification requirements of Part 1 are eligible for Part 2
- All qualified proposals, subject to credit requirements, will be divided by category and sorted by Proposed price
- Larger volume proposals will be preferred if there are competing proposals at the same price
- If selection of the next incremental Proposal in terms of price exceeds the Target Quantity, the selection would be limited to the amount remaining to fulfill the Target Quantity.
- If the Proposal is “All or Nothing”, it may be skipped in favor of the next incremental Proposal in order of price to avoid over-procurement of RECs and SRECs where it would result in a higher overall procurement cost.

# Execution of PSAs

## **The execution of a PSA by both FirstEnergy Ohio Utilities and the Proposer will constitute a “Winning Proposal”**

- Immediately following Part 2, FirstEnergy Ohio Utilities shall prepare a PSA incorporating information from the Winning Proposals
- PSA(s) will be transmitted to the Winning Proposers via email and hard copy
  - » **Within one (1) business day of receipt:** Winning Proposer shall execute and return the applicable PSA to FirstEnergy Ohio Utilities via an email with a PDF of the executed PSA; and
  - » **Within three (3) business days of receipt:** Winning Proposer shall execute and return a hard copy (printed copy) PSA to FirstEnergy Ohio Utilities
- Proposers who have particular difficulties with these requirements may make special arrangements with the RFP Manager
- Failure of a Winning Proposer to execute the applicable PSA via PDF and return email within the timeframe set forth above (or otherwise agreed upon with Navigant) may result in the disqualification of such proposal

# Target Schedule of Events

| <u>Activity</u>                                    | <u>Date</u>  |
|--|--------------|
| Issue RFP Documents                                | September 30 |
| RFP Overview Webinar (11:00 AM)                    | October 7    |
| FAQ Deadline (5:00 PM)                             | October 14   |
| FAQ Responses Posted on website                    | October 21   |
| Credit Application Acceptance Window Opens         | October 28   |
| Proposal and Credit Application Due Date (5:00 PM) | November 4   |
| Notification of Successful Proposer Award(s)       | November 11  |
| Executed PSAs (PDFs) due back                      | November 13  |
| Executed PSAs (Hard Copy) due back                 | November 19  |
| Posting of Security (if applicable)                | November 19  |

# Questions about the RFP

- Questions about the RFP should be submitted by potential Proposers to the RFP Manager at [manager@FEOhioRECRFP.com](mailto:manager@FEOhioRECRFP.com)
- Questions can be submitted on or before FAQ Deadline of October 14, 2015 at 5:00 PM EDT
- Responses to questions will be posted anonymously on October 21, 2015 on the Q&A section of the RFP website
- While the RFP Manager and FirstEnergy Ohio Utilities will review and attempt to answer all questions, the RFP Manager and FirstEnergy Ohio Utilities reserve the right not to answer any question

# Thank you for participating

**All correspondence pertaining to the RFP should be directed through the RFP website or through Navigant**

**Submit all questions via the RFP website or e-mail at [manager@FEOhioRECRFP.com](mailto:manager@FEOhioRECRFP.com)**

