

PECO's Tier I Solar Alternative Energy Credits RFP Bidder Overview Conference

February 23, 2022

Energy Acquisition,
PECO Energy Company



Disclaimer

Any statements herein describing or referring to documents and agreements are summaries only, and are qualified in their entirety by reference to such governing documents.

These governing documents are:

- Commission Opinion and Order related to PECO's Fifth Default Service Program ("DSP V") in Docket No. P-2020-3019290 and dated December 3, 2020
- PECO Energy Company Request for Proposals To Supply Solar Alternative Energy Credits In Compliance With Pennsylvania's Alternative Energy Portfolio Standards Act
- Forms of Solar Alternative Energy Credits Purchase and Sale Agreement (Project and Aggregator Versions)

Please see the RFP website for complete documentation. This presentation will be posted after this Bidder Conference.

www.peco.com/solarrrfp

Black & Veatch is the RFP Monitor

The RFP Process will be managed by PECO. PECO has hired Black & Veatch as the RFP Monitor for this procurement.

The RFP Monitor will perform the following activities described in the RFP rules:

- work with PECO to plan and promote the RFP
- prepare a solar AEC market benchmarking analysis and provide it to the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) (if they so desire) on a confidential basis five (5) days ahead of April 20 (Bid Due Date)
- receive bidder Applications and work with PECO to review Applications and to Qualify bidders
- receive and open all Bid Proposals, then rank proposals by price and Contract Amount.
- upon completion of the evaluation of Bid Proposals, prepare a report of the RFP results in consultation with PECO, summarizing the bidder qualification process and the Bid Proposals and identifying the successful and unsuccessful bidders, along with successful and unsuccessful Bid Proposals
- submit the report of the RFP results to the PA Public Utility Commission for their review and approval of the RFP

Overview – PECO’s Procurement Program for Tier 1 Solar AECs

Under its PA PUC-approved fifth Default Service Program (DSP V), PECO will procure 16,000 Pennsylvania Tier I Solar Alternative Energy Credits (AECs) annually, under ten-year purchase agreements, to meet part of its Alternative Energy Portfolio Standard (AEPS) obligations as a default service provider

Details about the Pa AEPS Program can be found at this website:

[Pennsylvania Alternative Energy Portfolio Standard Program \(pennaeps.com\)](https://pennaeps.com)

PECO’s program is divided into 2021 and 2022 parts, each having an RFP followed by a Standard Offer to Purchase stage.

In the RFP stage, 4,000 solar AECs per year are purchased on a least-cost basis from solar resources located anywhere in Pennsylvania. In the Standard Offer stage, an additional 4,000 solar AECs per year will be purchased at the offer price per AEC which is based on the weighted average winning price from the RFP and the solar resources must be located in the PECO Energy Service area.

The weighted average winning RFP price from the 2021 RFP was \$34.07/solar AEC.

Key Date Schedule for this RFP

- RFP Overview Conference – February 23, 2022
- Non-binding Notice of Intent to Bid Due – March 7, 2022
- Bidder Inquiries Deadline (5:00pm EST) – March 14, 2022
- Final Publication of Responses to Inquiries – March 21, 2022
- Bidder Applications Due Date – April 5, 2022
- Notification of Bidder Qualification – April 15, 2022
- Bid Proposal Due Date – April 20, 2022

- Notification of Selected Bidders – May 5, 2022

- Execution of AEC Purchase and Sale Agreements – May 20, 2022

We will cover these activities in subsequent slides.

Non-binding Notice of Intent to Bid

Non-binding Notice of Intent to Bid Due –

March 7, 2022

Complete and send electronic copy to PECO at

PECOSolar@exeloncorp.com

Link to form on www.peco.com/solarrfp

Short form that contains:

Name of facility and brief description (n/a for aggregators);

Legal name and contact information of Bidder;

Signed by officer or authorized representative of Bidder.

It is **essential** to get your Notice of Intent to Bid form to PECO by Mar 7 to continue in the RFP process.

Bidder Inquiries (Q&A)

Bidder Inquiries Deadline (5:00pm EST) – March 14, 2022

Send your RFP-related questions to PECO at PECOSolar@exeloncorp.com

Q&As are maintained on www.peco.com/solarrrfp and locked down on March 21.

We protect the identity of the organization asking the question.

Bidder Applications

Bidder Applications Due Date – April 5, 2022

Send your Bidder Applications electronically to Black & Veatch at PECOSolarRFP@bv.com

Use the Form of Bidder Application on www.peco.com/solarrfp

If you are bidding as a Facility (operating or under development), complete Sections 1 through 7, which describe the facility, development information, financing, etc.

If you are bidding as an Aggregator, you skip Sections 1 – 7 and complete Section 8 about your Aggregation business plan.

All complete Section 9, Bidder information.

Facility-based Bidder Applications – Sections 1-7

Section 1. Facility Information.

Address of the Facility and legal description of the Facility site

Basis for certification of Facility as an Alternative Energy System, including description of the electric generation process at the Facility

Nameplate capacity and anticipated annual energy output of the Facility

Major equipment, with specifications

Impact Assessment studies (e.g., environmental reports)

Interconnection Status

Plans for use or sale of generation from the Facility

Anticipated useful life of the Facility

Site layout plan and one-line diagrams showing electric generation and any collection and delivery to a Host or, if applicable, delivery point for PJM (or delivery into another delivery point in Pennsylvania if not in PJM).

Section 2. Project Schedule.

For a Facility in development, provide a project milestone schedule which should include milestone dates for site control, facility construction, equipment supply and delivery, permitting, interconnection, financing, commissioning, and commercial operation.

Section 3. Property Rights. Describe bidder's level of Site Control (including easements and rights-of-way) and provide documentation of Bidder's rights to the property on which the Facility is (or will be) located, including and conditions or limitations upon use affecting those rights, including any rights necessary to interconnect with the Grid.

Facility-based Applications – Sections 1-7 (continued)

Section 4. Permits and Government Approvals.

List all federal, state and local permits or approvals required for the Facility, including (i) permit or approval status; (ii) date of issue or expected date of issue; and (iii) expected expiration date. Bidder shall provide copies of all permits and approvals, applications, and relevant associated correspondence.

Section 5. Contracts.

Describe all contracts or agreements necessary for development and commercial operation of the Facility and the status of such contracts or agreements, including: Contracts for sale of generation or AECs from the Facility. Equipment supply agreements; Equipment warranty agreements; Any EPC Agreement; Any Operations and Maintenance Agreements; Any agreement with a Host Section

6. Interconnection.

Describe in detail the status of any connection of the Facility to its Host or to PJM, including: (i) any interconnection point; (ii) the status of any interconnection agreement or request for interconnection agreement and anticipated date for execution; (iii) the status of any interconnection studies (e.g., Feasibility, System Impact), or (iv) the satisfaction (or anticipated satisfaction) of applicable net metering requirements. Bidder shall attach correspondence documenting any interconnection status of the Facility and the method by which electricity from the Facility will be measured for purposes of PJM GATS.

Facility-based Applications – Sections 1-7 (continued)

Section 7. Facility Financing.

For new projects, Bidder shall describe, in detail, the financing structure for the Facility and attach any necessary documentation, including a letter(s) from the institution(s) that will finance the project. A separate letter should be provided for each entity providing financing except in the case in which there is a lead financier authorized to act on behalf of other interests. The letter should include the following: The name of the financial institution. The contact information for the person preparing the letter. The structure of any proposed financing (confidential information such as proposed financing costs need not be disclosed). A statement to the effect that the financier(s) have reviewed project pro forma statements. A statement to the effect that the financier(s) have reviewed the form Alternative Energy Credit Purchase and Sale Agreement. A statement to the effect that the financier(s) have reviewed the bidder's offer to the Company, including pricing terms. A statement to the effect that the financier(s) has a strong interest in financing the project. A statement confirming that financing will be finalized within sixty (60) days of executing the AEC Purchase and Sale Agreement. The letter(s) shall not be interpreted to constitute an irrevocable commitment to finance, unless otherwise stated in the letter(s). Rather, the letter (s) will be used by PECO to assess the likelihood that the project can be completed on the schedule and as the price proposed by the bidder. PECO may, at its discretion, contact the person and institution listed in the letter to verify the information presented. By submitting a bid, bidder acknowledges PECO's right to contact the listed institution and person. PECO reserves the right to reject any bid for which it is unable to confirm information presented in the letter(s).

Aggregator-based Applications – Section 8

Section 8. Aggregator Bidder Business Plan.

Provide the following information:

Business Plan for how Bidder intends to acquire and deliver the maximum Contract Amount bid and to be delivered over the ten-year term.

Documentation of sufficient management and other personnel experienced in the business if aggregating AECs for resale, including the purchase and sale of at least 700 Tier 1 solar AECs in Pennsylvania in the calendar year preceding PECO's RFP, i.e. 2021

Documentation of sufficient financing for aggregation and provision of the Contract Amount of AECs.

All Applications – Section 9

Section 9. Bidder Information.

Provide the following information:

Bidder organizational structure (Corporation, LLC, Partnership) and description of principle business (All bidders)

Description of all ownership interests holding more than 5% of equity in the Facility (including partners, joint venturers), including ultimate corporate parent of each interest (Project bidders)

Description of Bidder management, consultants, and advisors, and their experience in developing, financing, owning and/or operating generating facilities (Project bidders)

Description of Bidder's operational plans and maintenance capabilities (Project bidders)

Description of Bidder's long-term plans for the Facility (Project bidders)

Documentation of Bidder's ability to satisfy AEC Purchase and Sale Agreement terms, including Development and Performance Security requirements (All bidders)

For public companies with an ownership interest in the Facility, copies of the most recent 10-K and 10-Q for each company (Project bidders)

For non-public companies, copies of the most recent audited financial statements and unaudited financial statements (income and balance sheet) for the most recent quarter (Project bidders)AECs.

All Applications – Section 9 (continued)

Section 9. Bidder Information.

Provide the following information:

Bidder shall address each of the following specific questions and provide detail with any affirmative answer:

Has Bidder ever defaulted on a contract?

Has Bidder ever not met a contractual delivery date?

Has Bidder ever requested to renegotiate contract pricing in an executed agreement?

Is there any pending litigation relating to Bidder or the Facility?

As Bidder or any Affiliate of Bidder ever filed for bankruptcy?

Bidder shall set forth any additional information Bidder believes should be considered by PECO in evaluating its Application.

Applications - Bid Deposits and Confidentiality Agreement

An organization may submit multiple applications, each with its own Bid Form:

- **One as an Aggregator**
- **One for each facility submitting a bid for each facility**
- **Bid Deposit.** Each Application shall be accompanied by a bid deposit (a “Bid Deposit”), in the form of a certified check, or wire payment, equal to the amount corresponding to the Contract Amount of AECs the applying bidder intends to bid in response to the RFP:

Contract Amount (AECs)	Bid Deposit (US\$)
200 to 1,000	\$10,000
1,001 to 2,000	\$20,000
2,001 to 3,000	\$30,000
3,001 to 4,000	\$40,000

- **Confidentiality Agreement.** All Bidder Applications shall include a pdf of the Confidentiality Agreement (link on www.peco.com/solarrfp) executed by the bidder. PECO will execute and return a copy of the fully executed Confidentiality Agreement.

Complete Application

Applications received by Black & Veatch will be deemed to be complete when the following are received (all documents are on www.peco.com/solarrfp):

- RFP Bidder Application Checklist, complete and signed
- Bidder-Executed Confidentiality Agreement
- Bid Deposit (submitted to PECO via wire payment only)
- Bidder Application

Black & Veatch may contact the Bidder to clarify information submitted or request information required to qualify the bidder.

The results of the Bidder Qualification process will be communicated to bidders by April 15, 2022. PECO/Black & Veatch will provide each bidder with notice of its satisfaction or failure to satisfy the Bidder Qualifications by the date for Notification of Bidder Qualification. In the case of a failure to satisfy the Bidder Qualifications, an explanation will be provided with the Notification.

Bid Proposals

Load Cap. Per the DPS V Order, a single counterparty is limited to 50% of the procured supply under the program. For this 16,000 AEC, annual program, the 50% load cap would be for contracts totaling 8,000 AECs over the 2021 and 2022 procurements.

Minimum Contract Amount. Only Applications in which the bidder intends to propose a Contract Amount equal to or in excess of 200 AECs shall be considered by PECO.

Bids and Ranking of Bids. Bids will be submitted All Bid Proposals will consist of a Price per AEC and a Contract Amount (of annual deliveries) and will be opened by the RFP Monitor, who will rank proposals by price and Contract Amount. Bids will be ranked by price. A Bid Proposal offering a larger Contract Amount at the same price as another Bid Proposal will be prioritized over the Bid Proposal offering the lower Contract Amount

- For example, if two bids are received for \$30/AEC and one offers a Contract Amount of 2,000 and the other offers a Contract Amount of 3,000, the offer of 3,000 @\$30 will take priority.

Multiple Bids. Bidders will be permitted to submit up to three Bid Proposals for each approved Application, provided that each such Bid Proposal offers Contract Amounts at different prices. Multiple bids must be structured in a way that, should all bids win, the facility or aggregator is capable of delivering the total of Contract Amounts offered.

- For example, a facility capable of selling 4,000 AECs to PECO may offer Bid Proposals of 1,000 AECs @ \$30; 2,200 AECs @\$33; and 800 AECs @\$35. The 200 AEC minimum contract amount would apply to each of the three Bid Proposals.

Ranking Bid Proposals, RFP Report, PA PUC Approval Process

Determination of Winning Bid Proposals. Black & Veatch will rank the Bid Proposals by price, then contract amount until the cumulative Contract Amounts exceed the 4,000 AEC RFP target.

If a Bid Proposal's contract amount would cause the bid stack to exceed the 4,000 AEC target, B&V will contact the bidder to determine whether they would be willing to sell a lower Contract Amount at the same price in order to hit the 4,000 AEC limit. If this offer to reduce the contract amount is refused, the Bidder may retract this Bid Proposal and the remaining Bid Proposals will be restacked until a combination of lowest bids and Contract Amounts total 4,000.

When Bid Proposal ranking is complete, B&V will notify bidders of losing and winning bids (contingent on PA PUC approval of the RFP). Bid deposits of losing Bid Proposals will be returned.

BID PROPOSALS WILL BE DUE TO Black & Veatch electronically by 5pm EST April 20, 2022.

Black & Veatch will prepare a report of the RFP results in consultation with PECO and submit that report to the PA PUC for their review. The PA PUC will have ten (10) calendar days to review the report of the RFP Monitor and approve the report and bid prices submitted by successful bidders as consistent with the PUC Order. Bids from at least three bidders, who are not affiliated with each other, must be received in response to the RFP as a condition for PA PUC approval of any successful bids. If the results are approved, PECO shall notify all bidders of the PA PUC's decision and the results of the RFP. If the results are not approved, PECO will not sign any AEC Purchase and Sale Agreement with winning bidders.

Solar AEC Purchase and Sale Agreements – Collateral Requirements

Upon Receipt of PA PUC Approval of the RFP, PECO will prepare Solar Alternative Energy Credit Purchase and Sale Agreements, which comply with the approved winning Bid Proposals and Bidder Applications. There are two forms of the Agreements, a Project version and an Aggregator version.

Both forms of these agreements can be found on www.peco.com/solarrfp

Potential bidders are strongly urged to review both the RFP and the AEC Purchase and Sale Agreement and to consult with counsel with respect to requirements and obligations under this RFP and the AEC Purchase and Sale Agreement.

These form agreements are approved via the DSP V Order for use in this RFP and are NOT SUBJECT TO NEGOTIATION.

Article 6, Credit and Collateral Requirements, describes required collateral to be posted by winning bidders.

If the winning bidder is a project under development:

- If the Facility has not achieved Commercial Operation by the Effective Date, Seller shall post and thereafter maintain development security equal to two percent (2%) of the Nominal Contract Value upon execution of this Agreement. The Development Security shall be held by PECO as security for Seller meeting the Commercial Operation Date. The Development Security shall be in the form of either a cash deposit or a Letter of Credit as provided for in Section 6.5

Forms of Solar AEC Purchase and Sale Agreements

The Nominal Contract Value is calculated as the Price per AEC x the annual Contract Amount x ten years.

For example, a contract for a winning bid of 3,000 AECs annually @ \$34.00 / AEC would have a Nominal Contract Value of $\$34/\text{AEC} \times 3,000 \text{ AECs}/\text{year} \times 10 \text{ years} = \$1,020,000$

For Aggregator agreements and Project agreements where the Project has achieved Commercial Operation, the Collateral Requirement is 5% of the Nominal Contract Value.

For the example above, 5% of \$1,020,000, or \$51,000 in cash or Letter of Credit would need held by PECO upon execution.

This collateral requirement would decline in 0.5% steps after each year of the 10 year agreement term has passed.

See next slide for the Credit Support Table which is Exhibit 6 of the Solar AEC Purchase and Sale Agreement

Solar AEC Purchase and Sale Agreement – Credit Support Requirement Table

EXHIBIT 6

CREDIT SUPPORT REQUIREMENT

Nominal Contract Value(\$)=Contract Amount (AECs/year) x Contract Price (\$/AEC) x 10 years

Months Remaining in Term	Collateral Requirement for Credit Support
Over 108	Nominal Contract Value x 5.0%
97 to 108	Nominal Contract Value x 4.5%
85 to 96	Nominal Contract Value x 4.0%
73 to 84	Nominal Contract Value x 3.5%
61 to 72	Nominal Contract Value x 3.0%
49 to 60	Nominal Contract Value x 2.5%
37 to 48	Nominal Contract Value x 2.0%
25 to 36	Nominal Contract Value x 1.5%
13 to 24	Nominal Contract Value x 1.0%
1 to 12	Nominal Contract Value x 0.5%

Delivery of AECs to PECO

Delivery of AECs by Seller.

The Contract Year is the AEPS Reporting Year which runs from June 1 to May 31

Delivery by Aggregators can be made anytime during the Contract Year but half of the Contract Amount shall be delivered by Dec 1 + 40 days.

Payment is made after AECs have been transferred to PECO 's PJM GATS account.

For Projects, the Agreement allows for Replacement AECs if the project underproduces AECs and a provision to roll over Excess Production into the next Contract Year (See Article 3 of Agreement)

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