

REQUEST FOR PROPOSALS FOR POWER SUPPLY RESOURCES

Prepared for:



August 15, 2018

Prepared By:



1.0 SUMMARY

Henderson Municipal Power & Light (“HMP&L”), located in Henderson Kentucky, is issuing this Request for Proposals (“RFP”) for power supply resources to meet its capacity and energy requirements beginning June 1, 2019. HMP&L’s transmission system is interconnected to the Midcontinent Independent System Operator (“MISO”) transmission system. HMP&L will accept proposals from any electric utility, independent power producer, qualifying facility, exempt wholesale generator, non-utility generator or electric power marketer that is appropriately certified by the Federal Energy Regulatory Commission (“FERC”) and that has resources available and operates within the MISO transmission system (“Respondents”). Additional details for each type of requested proposal can be found in Section 7.0 of this RFP. In summary, HMP&L is soliciting proposals for the following types of power supply resources:

1. Full Requirements Power Supply Arrangements, excluding HMP&L’s SEPA entitlement
2. Block Power Arrangements (energy only):
 - a. 50 MW 7 x 24 Block
 - b. 20 MW 5 x 16 Annual Block
 - c. 20 MW 5 x 16 Summer Only Block
 - d. 20 MW 5 x 16 Winter Only Block
3. 50 MW of MISO capacity credits (i.e. Zonal Resource Credits) delivered to Zone 6 LRZ (Local Resource Zone)

The primary power supply products being sought in this RFP are intended to fulfill, in whole or in part, HMP&L’s energy requirements with delivery to either (i) HMP&L’s CPNode (BREC.HMPLOAD) or (ii) the Indiana Hub (INDIANA.HUB). HMP&L is interested in receiving an indicative price for all of these products on a 3 and/or 5-year term beginning June 1, 2019. HMP&L will also accept longer term (i.e., greater than 5 years) indicative pricing from Respondents. HMP&L’s preference is to receive fixed pricing for all of these requested products. As further described in Section 7.0, if HMP&L opts for a full requirements arrangement, the supplier will be providing 24-hour, day-ahead load forecasting and scheduling services, including submission of demand bids, on behalf of HMP&L.

This RFP is for supply-side resources only. HMP&L does not presently plan or contemplate any power supply projects that would compete with the proposals solicited in this RFP.

Proposals in response to this RFP will be submitted as a sealed bid on or before October 12, 2018 by 2 p.m. Central when the results will be opened and read aloud at HMP&L’s office location.

2.0 BACKGROUND

Information contained in this RFP is provided for background use only. HMP&L makes no representation that the information is complete or applicable to any Respondent's proposal. The following is a general description of HMP&L along with a description of HMP&L's power supply resources.

Henderson's utility, HMP&L, was established in 1896. In late 1940's, the City of Henderson established a Utility Commission to manage the daily operations of the electric utility. Currently, 5 citizens are appointed to serve 3-year terms on the City of Henderson Utility Commission. Under Kentucky Revised Statutes ("KRS") Chapter 96, the City Commission, not the Utility Commission, retains the authority to issue debt and set electric rates.

HMP&L's current power supply arrangements with Big Rivers Electric Corporation ("BREC") will terminate on May 31, 2019.

Today, HMP&L has approximately 12,000 meters with an annual peak demand of 107 MW, and annual energy requirements of approximately 625,000 MWh. Three years' worth of historical hourly load data are available for download at the RFP website (www.gdsassociates.com/requests-for-proposals). HMP&L's annual peak demand and annual energy requirements for the past 5 years are shown in the table below along with demand and energy projections:

<i>Historical and Forecasted Requirements</i>		
<i>Year</i>	<i>Summer Demand MW</i>	<i>Annual Energy MWh</i>
2013	108.0	617,149
2014	108.0	639,296
2015	109.0	625,083
2016	107.0	624,347
2017	110.0	612,803
2018*	107.3	626,383
2019	107.2	626,864
2020	107.0	626,765
2021	106.8	627,012
2022	106.7	627,384
2023	106.6	627,835
2024	106.5	628,348

**2018-24 are forecasted values*

Transmission and Distribution Facilities:

- (4) - 69kV tie lines and (2) - 161kV tie lines with BREC
- 34.86 pole miles of 69kV and 22 pole miles of 161kV transmission lines
- (1) – 161kV substation and (6) 69kV substations
- Registered with NERC as a Distribution Provider and Transmission Owner

HMP&L has a PPA (Power Purchase Agreement) contract with Southeastern Power Administration (“SEPA”) for 10 MW of dependable hydro capacity and associated energy that are delivered from the SEPA transmission system to MISO. The hydro contract year includes 15,000 MWh of energy with monthly scheduling parameters of 600 MWh at a minimum and 1,900 MWh at a maximum.

Generating Facilities – HMP&L Station Two Generation Plant:

- This coal fired generation plant has two generators
- Located near Sebree, KY, 2 units with current total rating of 312 MW (approximately 156 MW/unit)
- Both units have been operated under a 1970 contract, with amendments, by BREC
- Significant capital investment will be required to continue operation and for purposes of this RFP, all RFP respondents should assume that there will be no capacity or generation available from the plant to serve HMP&L’s load requirements effective June 1, 2019.

3.0 PRE-BID CONFERENCE

A pre-bid conference call is scheduled for September 12, 2018 and while Respondent participation is not mandatory it will provide a forum for Respondents to ask additional questions regarding this RFP. Conference call information including additional supplemental information will be provided via the RFP website (www.gdsassociates.com/requests-for-proposals) and all potential Respondents are encouraged to participate.

4.0 RFP QUESTIONS

All questions or other communication regarding this RFP should be submitted in writing to Henderson’s engineering consultants at GDS Associates, Inc. headquartered in Marietta, Georgia on or before September 28, 2018. Contact information is shown below. Answers to any questions will be supplied to all Respondents via the RFP website (www.gdsassociates.com/requests-for-proposals).

GDS Associates, Inc.
1850 Parkway Place, Suite 800
Marietta, GA 30067

Ernesto Perez, P.E.
Senior Project Manager
Phone: 770-799-2405
Email: ernesto.perez@gdsassociates.com

5.0 SUBMISSION INSTRUCTIONS

Indicative product pricing should be provided on October 12, 2018 and be based on the market close of business as of October 10, 2018. HMP&L abides by the Procurement Regulations of the City of Henderson Utility Commission. Respondents will be required to submit a **complete, executed, and sealed hard-copy** of their Proposal(s) no later than 2:00 p.m. Central, October 12, 2018 to HMP&L at the following address.

HMP&L Power Supply RFP
 Power Supply Director
 100 Fifth Street
 Henderson, KY 42420

Proposals in response to this RFP will be submitted as a sealed bid on or before October 12, 2018 by 2 p.m. Central when the results will be opened and read aloud at HMP&L’s office location.

Proposals are deemed complete with the inclusion of: (1) Respondent’s indicative pricing and clear delineation as to the products being offered to HMP&L, (2) completed Reciprocal Preference Forms 1 and 2, and (3) completed Bid Clarifications and Exceptions Form.

Sealed proposals will be opened in public and read aloud at HMP&L’s office on October 12, 2018 at 2:00 p.m. Central. This solicitation and related processes, including opening of sealed proposals, implies no obligation on the part of the City of Henderson Utility Commission to accept any proposal. The Respondent may submit alternate proposals; however, alternates will be considered only if a complete original proposal is submitted. All expenses incurred by the Respondent in the development of their proposal are the sole responsibility of the Respondent.

6.0 RFP SCHEDULE

Release of RFP:	August 15, 2018
Pre-Bid Conference Call (Optional):	September 12, 2018
RFP Questions Deadline:	September 28, 2018
Proposal(s) Due:	October 12, 2018
Complete Evaluation:	November 30, 2018
Short-List Notification / Initiate Contract Negotiations:	December 3, 2018
Short-List Suppliers Update Indicative Pricing:	January 30, 2019
Execute Power Supply Agreement(s):	February 15, 2019
Contract(s) Effective Date:	June 1, 2019

7.0 SPECIFIC POWER SUPPLY PRODUCTS / SERVICES

Respondent may offer proposal(s) for one, two, or all three of the requested product types. HMP&L's preference is to receive fixed pricing for all requested products.

7.1 FULL-REQUIREMENTS ARRANGEMENT

1. Description

- a. Full-requirements service is defined as all services required to deliver to the Henderson system firm, non-interruptible service (physical and financial), for the capacity and energy requirements of HMP&L (including MISO's required planning reserves), in excess of the capacity and energy provided by HMP&L's SEPA entitlements.

Full-requirements service also includes Meter Data Management Agent ("MDMA") services, MISO shadow settlements, management of MISO Planning Resource Auction ("PRA") obligations, management of Auction Revenue Rights/Financial Transmission Rights ("ARR/FTRs"), and MISO credit requirements. HMP&L does NOT anticipate that Respondent would be responsible for MISO transmission and related ancillary charges, MISO admin fees, Local Balancing Authority ("LBA") expenses, and metering/telemetry expenses. However, Respondent should clearly identify all MISO related charges that are not covered/provided by Respondent under full-requirements proposal/pricing. For items NOT included within Respondent's proposal, the Respondent should provide an estimate for what those items will cost HMP&L.

2. Term

- a. June 1, 2019 – May 31, 2022 (3 Years) and/or
- b. June 1, 2019 – May 31, 2024 (5 Years)
- c. June 1, 2019 – some date later than May 31, 2024 (optional)

3. Scheduling Services

- a. Full Requirements supplier provides Day-Ahead ("DA") load forecasting, demand bids, and scheduling services for SEPA entitlement.

4. Delivery Location

- a. HMP&L's CPNode (BREC.HMPLOAD)

7.2 BLOCK POWER ARRANGEMENTS

1. Energy Product Descriptions

- a. 50 MW Annual 7 x 24 Block (DA, Firm Liquidated Damages "LD")
- b. 20 MW Annual 5 x 16 Block (DA, Firm LD)
- c. 20 MW Summer 5 x 16 Block (DA, Firm LD)
- d. 20 MW Winter 5 x 16 Block (DA, Firm LD)

2. Term
 - a. June 1, 2019 – May 31, 2022 (3 Years) and/or
 - b. June 1, 2019 – May 31, 2024 (5 Years)
 - c. June 1, 2019 – some date later than May 31, 2024 (optional)
3. Delivery Location
 - a. Henderson’s CPNode (BREC.HMPLOAD)
 - b. Indiana Hub (INDIANA.HUB)
4. Contracting
 - a. EEI agreements will be established with short-listed entities during the contract negotiations phase of this RFP

7.3 CAPACITY PRODUCT

1. Capacity Description
 - a. MISO accredited capacity credits of 50 MW, commonly referred to as Zonal Resource Credits (“ZRCs”) for MISO’s planning years beginning June 1, 2019
2. Term(s)
 - a. June 1, 2019 – May 31, 2022 (3 Years) and/or
 - b. June 1, 2019 – May 31, 2024 (5 Years)
 - c. June 1, 2019 – some date later than May 31, 2024 (optional)
3. Delivery Location
 - a. MISO LRZ 6

8.0 EVALUATION CRITERIA

Proposals will be evaluated based on their ability to meet HMP&L's need for economical and reliable power supply. Respondents to this solicitation should provide all relevant information necessary to allow HMP&L to conduct a thorough analysis of the proposal. Proposals will be analyzed over a range of scenarios defined by price and non-price criteria.

Prospective Respondents are advised that price will be important in HMP&L’s evaluation, however, all full-requirements proposals will also be compared and evaluated on non-price or qualitative criteria. The proposal should include sufficient detail to evaluate all fixed and variable charges associated with the proposal. Key price / economic criteria include, but are not limited to:

- MISO DA/RT congestion charges
- MISO DA/RT ancillary charges
- Miscellaneous MISO DA/RT settlement charges
- Fuel cost and / or fuel price escalation
- Inflation
- Capital costs
- Interest rates

The principal qualitative criteria to be used in evaluating proposals include, but are not limited to:

- Reliability / availability of proposed power supply
- Total delivered cost of power
- Potential volatility for delivered cost of power
- Provisions for MISO shadow settlement process
- Identification of responsibility for MISO market activities related to power supply
- Financial viability of the Respondent
- Operational viability of the Respondent (e.g. wholesale customer references)
- Term of contract

HMP&L reserves the right to consider any other factors that HMP&L deems to be relevant to this evaluation of its power supply needs. The evaluation of submittals will be based on the information provided by the Respondent with emphasis on pricing, physical and financial risk profile, financial viability of Respondent, and credit requirements imposed on HMP&L. A bid deemed non-responsive or failing to provide additional supporting documentation or any clarification requested by HMP&L may be rejected.

HMP&L reserves the right to negotiate with one or more Respondents, however, selection for negotiation will not be a commitment by HMP&L to enter into a contract with the Respondent(s). If HMP&L decides to accept the submittal of one or more Respondents, it will undertake negotiations with such Respondents that will embody the general principles and concepts set forth herein. In the event negotiations with a Respondent do not, within a reasonable period of time, produce a contract satisfactory to HMP&L, it reserves the right to terminate those negotiations and pursue any and all other power supply options available to it including, without limitation, entering into negotiations with other parties.

9.0 RECIPROCAL PREFERENCE

In accordance with Kentucky Revised Statutes (KRS) 45A.490 to 45A.494, prior to a contract being awarded to a bidder on a public agency contract, a resident bidder of the Commonwealth of Kentucky will be given a preference over a nonresident bidder registered in any state that gives or requires a preference over bidders from the other state. All Bidders must therefore complete and submit the following attached forms:

- Form 1: RECIPROCAL PREFERENCE: (Effective February 4, 2011)
- Form 2: REQUIRED AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS CLAIMING RESIDENT

10.0 CONFIDENTIALITY AND RESERVED RIGHTS

HMP&L will not disclose to third parties any information contained in a proposal that is clearly labeled "CONFIDENTIAL" unless such disclosures are required by law or by order of a court or government agency having appropriate jurisdiction. Each page of confidential information must be clearly labeled "CONFIDENTIAL" at the top of the page. HMP&L reserves the right to disclose proposals to its consultant(s) for the purpose of assistance in evaluating proposals and will require the consultant(s) to maintain the confidentiality of the document. Notwithstanding the foregoing, nothing set forth herein shall prevent HMP&L from fully complying with its obligations under the Kentucky public records law.

11.0 RELEASE OF INFORMATION

HMP&L or its consultant shall not release information submitted relative to this RFP during the evaluation process, except as required by law. HMP&L may provide information to regulatory authorities, including the Citizen Utility Commission during the proposal evaluation process. HMP&L may also release the number and names of Respondents, including the names of short-listed Respondents.

12.0 ADDENDUMS

Any future addendums to this RFP will be published to all Respondents via the RFP website (www.gdsassociates.com/requests-for-proposals). Respondents will be required to acknowledge any RFP addendums within their proposals.

13.0 DISCLAIMER

The Utility Commission reserves the right to reject any or all proposals, to waive informalities therein and to consider exceptions and clarifications (via the Bid Clarifications and Exceptions Form provided on the RFP website) therein in order to determine the best proposal; to reject any or all non-conforming, non-responsive, unbalanced or conditional proposals; to reject the proposal of any Respondent if the Utility Commission believes that it would not be in the best interest of HMP&L to make an award to that Respondent, whether because the Proposal is not responsive or the Respondent is unqualified or of doubtful financial ability, or fails to meet any other pertinent standard or criteria established by the Utility Commission. The Utility Commission also reserves the right to negotiate agreement terms and conditions with the successful Respondent. By submitting a proposal to the Utility Commission, the Respondent agrees that such procedures will be without liability on the part of the Utility Commission for any damage or claim brought by the Respondent because of such rejections or procedures, nor will the Respondent seek any recourse of any kind against the Utility Commission because of such rejections or procedures. The submission of any proposal in response to this RFP will constitute an agreement of the Respondent to these conditions.