ANSWERS TO QUESTIONS ON REQUEST FOR PROPOSAL (RFP) TO PROVIDE FULL REQUIREMENTS

PARTIAL REQUIREMENTS, CAPACITY AND RENEWABLE SERVICES

General Information:

Alpena Power Company (APC) is a private investor-owned Michigan utility corporation with its principal office located in the City of Alpena, Michigan, supplying electric service to its customers (approximately 16,400). Alpena is wholly owned by Alpena Power Resources, Ltd. (Alpena Resources), a privately held exempt public utility holding company. Alpena issued the RFP on July 17, 2020 and the RFP committed to publishing responses to all questions by September 15, 2020. The questions have been addressed by category to ease Bidder review.

Please find responses below:

General

1. The RFP states APC "will consider services with an initial term of 7 or 10 years (Initial Term) that contemplates the ability to extend the term in additional 5-year increments (Extended Term(s))". In order to have a conforming bid in any category, would a bidder need to own or have under contract a minimum of 12 or 15 years of supply to provide for at least one APC extension? **No, Bidder would not be required to be under contract for a specific minimum number of years.**

2. If a bidder elects to pursue services beginning June 1, 2022, is that initial period additive or inclusive of the terms being requested? **If Bidder elects to pursue services beginning in June 1, 2022, the initial term would be inclusive of the term. To further clarify, the Initial Term would therefore commence on June 1, 2022 and continue for 7 or 10 years from that date. However, longer term proposals are encouraged as well.**

3. If a bidder elects to pursue services beginning June 1, 2022, are the volumes being solicited (for any category) the same as services solicited from January 1, 2025 on? **The volumes for any category remain the same regardless of the election of the start date for services, with one exception. Please note that Section 2(f) of the RFP details a stand-alone contract for ZRCs, which currently is under contract until May 31, 2024. The Consideration for this 10 MW contract would need to be made regardless of whether services commence on June 1, 2022 or on January 1, 2025.**

4. What counterparty credit provisions will be expected of bidders to prevent supplier default? **APC expects credit and default provisions to change based on the performance terms and length of the agreement. Regardless, APC would structure default provisions with replacement cost calculations and a corresponding threshold for default exposure (credit threshold). Termination and default provisions would be supported with APC rights to a performance guarantee or other collateral such as a letter of credit or cash.**

5. What system is used to measure load? (SCADA, DP3, etc.). **SCADA**

6. Information concerning meter ownership at the substations, existing transmission rights? **APC owns revenue grade metering at each substation, which are read through SCADA. In addition, APC has a NITSA dated April 4, 2018 with MISO.**

Additional Data

7. Please provide five years historical total/net load. **Now available at https://www.gdsassociates.com/requests-for-proposals/**

8. One year forecasted load and demand. **Five-year historical total/net load has been provided, and load forecasting is the responsibility of the bidder. No major load changes are expected at this time.**

9. Five years historical billing data and invoices from current provider. **Will not provide.**

10. Third party transmission data and related billing information. **Not applicable.**

11. Top five (5) commercial and industrial loads (names and sizes). If separate contract, please provide. **APC only has 4 active industrial loads. Data on these loads is available at https://www.gdsassociates.com/requests-for-proposals/**

12. Five years historical breakdown of MWs by Revenue Class. **Monthly energy use as retail billed, by revenue class is now available at https://www.gdsassociates.com/requests-for-proposals/**

13. Current behind the meter generation (size, type)? **Industrial 1 owns behind the meter generation consisting of waste heat recovery boilers on the exhaust of each of their five (5) cement kilns. The boilers feed a common steam header system in their power generation plant that consists of four (4) steam turbine generators with a total nameplate capacity of 44 MW. Typical generation with all four kilns running is 28 MW. In addition, Alpena has another industrial load which includes a series of natural gas boilers and a single 7.5 MW steam turbine generator. The boilers produce high pressure steam which is fed into the turbine and exhausted at low pressure to be used in the industrial's hardboard manufacturing process. This generation has been down since March of 2020. Both generation facilities are behind the industrial's retail customer meter, outside of APC's control and separate meter data is not available for generation.**

14. Expected behind the meter generation (size, type, COD)? **Outside of the what the RFP contemplates, there are no other generation projects under consideration.**

15. Key weather station inputs. **Weather normalizing load is the bidder's responsibility. Weather history is available at the APC County Regional Airport, weather station KAPN of the National Weather Service.**

16. Power Service Agreement with current wholesale provider. **Will not provide.**

17. Any other existing Power Purchase Agreements or Power Supply Agreements? **Will not provide**.

18. Information of any utility scale generation. **Outside of what the RFP contemplates, there are no other generation projects under consideration**.

19. Most recent Strategic Planning document. **APC has an Integrated Resource Plan (IRP). The IRP can be found on file with MPSC. A link is included for easy reference https://mi-psc.force.com/s/case/500t000000BR99zAAD/in-the-matter-of-the-application-of-alpena-power-company-for-approval-of-its-integrated-resource-plan-pursuant-to-mcl-4606t-and-for-other-relief**

Capacity

20. Please clarify specific capacity volumes being solicited and proposed capacity relationship with Industrial 1. **Industrial 1's supply contract is structured to pass through market price and therefore risk in energy, capacity and renewables to Industrial 1. Any response should recognize this pass-through structure. APC will consider structures that may include, among other solutions, capacity ZRC acquisition.**

21. The RFP states "Capacity Service must meet the resource sufficiency requirements for Industrial 1, and Alpena's tariff-based load.", but later suggests that industrial load/s may be interruptible. Will bidders know whether industrial loads are interruptible, and associated volumes, prior to September 30th? **APC has two industrials who participate in demand response via Alpena's tariff. In addition, Industrial 1 has demand response responsibilities. APC intends for all three industrial loads to be interruptible and to qualify as a DRR within MISO. MISO DRR business practices are evolving and Section 4.2.6 of the MISO Resource Adequacy Business Manual (BPM-011-r22) requires annual demonstration of qualification as a capacity resource. APC anticipates that Bidder will assist APC to qualify Industrial 1 as DRR in order to meet Industrial 1's resource adequacy requirements. Presently, APC does not anticipate Industrial 1 requiring resource adequacy beyond DRR qualification. APC would like bidder to propose the optimal approach for the two industrials that participate in demand response via the APC tariff. APC has provided their industrial tariff language with the interruptible load discount requirements. 5 years of historical hourly load history can be found at https://www.gdsassociates.com/requests-for-proposals/**

22. Is all capacity solicited required to be in MISO Zone 7 for the entire term/s? **Yes. Section 5(b) of the RFP documents the potential for capacity built within the APC distribution system. Connecting additional generation to APC's distribution system would reduce APC's net load and may be one option for meeting MISO Zone 7 requirements. Any new capacity construction must be able to meet the capacity demonstration timeframe under the MPSC's state reliability mechanism.**

23. Will APC accept bids where the bidder does not have a portion of capacity owned or under contract by September 30th but intends to construct or purchase it in future? If so, what is the disclosure process for these at-risk positions? **APC will accept bids in which the bidder does not have a portion of capacity owned or under contract. However, the bid must comply with MPSC's state reliability mechanism. Specifically, APC must be able to demonstrate contracted capacity at least 4 years in advance. Here is a link to the issue brief https://www.michigan.gov/documents/mpsc/MPSC_Issue_Brief_--_Michigans_New_Resource_Adequacy_Law_606766_7.pdf**

24. Can you tell me how many MW of capacity PPA Alpena is looking for in this RFP? **Please see the previous responses. The optimal capacity volume and structure should be proposed as part of the Bidder's response and should comply with the current MPSC rules and MISO's business practices. APC recognizes that these rules and practices may change at some time in the future and would expect the risk associated with such change to be borne by APC. Specifically, once the capacity volume is contracted for, if the requirements go up, APC would need to contract for additional capacity, and if the restrictions are reduced, APC would still perform and receive the capacity volume in accordance with the negotiated agreement.**

25. Who would be responsible for Alpena's capacity requirement? Is that something they hedge on their own or would DE as their retail provider be responsible for that. Michigan has a rule that capacity need should be procured 4 years in advance. I just want to clarify whose responsibility that will be. **Please see previous responses. Bidder may decide to avoid response in the capacity category, however if Bidder is proposing to provide capacity services, the proposal should include the capacity volume, whether variable or fixed, and process for capacity planning and demand response qualification/demonstration, if applicable.**

26. How would APC prefer to address changing MPSC mandates over the term as they relate to capacity (SRM)? **APC requires that any Bidder responding in the capacity category provide a product that meets current MPSC mandates. Notwithstanding, APC reserves the right to consider multiple proposals as a solution to its capacity requirements. Once the proposal is awarded and a contract is executed, APC would manage the risk of changing MPSC mandates. Please also see the response to Question 24.**

Renewables

27. How would APC prefer to address changing MPSC mandates over the term as they relate to renewables (RPS)? **APC requires that any Bidder responding in the renewable category provide a renewables product that meets current MPSC mandates. Notwithstanding, APC reserves the right to consider multiple proposals as a solution to its renewable requirements. Once the proposal is awarded and a contract is executed, APC would manage the risk of changing MPSC mandates.**

28. How would APC prefer bidder meet its RPS mandates: REC purchases, renewable PPAs, or renewable project ownership? **APC is looking to meet RPS mandates in the most cost-effective manner. APC recognizes that the optimal way to meet the mandate may change depending on the categories in which the Bidder is responding to and the products being provided under each category. Responses should include a proposal for the most cost-effective way to meet the RPS mandate.**

29. Is the bidder expected to possess renewables at the RPS level (either owned or contracted) for the entire term of proposed services at time of execution? **No. Any RPS must comply with MPSC requirements, but otherwise, APC does not require that the RPS be owned or fully contracted for.**

30. Documentation/Goals related to any programs such as energy efficiency or other DSM, net metering, known PURPA projects or the like that could impact future load quantity. **There are not any known programs or goals that APC would expect to impact future load quantity apart from the demand response associated with the interruptible load discount (see 21).**

31. Internal goals for resource mix, EE, etc. **Michigan's renewable standard will be stepping up to 15% of APC annual retail sales of electricity[1]. APC also administers a voluntary green pricing program that is limited to ~180 RECs annually.**

Generation within Distribution System

1. Will you consider a 50MW solar PPA capacity & energy agreement located on busbar in MI MISO zone 7 system? **APC would consider solar generation and will consider any product Bidder may propose; however, APC will select a product or combination of products that provides the best combination of bids from each category. If a Bidder responds in only one category, APC will compare that with other products proposed and select the most competitive proposal or combination of proposals. The competitive level includes price, administrative oversight, credit and default risk, among other considerations.**

2. Is natural gas available at the old generation site? **Yes, it is available at 3 different generation sites withing APC's distribution system, however APC does not have a contract for natural gas capacity and is unaware if capacity is available.**

3. If it is, what pressure is available and what is the maximum hourly volume available? **APC has not researched availability or pressure or the maximum hourly volume available.**

4. If natural gas is on site, does the provider offer daily, monthly, annual storage? **APC does not currently own natural gas capacity and has not contracted for natural gas delivery or storage.**

5. What is the name of the LDC supplying gas to the site? **DTE Energy's Michigan Consolidated Gas Company. The generation site was a diesel facility and has never housed natural gas generation.**

[1] Michigan's Clean and Renewable Energy and Energy Waste Reduction Act 295 460.1028 Section 1 (c)