

PECO AEPS RFP
Bidders Teleconference
Tier 1 Non-Solar RFP Overview
Presented on November 24, 2008

Disclaimer

- ✓ Please note that the terms and conditions of PECO Energy's RFP and related Agreements have been approved by the Pennsylvania Public Utility Commission and are posted on PECO Energy's website. In the event of any discrepancy or conflict between this presentation and the terms and conditions of the documents approved by the Commission, the documents approved by the Commission will control. Please note that all terms and conditions are non-negotiable. Specific dates included herein may be altered by PECO Energy in its sole discretion.
- ✓ Please note that capitalized terms referred to defined terms that can be found in the documents on PECO's website.

Presenters

- ✓ Brian Crowe, Director, PECO Retail Rates
- ✓ John McCawley, Director, PECO Energy Acquisition
- ✓ Joe Bisti, Senior Analyst, PECO Energy Acquisition
(facilitator for this session)

Representatives from Navigant Consulting (RFP Monitor) and PECO's Legal and Supply organizations are also in attendance.

Today's Agenda

- ✓ Provide an overview of PECO's Request For Proposal (RFP) process for Tier 1 non-solar Alternative Energy Credits (AECs)
 - This is the second of two RFPs. The first was completed earlier in 2008.
- ✓ Provide highlights of AEC purchase/sale agreement
- ✓ Q&A (PECO will answer questions to the extent possible, time permitting)

Following today's session, PECO will post this presentation and answers to questions on its AEPS website at www.peco.com/aeps. Responses to bidder inquiries from the first RFP also remain posted to the website.

www.peco.com/aeps

Visit our AEPS website for more details on the RFP process.
Exhibit numbers in this presentation correspond to those on the site.

Introduction

Brian Crowe, Director, PECO Retail Rates

Introduction

- ✓ PECO is voluntarily soliciting proposals for supply of Alternative Energy Credits (AECs) for Pennsylvania AEPS Tier 1, non-solar Alternative Energy Systems* physically located within the Commonwealth of Pennsylvania or the PJM control area
- ✓ PECO is seeking to purchase AECs only - not energy or capacity.
 - Wind
 - Low-impact hydropower
 - Methane
 - Geothermal energy
 - Biomass energy
 - Fuel cells

*As defined by Pennsylvania's Alternative Energy Portfolio Standards (AEPS) Act of 2004

Act 129 of 2008 / House Bill 2200 (AEPS Changes)

- ✓ On Oct. 15, 2008, Governor Rendell signed HB 2200 into law as “Act 129 of 2008”, effective as of November 14, 2008
- ✓ The Act adds several new sections to, and amends, several existing sections of the Public Utility Code, including sections pertaining to alternative energy sources
- ✓ To learn more about Act 129, please visit the website below:
http://www.puc.state.pa.us/electric/Act_129_info.aspx

Introduction

- ✓ PECO seeks fixed-price, five-year agreements for amounts in excess of 1,000 AECs annually
 - Contract years will align with AEPS planning period (June 1st through May 31st)
 - Contract deliveries may begin in any month during 2009 after agreements are signed, but no later than December 31st, 2009.
- ✓ The target maximum total number of AECs for this RFP is 410,000 annually
- ✓ PECO will bank and apply AECs procured toward its future AEPS obligations in 2011 and beyond in accordance with the PA AEPS legislation and PaPUC order.

Introduction

- ✓ PECO is contracting only for AECs, but qualified bidders must own the rights to the electricity and AECs generated from a facility.

Entity	Qualified Bidder?
Owner of qualified facility	Yes (energy may be sold under separate PPA)
Company with off-take agreement for energy and AECs from a qualified facility	Yes, if the off-take agreement covers the delivery period under this RFP
Company with inventory of AECs, but no ownership rights to electricity and AECs from a qualified facility	No

Introduction

- ✓ Bidders must satisfy PECO's bidder qualifications to submit proposals, including the "PA or PJM location" requirement for the facility
- ✓ All AECs must be delivered to PECO using the PJM Generation Attribute Tracking System (GATS)
- ✓ All AECs must be qualified as Pennsylvania AEPS Tier I by the PA AEPS Program Administrator

http://paaeps.com/credit/register_generator.do

- ✓ Successful bidder's facility must achieve Commercial Operation on or before 12/31/2009

Introduction

- ✓ PECO has selected Navigant Consulting as the independent RFP Monitor
- ✓ Navigant's responsibilities include
 - Oversight of PECO's evaluation of bidder applications
 - Oversight of PECO's bid proposal ranking process
 - Reporting of RFP results to the Pennsylvania Public Utility Commission
- ✓ A representative of Navigant Consulting is also participating in today's call

RFP Timeline, Process Overview, and Purchase / Sale Agreement Overview

John McCawley, Director,
PECO Energy Acquisition

AEPS RFP Timeline

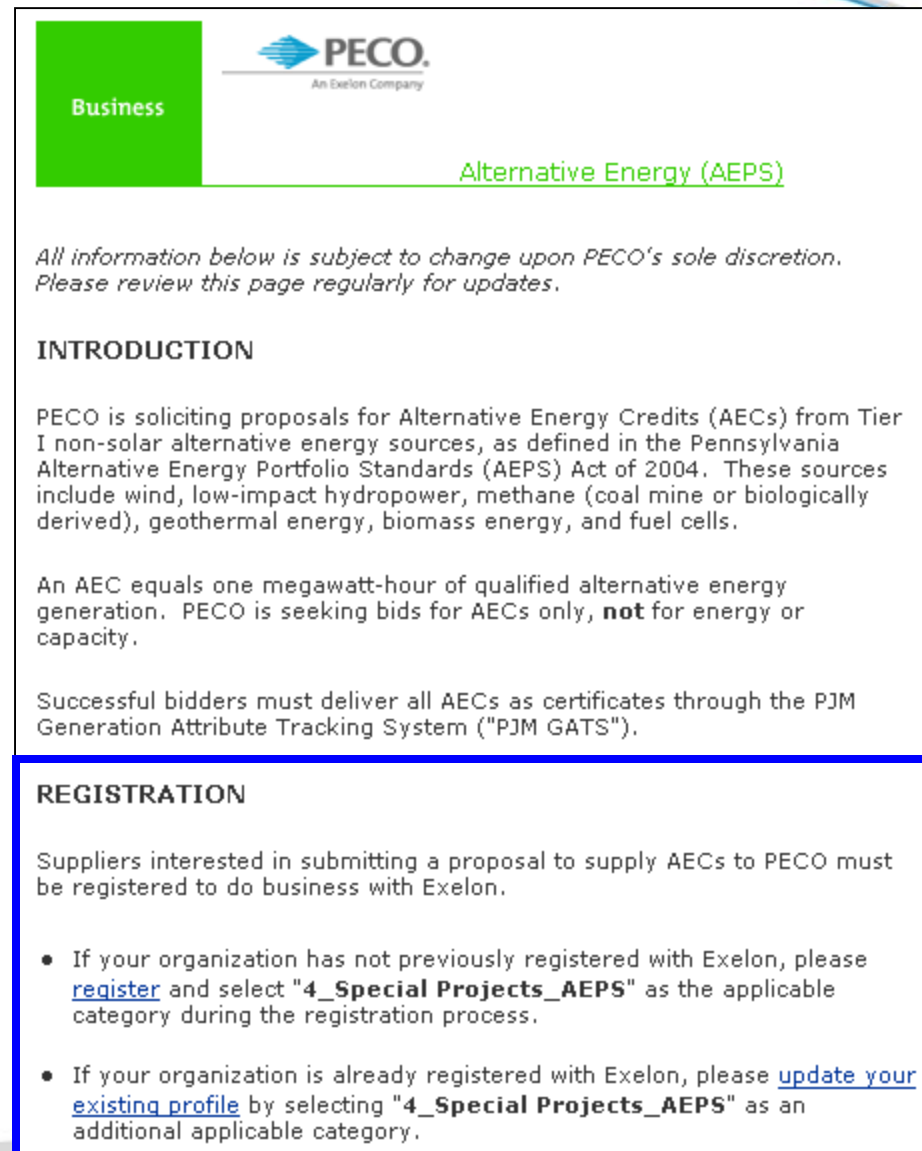
Event	Responsibility	Deadline (5:00 PM Eastern)
Potential Bidders Must Register to Do Business with Exelon	Potential Bidders	ASAP
Non-Binding Notice of Intent to Bid	Potential Bidders	Tuesday, 12/2/08
Bidder Inquiries Deadline	Potential Bidders	Tuesday, 12/9/08
Final Publication of Responses to Inquiries	PECO	Tuesday, 12/16/08
Bidder Application & Deposit Due Date	Bidder Applicants	Thursday, 1/15/09
Notification of Bidder Qualifications	PECO	Tuesday, 1/27/09
Bid Proposal Due Date	Qualified Bidders	Tuesday, 2/3/09
Notification of Selected Bidders	PECO	Wednesday, 2/11/09
Execution of AEC Purchase and Sale Agreements	PECO and Selected Bidders	Friday, 3/6/09

How to Register to Do Business with Exelon

- ✓ This is a prerequisite to all other steps in the bidding process

Those who previously registered do not need to register again

- ✓ Register via the PECO AEPS Web site, www.peco.com/aeps
- ✓ First-time registrants must complete a brief eligibility questionnaire; Completion concludes the registration process



The screenshot shows the PECO Business Alternative Energy (AEPS) page. It features the PECO logo and a green 'Business' tab. The page title is 'Alternative Energy (AEPS)'. A disclaimer states: 'All information below is subject to change upon PECO's sole discretion. Please review this page regularly for updates.' The 'INTRODUCTION' section explains that PECO is soliciting proposals for Alternative Energy Credits (AECs) from Tier I non-solar alternative energy sources, as defined in the Pennsylvania Alternative Energy Portfolio Standards (AEPS) Act of 2004. These sources include wind, low-impact hydropower, methane (coal mine or biologically derived), geothermal energy, biomass energy, and fuel cells. It also states that an AEC equals one megawatt-hour of qualified alternative energy generation and that PECO is seeking bids for AECs only, not for energy or capacity. A note mentions that successful bidders must deliver all AECs as certificates through the PJM Generation Attribute Tracking System ("PJM GATS"). The 'REGISTRATION' section states that suppliers interested in submitting a proposal to supply AECs to PECO must be registered to do business with Exelon. It provides two bullet points: one for organizations not previously registered with Exelon, who should register and select "4_Special Projects_AEPS" as the applicable category; and another for organizations already registered with Exelon, who should update their existing profile by selecting "4_Special Projects_AEPS" as an additional applicable category.

Non-Binding Notice of Intent to Bid

- ✓ All parties seeking to bid must submit Non-Binding Notice of Intent to Bid (Exhibit 2) to PECO (*in addition to registering*)
 - Must be submitted regardless of actions taken during the 1st RFP
- ✓ Potential bidders may submit this form to PECO as follows:
 - E-mail to “AEPS_RFP@peco-energy.com”, OR
 - FAX to 215-841-4728, OR
 - Mail to:
 - PECO AEPS RFP
 - C/o Joseph Bisti
 - PECO Energy, Energy Acquisition
 - 2301 Market Street, S14-2
 - Philadelphia, PA 19101
- ✓ PECO will confirm receipt via e-mail.

Non-Binding Notice of Intent to Bid

- ✓ Submitting this notice does not commit the party to submitting a bid later in the process
- ✓ PECO will assign a bidder number to each notice and inform the bidder of their assigned number
- ✓ Potential bidders must submit this notice by the deadline **(5:00 PM Eastern Time on Tuesday, 12/2/08)** as a prerequisite for submitting an application for this RFP
- ✓ As previously mentioned, fax or e-mail of an executed notice is an acceptable means of submission.

Bidder Inquiries

- ✓ Potential bidders should e-mail all questions about the RFP process to “AEPS_RFP@peco-energy.com” following this presentation and any time **until 5:00 PM Eastern Time on Tuesday, 12/9/08.**
- ✓ PECO will post updated “**Responses to Bidder Inquiries**” (including Q&As from this teleconference) on the PECO AEPS website at www.peco.com/aeps
 - Posted responses will not reference the organization asking the question
 - All posted responses will be **final as of 5:00 PM Eastern Time on Tuesday, 12/16/08** and remain posted throughout the RFP process

Bidder Applications

- ✓ Potential bidders must submit a printed Original and three printed Copies of the Bidder Application (Exhibit 3)
 - **Electronic submissions are NOT acceptable**
- ✓ All bidder applications must include two signed copies of the Confidentiality Agreement (Exhibit 6)
 - PECO will sign both and return one
- ✓ **PECO must receive all Applications via certified mail, registered mail, hand delivery, or courier service to the address below no later than 5:00 PM Eastern Time on Thursday, 1/15/09:**
 - PECO AEPS RFP**
 - C/o Joseph Bisti**
 - PECO Energy, Energy Acquisition**
 - 2301 Market Street, S14-2**
 - Philadelphia, PA 19101**

Bidder Applications

- ✓ PECO will confirm by e-mail the receipt of Bidder Application
- ✓ Submission constitutes a bidder's agreement to and acceptance of all RFP terms and conditions
- ✓ PECO, in its sole discretion, will determine if the bidder is qualified; Navigant Consulting as independent RFP Monitor will oversee this process
- ✓ Upon review, PECO may request additional information from any bidder for evaluation

Bid Deposit

- ✓ Each application must be accompanied by a bid deposit in the form of a certified check payable to “PECO” or by Wire Transfer of funds. PECO will confirm by e-mail the receipt of the Bid Deposit.
- ✓ Deposits for winning bidders will be held until those winners execute agreements and post the Development Security or the Credit Support for Facilities that have achieved Commercial Operation status
- ✓ Deposits submitted by bidders rejected or not selected will be refunded without interest upon rejection or notification to selected bidders
- ✓ Amount of deposit is based on the maximum Contract Amount of AECs the applying bidder intends to bid in response to the RFP (see next slide). A qualified bidder may not offer to provide a Contract Amount in excess of the maximum Contract Amount corresponding to the bidder’s Bid Deposit.

Bid Deposit, per facility/application

Contract Amount (AECs)	Bid Deposit (US \$)
1,000 to 4,999	\$5,000
5,000 to 49,999	\$10,000
50,000 to 99,999	\$25,000
Over 100,000	\$50,000

Bidder Application (highlights)

Section 1. Facility information

Address

Legal description

Basis for qualifying as Tier I

Major equipment

Capacity

Expected annual energy production

Fuel Supply

Impact assessment studies

Interconnection status

Plans for sale of energy

Useful life

Section 2. Project Schedule

(for projects which are still in construction/development)

Section 3. Property Rights and Site Control

(easements, rights of way, etc.)

Section 4. Permits and Government Approvals

Status, approval dates, and expiration dates of federal, state, and local permits (provide copies)

Bidder Application (highlights continued)

Section 5. Contracts.

Sale of generation

Sale of AECs to others

O&M

Equipment Supply

Equipment Warranties

Construction Agreements

Section 6. Interconnection (facility status with PJM)

Section 7. Bidder information.

Organization structure, ownership interests in facility >5% of equity, corporate parent of each interest

Bidder management, consultants, advisors

Operational plans and maintenance capabilities

Long term plans for the facility

Ability to satisfy AEC Purchase and Sale Agreement terms including Development and Credit Support requirements.

Bidder Application (highlights continued)

Section 7 Bidder information (cont.)

Financial Statements; 10-K and 10Q for public company owners;
most recent financial statements for non-public companies

Section 8. Facility financing information (new projects)

Financial structure and details of financing (information will be kept
confidential and used by PECO to assess project qualifications and
likelihood of being completed on schedule)

Section 9. Other bidder information.

Contract default history

Pending litigation

Bankruptcy history

Other

Notification of Qualified Bidders

- ✓ **By 5:00 PM Eastern Time on Tuesday, 1/27/2009**, PECO will notify each bidder applicant via e-mail as to whether or not that bidder has satisfied the Bidder Qualifications.
- ✓ In cases of failure to satisfy the Bidder Qualifications, PECO will provide its justification for rejecting the associated Applications.
- ✓ Any rejected Applications will have their Bid Deposits refunded. No interest shall be paid on Bid Deposits.

Bid Proposals

- ✓ Bidders will be permitted to submit up to three bid proposals for each single facility if each proposal offers different contract amounts at different prices (Multiple Bids)
- ✓ All bid proposals will be ranked by price, up to the targeted RFP maximum for this particular procurement – 410,000 AECs annually (total Contract Amount)
- ✓ Bid proposals with the same price will be ranked by Contract Amount, with larger Contract Amounts receiving higher priority

Bid Proposals

Navigant Consulting must receive all bid proposals by certified mail, registered mail, hand delivery, or courier service to the address below **no later than 5:00 PM Eastern Time on Tuesday, 2/3/2009.**

Electronic submissions are **NOT** acceptable.

PECO AEPS RFP
C/o Craig McDonald
Navigant Consulting
1717 Arch Street, Suite 4800
Philadelphia, PA 19103
Phone: 215-832-4400

Bid Proposal – Ranking Illustration

Illustration for ranking bid proposals first by price, then by contract amount where prices are equal up to target of 410,000 AECs, annually.
(illustrative only to demonstrate ranking – not indicative of projected price)

Bid Proposal Rank (24 total bids)	Price/AEC	Contract Amount Bid	Cumulative AECs Bid
1	\$15.00	10,000 AECs	10,000 AECs
2	\$16.00	50,000 AECs	60,000 AECs
3	\$16.00	25,000 AECs	85,000 AECs
...
22	\$17.25	35,000 AECs	400,000 AECs
23	\$17.50	10,000 AECs	410,000 AECs
24	\$17.75	15,000 AECs	425,000 AECs

} winning bids

Bid Proposal – Format

- ✓ One, two or three bids per Facility - Multiple bids may not exceed 100% of Facility production capability
- ✓ A bidder may submit bids for more than one facility.
- ✓ **Contract Amount** - AECs to be delivered annually during each of five AEPS reporting periods- June through May
- ✓ **Price per AEC** in \$ /AEC, over Term
 - Bid selection based on Price and Contract Amount above
- ✓ Additionally, bidders may submit a Contract Amount to be delivered prior to the first full PA AEPS reporting period
 - This commitment will not be used for selecting bids

Bid Proposal – ILLUSTRATION 1

Bidder has a facility under development and wants to sell 12,000 AECs annually. Bidder can begin delivering AECs to PECO in September 2009.

- ✓ Contract Amount – 12,000 AECs to be delivered annually during each of five AEPS reporting periods- June through May, 6/1/2010 through 5/31/2015
- ✓ Price per AEC in \$ /AEC, over Term - \$14.00
- ✓ Additionally, Bidder may elect to deliver AECs for the partial year (September 2009 through May 31st, 2010), based on partial year AEC production associated with the annual Contract Amount

Bid Proposal – ILLUSTRATION 2

Bidder has a Tier I facility and wishes to sell 15,000 AECs annually, but wants to submit three multiple bids for the facility, each with a different price and contract amount combination

Bid Proposal	Price/AEC	Contract Amount
1	\$15.00	10,000 AECs
2	\$16.25	3,000 AECs
3	\$17.50	2,000 AECs

Note: Multiple bids may not exceed the production capability of the facility.

Bid Proposals/ Bid Selection

- ✓ The independent RFP Monitor will oversee the bid proposal review process and submit a Report to the PA Public Utility Commission (PUC) on 2/4/09 for approval
- ✓ The PUC has authorized a 3-business-day period for review of the RFP Monitor's report.
- ✓ Upon PUC approval, PECO will notify successful bidders and deliver AEC Purchase and Sale Agreements (Exhibit 1) consistent with bidders' winning proposals.
- ✓ PECO will not sign any Agreements with bidders whose bids are not approved by the PUC.

Additional Notes

- ✓ PECO is not responsible for bidder costs in considering or responding to this RFP
- ✓ Bidders may not announce or release any information about this RFP or PECO's evaluation process without PECO's prior written approval, which PECO may withhold at its sole discretion

Alternative Energy Credits Purchase and Sale Agreement

Highlights

Purchase/Sale Agreement Highlights

- ✓ 2.1 Term is five Contract Years (June 1 – May 31) with first Contract Year extension up to nine months from Commercial Operation date for facilities under development at the time agreements are executed in March 2009

Facility	Term Begins	Term Ends
Commercial	Effective Date (March 2009)	May 31, 2014
In Development / Construction	On Commercial Operation Date (if on or before May 31, 2009)	May 31, 2014
In Development / Construction	On Commercial Operation Date (if on or after June 1, 2009 and up to December 31, 2009)	May 31, 2015

Purchase/Sale Agreement Highlights

- ✓ 3.2 Monthly delivery of all AECs created by facility until Contract Amount is met for the current year. Proportional delivery every month if Contract Amount is less than Total Facility AEC Commitment
- ✓ 3.4 Replacement AECs – Seller has 45 days at end of Contract Year to provide Replacement AECs if total delivered AECs from facility is short of annual Contract Amount; or pay \$45/AEC for any shortfall.

Purchase/Sale Agreement Highlights

- ✓ 3.6 Excess AECs – if Seller has produced AECs in a Contract Year in excess of Contract Amount then seller can ‘rollover’ any amount of excess in the first month of the new Contract Year. Seller must provide notice to PECO by June 30 and deliver ‘rollover’ by July 31.

- ✓ 6.0 Credit / Collateral Requirements
 - \$3.75/AEC of Contract Amount Development Security if Facility has not achieved Commercial Operation;
 - Credit Support of \$7.50/AEC of Contract Amount on Commercial Operation date

Purchase/Sale Agreement Highlights

- ✓ 2.4 Recovery of AEC Costs – In the event any Requirement of Law or action by the RTO limits PECO's ability to recover its AEC costs from its customers, PECO may terminate the agreement or elect to continue and pay only the costs for the AECs for which PECO is permitted to recover.
- ✓ If PECO elects to continue and pay only the costs for the AECs for which PECO is permitted to recover, then the Seller may terminate the agreement.

Conclusion

- ✓ Visit www.peco.com/aeps for more information on the RFP process, including a copy of this presentation and Responses to Bidder Inquiries.
 - Questions not answered due to time constraints may be e-mailed to “AEPS_RFP@peco-energy.com”
 - PECO will post additional questions and answers in the “Responses to Bidder Inquiries” document on its AEPS Web site at www.peco.com/aeps
- ✓ Thank you, and have a great day!