



RECEIVED

SEP 03 2013

**PUBLIC SERVICE
COMMISSION**

ACES Power Marketing
Attn: Director Development, Marketing and Trading
4140 West 99th Street
C/O ACES Power Marketing -
Carmel IN 46032-7731

LG&E and KU Energy LLC
Energy Services
220 West Main Street
Louisville, KY 40202
www.lge-ku.com

Charles A. Freibert, Jr.
Director Marketing
T 502-6273673
charlie.freibert@lge-ku.com

September 7, 2012

Subject: Request for Proposals to Sell Capacity and Energy (RFP)

Dear Colleague in Development, Marketing and Trading of Electrical Power,

Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) (jointly the “Companies”) are evaluating alternatives means to provide least-cost firm generating capacity and energy to our customers in the future. To this end, the Companies are requesting proposals from parties wishing to sell capacity and energy that will qualify as a Designated Network Resource (DNR) either as an owned asset by the Companies or a Power Purchase Agreement with the Companies. The Companies will consider offers that are reliable, feasible and represent the least-cost means of meeting our customers’ capacity and energy needs, including cost for transmission service, transmission upgrades and voltage support. The Seller should make its proposal as comprehensive as possible so that the Companies may make a definitive and final evaluation of the proposal’s benefits to its customers without further contact with the Seller. However, the Companies reserve the right to request additional information. Any failures to supply the information requested will be taken into consideration relative to the Companies’ internal evaluation of cost, risk, and value.

This inquiry is not a commitment to purchase and shall not bind the Companies or any subsidiaries of LG&E and KU Energy LLC in any manner. The Companies in their sole discretion will determine which Respondent(s), if any, it wishes to engage in negotiations that may lead to a binding contract. The Companies shall not be liable for any expenses Respondents incur in connection with preparation of a response to this RFP. The Companies will not reimburse Respondents for their expenses under any circumstances, regardless of whether the RFP process proceeds to a successful conclusion or is abandoned by the Companies at their sole discretion.

1. **Background** - This RFP is being issued in order to evaluate alternative means to provide least-cost firm generating capacity and energy to our customers in the future while meeting all laws and regulations. All alternatives (including any of the Companies' self-build options) will be evaluated in the context of meeting customers' load in a least-cost manner. If the Companies determine that a proposal maybe in the best interest of the Companies' customers, the Companies will enter into negotiations which may lead to the execution of definitive agreements. The Companies will consider all applicable factors including, but not limited to, the following to determine the least-cost proposal(s): (i) the terms of the purchased power proposal or facility or asset sale; (ii) Seller's creditworthiness; (iii) if applicable, the development status of Seller's generation facility including, but not limited to, site chosen, permitting, and transmission; or the operating history of Seller's generation facility; (iv) the degree of risk as to the availability of the power in the timeframe required; (v) the anticipated reliability of the power, particularly at times of winter and summer peak; and (vi) all other factors such as the cost of interconnection or transmission that may affect the Companies or their customers. The Companies are committed to implementing the best overall long-term solution for their customers.
2. **Requirements** - The Companies are interested in Power Purchase Agreements ("PPA"), Tolling Agreements ("TA") or Build Own Transfer Agreements ("BOT"), or alternative power supplies (combined "Supply Agreements") for minimum quantities of 1 MW up to a total of 700 MW of firm summer and winter capacity and associated energy per facility or offer. The power being proposed must be generated from a defined source, a specific unit(s) or system that will qualify as a DNR and supply capacity/energy during the peak demand of the Companies' customers (typical Midwest seasonal load characteristics). The delivery of capacity and energy should begin no earlier than January 1, 2015, and later start dates will be considered. The Companies are interested in both short term (1 to 5 years) and long term (10 to 20 years) proposals. The Companies may procure more or less than 700 MW and may aggregate capacity and energy from multiple Sellers to meet its needs. A Seller offering power from a resource connected directly to the Companies' transmission system must conform to the Companies' Open Access Transmission Tariff (OATT) and must obtain in a timely manner an Interconnection Agreement for the facility.
3. **Key Terms and Conditions** - The Seller's proposal should include the proposed terms and conditions, which should include, where applicable to the Seller's proposal, among other things:
 - 3.1. Seller will guarantee all pricing and terms that affect pricing such as but not limited to heat rate, fuel cost, fuel availability, fuel transport, operation and maintenance cost, etc., for at least 150 days after the Proposal Due Date.
 - 3.2. Any Capacity Payments to the Seller will be based upon guaranteed capacity at the Summer Design Conditions delivered to the Companies' transmission system unless the location of the Seller's facility justifies alternate conditions. Summer Design Conditions shall be the following.

- 3.2.1. Dry Bulb: 89°F
 - 3.2.2. Mean Coincident Wet Bulb: 78°F
 - 3.3. Seller will guarantee the annual and seasonal availability and describe required maintenance outage schedule.
 - 3.4. Seller should address in their proposal its remedies for failure to meet availability guarantees.
 - 3.5. Seller will be responsible for any and all compliance related cost and fines (environmental, NERC, FERC, etc) incurred due to the non-compliance of the assets designated to supply power to the Companies.
 - 3.6. After the evaluation of proposals is completed, the Companies will enter into negotiations on a timely basis if the Companies determine that a proposal is in their customer's best interests. Any subsequent contracts will be contingent on obtaining the necessary regulatory approvals.
 - 3.7. The Companies termination rights will include, but may not be limited to: (i) failure to obtain all required regulatory approvals, (ii) failure to post or maintain required financial credit requirements, (iii) failure to meet key development and implementation milestones, (iv) failure to meet reliability requirements, and (v) failure to cure a material breach under the Supply Agreement.
4. **Dispatching and Scheduling** (Required Proposal Content) - The Companies prefer flexibility in the utilization of the generation resource being offered by the Seller. The Companies desire, at the Companies' expense, to install equipment at the generator site to facilitate real time control/dispatch of generation to follow load changes and respond to system frequency changes. The Seller should state its desire and willingness to allow and cooperate with the Companies in establishing real-time control of generation.
5. **Ancillary Services** (Required Proposal Content) - Under a Supply Agreement, the Companies desire to have the unrestricted right to utilize all ancillary services associated with generation being offered by the Seller. The Seller should describe the ancillary service capability of its proposal e.g., black start capability, voltage support, load following, energy imbalance, spinning reserve, and supplemental reserve. The ancillary services that would be available to the Companies should not be limited to those defined in this paragraph. The Companies desire to have the unrestricted rights to any future ancillary services defined by the industry and capable of being provided by the generation capacity being offered. In the case where the Companies purchase only part of the generation capacity from a unit, system or facility, then the Companies desire to have unrestricted rights to ancillary services on a prorated basis.

6. **Pricing** (Required Proposal Content) - The Seller's pricing must be a delivered price to the Companies' transmission system. The Companies will be responsible only for Network Integrated Transmission Service (NITS) on the Companies transmission system. Prices must be firm, representing best and final data and quoted in U.S. dollars. If pricing involves escalation or indexing, the details of such pricing, including the specific indices or escalation rates, must be included for evaluation.
- 6.1. The Seller's proposal must provide the product and generation characteristics on the attached form. Pricing information can be provided on the form or separately in another format that is appropriate for the offer. The Seller is encouraged to provide as much information as possible to aid in the evaluation of the offer. These attached data forms may be utilized in any filings with regulatory agencies (such as the KPSC) related to this RFP.
7. **Delivery** (Required Proposal Content) - The Companies consider reliable power delivery at the time of the typical summer and winter peak demand of its customers to be of the utmost importance. The delivery point is the Companies' transmission system. Under a Supply Agreement, Sellers would be responsible for providing firm transmission to the Companies' transmission system. The Seller is responsible for all costs associated with transmission interconnections and shall provide all studies and Interconnection Agreements. The Seller is responsible for all transmission reservations, losses and costs including system upgrades up to the delivery point and shall provide all studies and Transmission Reservations/Agreements. All costs associated with interconnections and transmission up to the delivery point should be included in the Seller's pricing where appropriate under current FERC orders and rulings. TranServ International, Inc., 2300 Berkshire Lane North, Minneapolis, Minnesota 55441, is an Independent Transmission Operator that administers the Companies' OATT. Tennessee Valley Authority (TVA) serves as the Companies' Reliability Coordinator (RC). For purposes of the Companies' evaluation of the proposals, the Companies may estimate any transmission costs that are not supported by the appropriate studies including deliverability and the associated voltage support to the Designated Network Load ("DNL") of the Companies. If the Seller has not completed all required transmission studies, it is essential that the following information be provided in order for the Companies to evaluate the proposal:
- Size of the unit
 - Point of interconnection to the grid
 - Impedance of the generator step-up transformer
 - Transient and sub transient characteristics of the generator
8. **Environmental** - For the sale of generation capacity and energy to the Companies under a Supply Agreement, the Seller would be responsible for obtaining all necessary permits and providing all credits and allowances needed to comply with the

permit requirements for the life of the agreement, where permits, credits and allowances are applicable for the product being sold. Failure to obtain or comply with any environmental permit or governmental consent would not excuse nonperformance by Seller. The Companies require that Sellers provide the following information for evaluation:

- Unit heat rate, fuel specification, and control technologies employed.
- Emissions rates for NO_x, SO_x, CO, CO₂, PM₁₀, and Hg.
- Copy of air permit or permit application if available.
- Timing and status of all permit applications including air, water withdrawal, wastewater disposal, fuel byproducts handling and disposal, etc.

9. **Development Status** – Seller shall provide a comprehensive narrative of the status of the development of any generation project intended to be used to meet Seller’s obligations to the Companies. Seller’s narrative shall include the following.

- 9.1. A comprehensive development and construction schedule,
- 9.2. A listing of all required permits and governmental approvals and their status,
- 9.3. A listing of all required electric interconnection and or transmission agreements and their status,
- 9.4. A financing plan, and
- 9.5. A summary of key contracts (fuel, construction, major equipment) to the extent that they exist.

10. **Other Information Requirements** - Sellers shall provide a complete description of the generation facilities that would be used to fulfill the Seller’s obligations to the Companies. The description should include the following:

- Seller’s operating experience with similar technology.
- Guaranteed capacity rating and heat rate at Summer Design Conditions of:

Dry Bulb	89	F
Wet Bulb	78	F

- Guaranteed capacity rating and heat rate at winter design conditions of:

Dry Bulb	14	F
----------	----	---

- Guaranteed capacity rating and heat rate at average day design conditions

Dry Bulb	57	F
Relative Humidity	60	%

- Guaranteed ramp rate in MWs/minute if applicable.

- Guaranteed annual and seasonal availabilities including EFOR values and planned maintenance schedules.
- Technology employed (combined cycle, pulverized coal, CFB, super-critical, etc.)
- Plant location along with proof or status of ownership or control of site.
- Zoning status of plant site.
- If the plant site is subject to site approval by a governmental authority, provide a description of the approval status including a copy of the application. If approval has been granted, provide a copy of the approval.
- Status of engineering and design work.
- Key project participants including owners, operators, engineer/contractors, fuel suppliers

The Seller should also provide any additional information the Seller deems necessary or useful to the Companies in making a definitive and final evaluation of the benefits of the Seller's proposal without further interaction between the Companies and Seller.

11. **Financial Capability** - Should the Companies elect to enter into an agreement with a Seller who fails to meet its obligations at any point in time, the Companies' customers may be exposed to the risk of higher costs. Therefore, the Sellers will be required to demonstrate, in a manner acceptable to the Companies, the Seller's ability to meet all financial obligations to the Companies throughout the applicable development, construction and operations phases for the term of the Supply Agreement. Under no circumstances, should the Companies' customers be exposed to increased costs relative to the cost defined in an agreement between the Seller and the Companies.

11.1. At all times, the Seller will be required to maintain an investment grade credit rating with either S&P or Moody's or have a parent guarantee from an investment grade entity that meets the approval of the Companies.

11.2. Upon execution of the Supply Agreement, Sellers will be required to post a letter of credit ("LOC") to protect the Companies' customers in the event of default by the Seller. The exact amount of a LOC will be subject to approval by the Companies based upon the Companies' models. This amount shall take into account the cost of replacement energy and associated environmental cost with the production of replacement energy and any byproducts of such replacement energy. If the Companies draw down the LOC amount at any time, the Seller must replace the LOC to the original value within five days.

12. **Alternate Power Supplies** - Alternate power supply arrangements may include the acquisition of generation assets, existing generation facilities, projects under development, system firm products, or other power supply arrangements that meet the Companies' requirements described in this RFP. The Seller must make all transmission arrangements for the delivery of alternate power supply arrangements to

the delivery point and include the cost for transmission in the pricing. Sellers interested in proposing alternative power supplies must provide all information specified in this document and applicable to the alternate power supply needed for the Companies to fully evaluate the proposal. Those Sellers proposing the sale of generation facilities should include the following:

- Complete description of the facilities included in the sale.
- Firm offer price
- Term sheet which identifies key terms and conditions
- Latest condition report
- Projected operating data including output, heat rate, and forced outage rate as appropriate
- Projected operating expenses and capital expenditures
- For existing facilities, provide historical operating data, operating expenses, and capital expenditures for a minimum of the latest five years or since the start of commercial operation if in commercial operation for less than five years.

13. **RFP Schedule** - All proposals must be complete in all material respects and be received no later than 4 p.m. EDT on Friday, November 2, 2012. Email proposals must be followed up with a signed original within two business days.

RFP Issued	Friday, September 7, 2012
Proposals Due	Friday, November 2, 2012
Evaluation Completed	Friday, March 15, 2013

Proposals will not be viewed until 4 p.m. EDT on Friday, November 2, 2012. After the evaluation of proposals is completed, the Companies will enter into negotiations on a timely basis if the Companies determine that a proposal is in their customer's best interests. Any subsequent contracts will be contingent on obtaining the necessary regulatory approvals.

14. **Treatment of Proposals**

14.1. The Companies reserve the right, without qualification, to select or reject any or all proposals and to waive any formality, technicality, requirement, or irregularity in the proposals received. The Companies also reserve the right to modify the RFP or request further information, as necessary, to complete its evaluation of the proposals received.

14.2. Sellers who submit proposals do so without recourse against the Companies for either rejection by the Companies or failure to execute an agreement for purchase of capacity and/or energy for any reason. Sellers are responsible for any and all costs incurred in the preparation and submission of a proposal and/or any subsequent negotiations regarding a proposal.

15. **Confidentiality** - As regulated utilities, it is expected that the Companies will be required to release proposal information to various government agencies and/or others as part of a regulatory review or legal proceeding. The Companies will use reasonable efforts to request confidential treatment for such information to the extent it is labeled in the proposal as "Confidential." Please note that confidential treatment is more likely to be granted if limited amounts of information are designated as confidential rather than large portions of the proposal. However, the Companies cannot guarantee that the receiving agency, court, or other party will afford confidential treatment to this information. Subject to applicable law and regulations, the Companies also reserve the right to disclose proposals to their officers, employees, agents, consultants, and the like (and those of its affiliates) for the purpose of evaluating proposals. Otherwise, the Companies will not disclose any information contained in the Seller's proposal that is marked "Confidential," to another party except to the extent that (i) such disclosures are required by law or by a court or governmental or regulatory agency having appropriate jurisdiction, or (ii) the Companies subsequently obtain the information free of any confidentiality obligations from an independent source, or (iii) the information enters the public domain through no fault of the Companies.

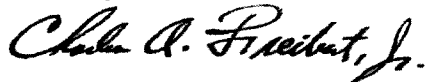
16. **Contacts** - All correspondence should be directed to:

Charles A. Freibert, Jr.
Director Marketing
LG&E and KU Energy LLC
Energy Services
220 West Main Street
Louisville, KY 40202

E-mail: charlie.freibert@lge-ku.com
Phone: 502-627-3673

In closing, I look forward to your response by 4 p.m. EDT on Friday, November 2, 2012, and the possibility of doing business to meet the Companies' future power needs. Your interest in this request is greatly appreciated. Please contact me if you have any questions and would like to discuss further. For immediate concerns in my absence, please contact Donna LaFollette at 502-627-4765.

Sincerely,



Charles A. Freibert, Jr.

LG&E and KU RFP Data Form

Note to bidder: Provide a separate term sheet for each different "Term of Contract" or capacity offering

Seller _____

Product and Generation Characteristics:

Proposal Description _____

Generation Source Description _____

Transmission Interconnection Point of the Source _____

Point of interconnection to the grid _____

Fuel Commodity Price (if applicable) _____

Firm Fuel Transport Price (if applicable) _____

Start Date and Term of Contract _____

Summer Firm Capacity Amount _____ MW

Summer Maximum Dispatch Capacity Amount (if applicable) _____ MW

Summer Minimum Dispatch Capacity Amount (if applicable) _____ MW

Guaranteed Heat Rate (or heat rate curve) (if applicable) _____ Btu/kwh

Winter Firm Capacity Amount _____ MW

Winter Maximum Dispatch Capacity Amount (if applicable) _____ MW

Winter Minimum Dispatch Capacity Amount (if applicable) _____ MW

Output in 10 minutes _____ MW

Guaranteed Ramp capability _____ MW/minute (if applicable)

Start-up time to minimum capability _____

Start-up time to maximum capability _____

Minimum run time _____

Minimum down time _____

Constraints on production time (if applicable) _____

Forced Outage Rate _____ %

Guaranteed Availability _____

Planned Outage Schedule _____

Pricing Information (provide a separate pricing form if applicable):

Sale Price _____ or, Capacity Price _____ (\$/MW-yr)

Year of Capacity Price Quote _____

Capacity Price Escalation/Year or Index _____

Fixed O&M _____ (\$/MWh or \$/MW-yr)

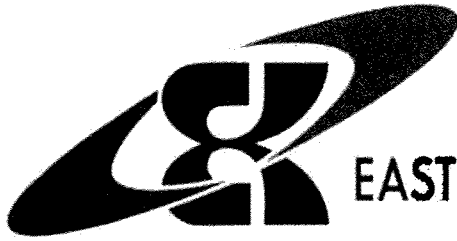
Year of Fixed O&M Price Quote _____

Fixed O&M Price Escalation/yr or Index _____

Energy Pricing (Provide energy pricing in one of the following formats)

1. Fixed Energy price over the term _____ (\$/MWh)
2. Escalating Price Over Term _____ (\$/MWh) escalating at _____ % per year
3. Production Cost: Variable O&M + Guaranteed Heat Rate * Fuel Price over Term
 - a. Variable O&M _____ (\$/MWh)
 - b. Guaranteed Heat Rate _____ (Btu/kwh)
 - c. Fuel Price _____

Note: Energy pricing to include all ancillary service costs, taxes and other fees necessary for delivery of the energy to the Delivery Point.



EAST KENTUCKY POWER COOPERATIVE

ALL SOURCE LONG-TERM REQUEST FOR PROPOSALS 2012

[JULY 5, 2012: TWO DATES REVISED; SEE ALSO THE FAQs ON WEBSITE FOR AMENDMENTS AND CLARIFICATIONS.]

RFP Issued: June 8, 2012

Supporting, Required Forms Issued: June 15, 2012

Notice of Intent to Submit Proposal Due: July 10, 2012

Required Forms with Revisions Issued: July 13, 2012

Proposal Submittal Deadline: August 30, 2012

RFP website: www.ekpc-rfp2012.com

RFP email: ekpc-rfp@brattle.com

TABLE OF CONTENTS

1.	Introduction.....	1
1.1	Overview.....	1
1.2	Schedule.....	5
1.3	Disclaimer for Rejecting Bids and/or Terminating this RFP.....	6
1.4	Contact Information.....	6
2.	EKPC Situation and the RFP Goals	7
2.1	History.....	7
2.2	System Map	8
2.3	RFP Goals	8
2.3.1	EKPC Resource Needs.....	8
2.3.2	Resources	9
2.3.3	Facility Ownership: Generation Characteristics	9
2.3.4	Contract Options	10
3.	Transmission and Delivery Information.....	13
3.1.	PJM Membership to be Assumed	13
4.	Submission of Proposals and Eligibility Requirements	13
4.1.	Overview of Process	13
4.2.	Notice of Intent to Submit Proposal.....	13
4.3.	Deadline and Method Proposal Submission	14
5.	Proposal Content	14
6.	Proposal Evaluation.....	15
6.1.	Screening.....	15
6.2.	Evaluation	15
6.3	Financial Stability and Performance Guarantees	15
6.4.	Confidentiality	16
6.5.	Acceptance of Proposals	16
6.6.	Short List Development	17

1. INTRODUCTION

1.1 OVERVIEW

East Kentucky Power Cooperative (EKPC) is issuing this All Source Long-Term Request for Proposals 2012 (RFP) to obtain new resources through a solicitation of interest from utilities, power marketers, project owners and project developers who desire to place a bid or bids and meet the minimum qualifications as described herein (Bidders or Participants). EKPC has formally applied to the Kentucky Public Service Commission for approval to transfer functional control of its system into the PJM Interconnection (PJM) and will systematically assume for purposes of this RFP that EKPC is a full member of PJM.¹ Thus, all Bidders should assume that they will deliver the capacity and/or energy resources to EKPC within PJM and under the PJM rules and procedures.

Subject to this and other conditions discussed below, EKPC will consider the following resources in this RFP:

- New construction of conventional generation technologies and all fuel types to include turnkey ownership, joint ownership or other alternatives;
- Existing conventional generation (a share of a plant could be accepted);
- New and existing renewable generation (as discussed below).

Pursuant to policies of the Kentucky Public Service Commission (PSC) and consistent with EKPC's Integrated Resource Plan (IRP) filed with the PSC on April 20, 2012,² EKPC seeks to acquire up to 300 megawatts (MW) of new resources, with an on-line date of October 2015. EKPC will consider resources that come on-line up to two years later, on or about October 2017, but will have to evaluate any additional costs it may incur under this later on-line date. As discussed in the IRP, one reason for the need for new resources is the impact of the EPA's Mercury and Air Toxics Standards (MATS) regulation. EKPC will evaluate the costs of retrofitting its older coal plants to comply with MATS. EKPC intends to offer a self-build option for this RFP.³ EKPC is not soliciting and will not accept capacity from PJM Demand Response resources. EKPC is developing its own demand side management resources.

¹ EKPC intends that during the full period of the contracts that come from this RFP it would be a signatory to the PJM OATT, the PJM Reliability Assurance Agreement, and the PJM Operating Agreement.

² EKPC, *2012 Integrated Resource Plan*, with Technical Appendices, all Redacted, April 20, 2012.

³ EKPC has established a wall to ensure that no cost information will be shared between its Power Production business unit, which will prepare the self-build proposal, and its Power Supply business unit, which will be involved in evaluating the bids that are received. The Brattle Group, as Independent Procurement Manager, also

For new conventional and/or renewable generation facilities, Participants may submit Bids in two forms. The first form is a Power Purchase Agreement (PPA) with EKPC, which is contained in the set of Required, Supporting Forms (Required Forms), which will be put on the RFP website on June 15, 2012. This is discussed below in Section 5. EKPC will consider PPAs for capacity in the EKPC Locational Deliverability Area (LDA) in PJM. EKPC will consider PPAs for energy delivered to:

- the EKPC load zone in PJM;
- the AEP-Dayton (AD) Hub;
- other delivery points that are fully described such that EKPC can determine the equivalent costs for delivery in comparing alternatives.

A PPA for bundled energy and capacity would need to specify both the energy delivery point and the LDA. EKPC would consider a bundled bid with the energy delivered to the AEP-Dayton Hub and the capacity delivered to the PJM LDA for AEP, and would evaluate any incremental costs or benefits from that arrangement. EKPC will consider energy and capacity from new or existing renewable generation resources.

One of the Required Forms is a signed draft PPA, which at the Bidder's discretion will contain terms, such as pricing terms, that are binding for 60 days from August 30, 2012. This signed form must be submitted for each PPA Bid. The conditions for the PPA Bids are discussed below in Section 2.3.4. Again, all Required Forms with their terms will be posted to the "ekpc-rfp2012" website on Friday, June 15, 2012. The final revisions to the Forms will be posted to the website by Tuesday, July 10, 2012.

The second form of the Bid is Facility Ownership by EKPC. For Facility Ownership, the sale would be conducted pursuant to a Purchase and Sale Agreement (PSA) and related documentation, which is found in Required Forms. This is the contract form under which a Participant would sell full or part ownership in an existing plant or would develop and cause to be constructed a fully permitted, operational generation facility, which would be sold in entirety or in part to EKPC at project completion. EKPC solicits both full and partial ownership shares, as long as the MWs of the project are within the minimum and maximum bounds for MW discussed below and other conditions are met. The Required Forms for Facility Ownership Bids would not need to be executable, but the conditions as discussed in the Required Forms would have to be met by any Bidder, or a Facility Ownership Bid may not be deemed acceptable to EKPC.

will have no contact with the Power Production business unit staff that are involved in the preparation of a self-build proposal.

EKPC has three sites in its service territory suitable for locating a gas-fired combined cycle combustion turbine facility (CCGT) or a gas-fired single cycle combustion turbine facility. A Participant could propose to build at any of these sites under the Facility Ownership and PSA arrangement. EKPC is not accepting a Bid for a PPA at any of these sites. For these three sites, EKPC will be responsible for building the fuel pipeline from the nearest natural gas pipeline interconnection to the input point of the generation plant. The three sites have different expected costs for this fuel pipeline connection, which the Bidders may wish to consider. EKPC will also secure the air and water permits. Additional information and the conditions for the use of the EKPC sites are described in a Required Form on development and siting status. EKPC may submit self-build proposals at one or more of its sites.

Additional general conditions are that Contracts for new resources should have a minimum of 50 MW for any conventional resource and 5 MW for any renewable resource, as further specified in Section 2.3.2 below. This is a long-term procurement, so the length of any PPA should be at least five years and can be longer at Bidder's discretion. EKPC's 2012 IRP showed a preference for dispatchable and operationally flexible resources, but EKPC will evaluate any reasonable and fully described resource that a Bidder offers.

East Kentucky Power Cooperative, Inc. is committed to environmental stewardship while safely providing affordable, reliable power to its members. Therefore, EKPC will also consider proposals for energy and capacity from renewable generation resources. The renewable resources' bids must be a minimum of 5 MW (single resource or an aggregate in one Bid that is greater than or equal to 5 MW). The duration of the renewable energy resource contract(s) should range from a minimum of 5 years to the life of the facility. The capacity and/or energy must be deliverable to EKPC's Delivery Points as described herein. Renewable energy resources may include, but are not limited to:

- Wind
- Biomass
- Solar (electric or thermal)
- Hydro
- Geothermal
- Recycled energy (waste heat, etc.)

This RFP is open to those parties who currently own, propose to develop, or have rights to a renewable energy generating facility 5 MW or larger. Preference will be given to renewable projects that are in the

state of Kentucky. Bidders may submit multiple proposals to fulfill the resource request. The proposal must be based upon a proven technology.

EKPC will retain all environmental attributes associated with Bidder's proposed bid energy, including but not limited to renewable energy credits, green tags, greenhouse gas or carbon credits, and any other emissions attributes. EKPC has engaged the services of The Brattle Group to act as an independent procurement manager and perform a comparative analysis and evaluation of proposals received under this solicitation. EKPC reserves the right to retain any other independent consulting service that it may deem necessary or advisable. The final decisions with regard to acceptance or rejection of any or all proposals are specifically reserved to EKPC, subject to the approval of the Kentucky PSC.

1.2 SCHEDULE

The schedule for this RFP process is set forth in Table 1. This schedule is subject to adjustment and any changes will be posted immediately on the website.

Table 1: Major Milestones for the RFP

No.	Major Milestones for the RFP	Dates
1	RFP document and Form 1 issue date	Friday, 6/8/2012
2	RFP Website live	Friday, 6/8/2012
3	Date to register at the Website to receive all further information with respect to the RFP. Potential bidders can continue to register up to Tuesday, 7/3/2012.	Wednesday, 6/13/2012
4	On the website, all Required Forms for a Bid will be posted, which will explain the information requirements for the Bids. An objective is to allow Bidders to fully explain their Bids, while systematically collecting as much information as possible in machine-readable format. Suggestions for improvements will be accepted by email through Tuesday, 7/3/2012, and the final Forms distributed on Tuesday, 7/10/2012	Friday, 6/15/2012
5	Webinar to answer questions of prospective bidders	Wednesday, 6/27/2012
6	Due date for Notice of Intent to Submit Proposal (Reset on July 2, 2012)	Tuesday, 7/10/2012
7	Final versions of Bidder Response Forms, including Excel Forms 10 - 13 that should include binding values for 60 days, except as explicitly indicated by bidder, as discussed in Draft Forms 10 - 13.	Friday, 7/13/2012
8	Proposals due in electronic form	Thursday, 8/30/2012
9	Proposals due with wet signed original in hardcopy	Wednesday, 9/5/2012
10	Date up to which the executable PPA Bids must be good, which is 60 days after the PPA Bids are submitted. EKPC may exercise the right to execute any such PPA Bid.	Sunday, 10/28/2012
11	Select Short Listed proposals, assuming that the RFP is going to continue.	Thursday, 11/1/2012
12	Execute Project Agreements, if not executed earlier.	1/1 - 1/15/2013

1.3 DISCLAIMER FOR REJECTING BIDS AND/OR TERMINATING THIS RFP

This RFP does not constitute an offer to buy and creates no obligation to execute any Agreement or to enter into a transaction under an Agreement as a consequence of the RFP. EKPC shall retain the right at any time, in its sole discretion, to reject any Bid on the grounds that it does not conform to the terms and conditions of this RFP and reserves the right to request information at any time during the solicitation process. EKPC also retains the discretion, in its sole judgment, to: (a) reject any Bid on the basis that it does not provide sufficient ratepayer benefit or that it would impose conditions that EKPC determines are impractical or inappropriate; (b) implement the appropriate criteria for the evaluation and selection of Bids; (c) negotiate with any Participant to maximize ratepayer benefits; (d) modify this RFP as it deems appropriate to implement the RFP and to comply with applicable law or other direction provided by the PSC; and (e) terminate the RFP should the PSC not authorize EKPC to execute Agreements of the type sought through this RFP. In addition, EKPC reserves the right to either suspend or terminate this RFP at any time for any reason whatsoever. EKPC will not be liable in any way, by reason of such withdrawal, rejection, suspension, termination or any other action described in this paragraph to any Participant, whether submitting a Bid or not.

1.4 CONTACT INFORMATION

The Brattle Group (Brattle) is serving as the Independent Procurement Manager (IPM) for this RFP process. Proposals in response to this RFP are due at the IPM's offices no later than 4PM Pacific Daylight Time (PDT) on Thursday, August 30, 2012.

Proposals are to be submitted by mail, e-mail, fax, or hand delivery to the IPM. Faxed or e-mailed proposals must be followed up by a signed original that is delivered by mail or overnight courier no later than 4PM PDT on September 5, 2012.

All correspondence should be directed to the IPM at the following address:

EKPC All Source RFP c/o The Brattle Group
201 Mission St., Suite 2800
San Francisco, CA 94105
Phone: 415.217.1000
Fax: 415.217.1099
E-mail: ekpc-rfp@brattle.com
Web Site: www.ekpc-rfp2012.com

2. EKPC SITUATION AND THE RFP GOALS

2.1 HISTORY

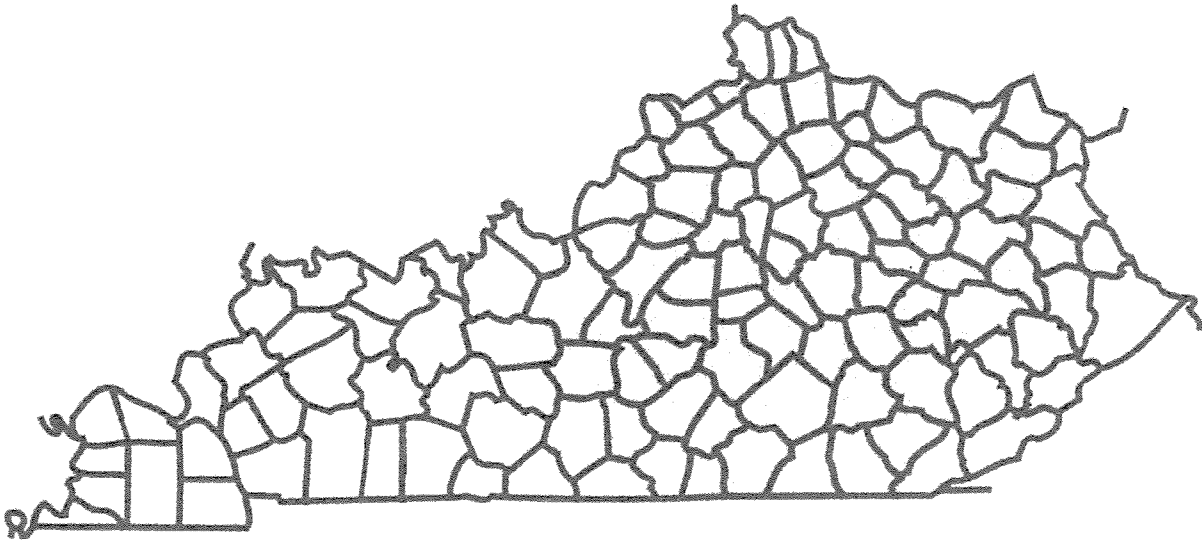
East Kentucky Power Cooperative, Inc. (EKPC) is headquartered in Winchester, KY and provides electric power and energy to 16 member distribution cooperatives serving approximately 511,000 meters in 87 Kentucky counties. EKPC is a member of the National Renewable Cooperative Organization. EKPC's existing resource portfolio consists of approximately 2,500 MW of coal and gas generating capacity, 15 MW of Landfill Gas generation, 170 MW of South East Power Administration (SEPA) hydro power, and various power purchase contracts. EKPC has applied for membership in PJM, and expects to be a member during the entire period of any contracts that result from this RFP. In addition to being a member of PJM, EKPC expects to maintain interconnections with the following other utilities/markets:

- KU/LG&E/PPL
- Tennessee Valley Authority (TVA)

Pursuant to policies of the Kentucky Public Service Commission (PSC) and consistent with EKPC's Integrated Resource Plan (IRP) filed with the PSC on April 20, 2012,⁴ EKPC seeks to acquire up to 300 megawatts (MW) of new resources, with on-line date on October 2015. EKPC will consider resources that come on-line up to two years later, on or about October 2017, but must evaluate any additional costs it may incur under this later on-line date. As discussed in the IRP, one reason for the need for new resources is the impact of the U.S. EPA's MATS policy. EKPC will evaluate the costs of retrofitting its older coal plants to comply with MATS. EKPC intends to offer a self-build option for this RFP. EKPC is not soliciting and will not accept bids for capacity from PJM Demand Response resources. EKPC has its own demand side management resources that it is developing.

⁴ EKPC, *2012 Integrated Resource Plan*, with Technical Appendices, all Redacted, April 20, 2012.

2.2 SYSTEM MAP



The above map shows the territory of EKPC and its member systems.

2.3 RFP GOALS

2.3.1 EKPC Resource Needs

EKPC submitted its Integrated Resource Plan (IRP) to the Kentucky Public Service Commission on April 20, 2012. Based on its IRP, EKPC projects it will need approximately 300 MWs of capacity by October 2015. As mentioned previously, EKPC will consider resources that come on-line up to two years later, that is, on or about October 2017, but must consider any additional costs it may incur under a later on-line date.

To meet this projected need, EKPC is seeking Bids from resources that meet the specifications set forth in Section 4 “Submission of Proposals and Eligibility Requirements.” Attractive bids will be those that allow EKPC to produce energy and capacity products compatible with EKPC’s requirements, and contribute to the other criteria specified in Section 6 “Proposal Evaluations.”

In this solicitation, EKPC is willing to consider a wide range of intermediate and long-term resources that meet all or part of its requirements. EKPC will evaluate the benefits and costs of Bids in light of its existing portfolio of supply and demand-side resources.

EKPC must fully understand operational limitations of each Bid due to environmental constraints, such as air quality limitations. If applicable, Participants should specify all operational constraints the resource

will be required to meet, such as those needed to comply with local Air Board requirements as well as other permitting requirements.

In addition, EKPC intends to bid any resources selected as a result of this RFP into the PJM market. EKPC will rely on any selected Bidder's attestations as to expected commercial operations date (COD), delivery date, or other time sensitive information contained in the response. As such, it is expected that any negotiated agreement will contain terms including but not limited to liquidated damages and/or replacement capacity costs at the prevailing market price for capacity at the time of expected delivery and until such time as performance is satisfied under the terms of said agreement.

2.3.2 Resources

EKPC will consider proposals (1) to enter into power purchase agreements and (2) to purchase new or existing generation resources (full or partial). Also, EKPC will consider Bids from conventional and renewable generation resources. EKPC has a preference for physical resources or PPAs that are based on physical resources. EKPC is not willing to enter into purely financial contracts to satisfy this RFP.

Conventional Generation

For purposes of this solicitation, the term "conventional generation" includes combined cycle and simple cycle (combustion turbine) technologies fueled by natural gas or bio-fuels. It also includes existing coal, nuclear and hydro facilities. Minimum Bid size is 50 MW from each facility.

Renewable Resources

EKPC will consider energy and capacity from new or existing renewable generation resources, including facilities burning biodiesel, digester gas, landfill gas or municipal solid waste, fuel cells using renewable fuels, geothermal facilities, ocean wave, ocean thermal and tidal current facilities, solar photovoltaic and solar thermal facilities, small hydroelectric (30 megawatts or less) facilities and wind generators. The minimum Bid size is 5 MW from each facility.

2.3.3 Facility Ownership: Generation Characteristics

Each facility will be operated to provide products as needed to conform to the requirements of PJM. For some resources, this is expected to include multiple daily starts and stops, rapid turndown of and ramp up within the unit's capabilities and full compliance with environmental permit conditions. This is to be satisfied by fully and accurately completing the Required Forms.

Load Following Generation

Bids to develop and sell a shaping or load following facility to EKPC will be expected to have the Generation Operating Characteristics described in a Required Form on combined cycle plants. The ability to meet these characteristics will be given additional weight in the evaluation process. Bids other than natural gas-fired technologies should respond to the appendices in a full and complete manner indicating where information is not applicable and provide additional information where appropriate in order to allow EKPC to fully evaluate its bids. Bids must meet all federal and state laws and be able to secure all permits.

Peaking Generation

Bids to develop and sell a peaking facility to EKPC will be expected to have the Generation Operating Characteristics described in a Required Form on simple cycle combustion turbines. The ability to meet these characteristics will be given significant weight in the evaluation process. Bids other than gas-fired technologies should respond to the appendices in a full and complete manner indicating where information is not applicable and provide additional information where appropriate in order to allow EKPC to fully evaluate its Bid. Bids must meet all federal and state laws and be able to secure all permits.

Baseload Generation

Bids to develop and sell baseload generation to EKPC will be expected to have the Generation Operating Characteristics described in a Required Form. Bids must meet all federal and state laws and be able to secure all permits.

2.3.4 Contract Options

All PPA Bids should include a draft PPA as part of the bid. Unless clearly set forth in the draft PPA to the contrary, the terms of the PPA shall be binding upon the Participant for 60 days from the date of submission, August 30, 2012, which is until October 28, 2012. Any section(s) or terms of the draft PPA which the Participant intends to be non-binding on the Participant (and subject to further negotiation) shall be clearly designated in the draft PPA. At the end of that period on October 29, 2012, EKPC may ask the Bidder to refresh the Bid for another 60 days, and the Bidder can respond accordingly, including any updates as to the binding nature of the terms of the draft PPA, so as to continue to be considered in the Short List negotiation of this RFP. Failure of a Bidder to provide a draft Purchase Power Agreement as set forth herein may result in disqualification of the Participant's Bid.

All Facility Ownership/PSA Bids must fully meet the conditions that are imposed on that kind of bid. These conditions will be stated in the Forms on Facility Ownership/PSA Bids that will be issued on June

15, 2012. EKPC wants to be certain that Facility Ownership Bidders planning to use an EKPC site are providing accurate and complete cost numbers on which they are prepared to execute. However, EKPC recognizes that building on one of its sites is likely to require additional negotiations, so EKPC is not expecting a fully-executable Facility Ownership Bid. Failure of a Participant to fill the details of the Required Forms for Facility Ownership/PSA option may result in disqualification of the Participant's Bid.

PPAs

EKPC is seeking PPA Bids for new and existing renewables and new and existing conventional generation technologies, including technologies capable of running on multiple fuels. The Required Forms will contain all forms for the PPA Bids. EKPC will provide the Required Forms on the website on June 15, 2012 and update certain of the Required Forms by July 10, 2012. As discussed above, each PPA Bid at the Bidder's discretion can have terms, such as price terms, that are binding for 60 days from its submission on August 30, 2012, which is until October 28, 2012.

For PPA Bids from natural gas-fired facilities, EKPC's preferred contract structure is a fuel conversion (tolling) structure. The documentation requested in the Required Forms will be generally structured to accommodate gas-fired units and a fuel conversion agreement. Participants offering a PPA other than a fuel conversion agreement for a gas-fired facility should adapt the documentation by selecting or deleting the optional elements as appropriate or making such other adjustments as necessary and appropriate for the technology and fuel-type offered. See the Required Forms.

Regardless of the contract structure offered, Participants are requested to specify contract quantities, fixed O&M costs, variable O&M costs, contract heat rate(s) (where applicable), and other parameters to aid EKPC in comparing Bids, which will be requested on the Required Forms.

Participants can submit fixed-price PPA Bids. Participants can also submit PPA Bids that use indexed pricing, as described below.

- PPA must meet all of PJM requirements for Capacity transactions, as contained in the PJM Business Manuals,
- PPA must meet all of the PJM requirements for Energy transaction, as contained in the PJM Business Manuals,
- Variable O&M, Fixed O&M, Variable Energy and Fired Hour Charge: A Participant shall indicate in its Bid an initial price for each of these components. If the Participant elects to use indexed pricing, the Participant should fully describe the indexation approach by filling out the appropriate Required Forms, which will be sent out on June 15, 2012,

- Capacity Payment Rate: A Participant shall indicate in its Bid an initial price for capacity. If the Participant elects to use indexed pricing, the Participant should fully describe the indexation approach by filling out the appropriate Required Forms, which will be sent out on June 15, 2012.

Purchase and Sale Agreements (PSAs)

EKPC is seeking PSA Bids for Facility Ownership of new conventional generation technologies, including technologies capable of running on multiple fuels, whereby the Participant would design, develop, permit, construct and commission the facility. EKPC has three existing sites for such a facility, as discussed in the Required Forms. EKPC would take ownership of the facility once it is constructed, tested and accepted. Bids must include milestone guarantees and performance guarantees for the completed facility. Participants must completely fill out, but will not have to provide any executable Required Forms for a PSA.

Participants can submit fixed-price PSA Bids, as will be described in the Required Forms.

The PSA term sheet will be provided in the Required Forms. Generation characteristics that EKPC is seeking are described in Section 2.3.3 "Facility Ownership." EKPC plans to update the Required Form for the PSA Bids by July 10, 2012.

Purchase Price: A Participant shall indicate in its Bid a purchase price, as of the date the Agreement is executed by EKPC, for a Project offered in a PSA Bid.

The Delivery Points are:

- The EKPC load zone for energy and EKPC LDA for capacity,
- The AEP-Dayton (AD) Hub for energy and PJM LDA for AEP for capacity,
- other delivery points that are fully described such that EKPC can determine the equivalent costs for delivery in comparing alternatives.

As part of an individual Bid, a Participant may submit Bid variations, with each Bid variation indexing certain components. For example a Participant offering a PPA could offer one variation with a fixed capacity price and another variation may index the capacity price, while both Bid variations index the other pricing components. This information should be provided in the Required Forms.

3. TRANSMISSION AND DELIVERY INFORMATION

3.1. PJM MEMBERSHIP TO BE ASSUMED

EKPC considers transmission reliability to be of utmost importance, and the Bidder should specify what arrangements it intends to make to deliver the power reliably. EKPC has formally applied to the Kentucky Public Service Commission to join and is expecting to be a full member of PJM during the term of any contract resulting from this RFP. If the Bidder is also a member of PJM, then the transmission arrangements will be governed by the PJM protocols. If the Bidder is outside of PJM, the Bidder will have to explain the expected cost and reliability of transmission to the PJM system and to the EKPC Delivery Points.

Any modifications or additions to EKPC's system, including interconnection, transmission, or communications facilities, required by a Bidder for power delivery to EKPC's system, shall be subject to review and approval by EKPC. Expenses relating to any such modifications or additions will be included or inferred by EKPC in the price evaluation of the Bidder's proposal.

4. SUBMISSION OF PROPOSALS AND ELIGIBILITY REQUIREMENTS

4.1. OVERVIEW OF PROCESS

The bid process will include the events as indicated on the schedule in Section 1.2. June 8, 2012 is the release of the RFP and the opening of the website. On July 3, 2012, interested Bidders will be requested to submit a Notice of Intent to Submit Proposal form. Proposals will due August 30, 2012. The proposals will be screened and non-conforming offers will be rejected. Bidders for a short list can expect to be notified on or about November 1, 2012. There will begin negotiations of final offers. Final negotiation and the signing of offers will occur if the negotiations are successful.

4.2. NOTICE OF INTENT TO SUBMIT PROPOSAL

A Notice of Intent to Submit a Proposal is requested from all prospective Bidders. This notice includes a Confidentiality Agreement. This will be Form 1 in the Required Forms and should be returned to the IPM Official Contact as listed in Section 1.4. This form is due to the IPM at The Brattle Group offices by no later than by 4PM PDT on July 3, 2012. In addition to postal mail, fax, and email are sufficient as means to return the Notice of Intent to Submit Proposal. Potential Bidders should make their best effort to provide accurate information about their planned Proposal; however, Bidders will not be bound by the information provided in the completed Form 1, Notice of Intent to Submit Proposal.

4.3. DEADLINE AND METHOD PROPOSAL SUBMISSION

Proposals are due to the IPM no later than 4PM PDT on August 30, 2012. Proposals are to be submitted by mail, e-mail, fax, or hand delivery. Faxed or e-mailed proposals must be followed up by mail with a signed original which must be received no later than 4PM PDT on September 5, 2012. All correspondence should be directed to the IPM, as indicated in Section 1.4 of this RFP document.

5. PROPOSAL CONTENT

A proposal should contain responses on all of the Required Forms, which will be provided in the website on June 15, 2012. The Forms will encourage Bidders to provide additional information or other supporting documentation to provide a complete description of the proposal. The Brattle Group will receive suggestions on how the Forms can be enhanced to allow more complete descriptions of the Bids and, at the discretion of EKPC, use those suggestions to finalize the Forms on July 10, 2012. EKPC retains the right to combine any Bid with any other Bid to determine a mix of resources that will provide a total economical and reliable resource package.

The Required Forms will deal with the following issues:

- Conditions on the Firmness of the Offers
- General Project Characteristics
- Development Status and Site Description, which describes three EKPC sites that will be offered for Facility Ownership / Purchase and Sale Agreement
- Capacity and Energy Profile
- Technical Description and Data by Resource Type
- Description of Pricing Methodology
- Pricing Information
- Transmission and Interconnection
- Financing and Credit Arrangements
- References
- Project Team
- EEI Master Purchase Power and Sale Agreement
- Power Purchase Agreement for the RFP, and the relationship to the EEI Master Agreement
- Purchase and Sales Agreement for the Facility Ownership

EKPC will provide the Required Forms on the website on June 15, 2012. On July 10, 2012, EKPC will provide final updates to the Required Forms.

6. PROPOSAL EVALUATION

6.1. SCREENING

All proposals will be evaluated for completeness and technical viability as a part of initial screening. Non-competitive bids will be eliminated based on this preliminary analysis.

6.2. EVALUATION

EKPC and The Brattle Group will specifically take into account the price, type and location of project, reliability, dispatchability, transmission availability, financial stability, and any other factor which relates to the suitability of the proposed project for meeting EKPC's power supply needs. EKPC reserves the right to consider any and all aspects of any bid in its evaluation as well.

6.3 FINANCIAL STABILITY AND PERFORMANCE GUARANTEES

Financial stability of the Bidder, demonstrated ability to fulfill its contractual obligations and historical project and contract performance are of utmost importance to EKPC and will be an integral part of EKPC's evaluation process. EKPC requires secure and reliable physical delivery of the capacity and associated energy corresponding to all PPAs. A performance bond, or some other form of security acceptable to EKPC, will be required to ensure the consistency and reliability of the physical delivery of energy and capacity.

For equipment and/or erection contracts, successful Bidders shall secure, upon contract award, performance bond(s) to provide financial assurance that the project will meet schedule and proposed performance targets. EKPC reserves the right to determine, in its sole judgment, the sufficiency of any performance bond (or other form of security) proposed by Bidder.

The Bidder should discuss in detail the type and amount of proposed credit enhancements or other means proposed to guarantee performance under any contract that might result from this RFP. This discussion should identify the entity providing such performance security and provide all relevant terms of such security mechanism. Bidder must provide audited financial statements from the previous three years in order to demonstrate its financial viability. Such financial information shall also be provided for any entity which would provide a performance bond or other form of security.

Bidders proposing "greenfield" sites or new generation at one of EKPC's 3 suggested locations must provide a description of the Bidders' ability to execute such projects as demonstrated by previously

applicable experience and examples of operating facilities caused to be designed, permitted, constructed, tested and achieving successful commercial operation within a time frame typical for such type of project. Other means of satisfying EKPC's concerns regarding the Bidders expertise and experience may be considered but will be at EKPC's sole discretion in determining the Bidders qualifications and acceptance or rejection.

Failure by Bidders to not address the requirements herein may result in rejection of the Bid(s).

6.4. CONFIDENTIALITY

Form 1 Notice of Intent to Submit a Proposal is part of the Required Forms and will contain a Confidentiality Agreement. The Bidder must return a signed Required Form including the Confidentiality Agreement on July 3, 2012, as discussed above Section 4.2.

EKPC will not disclose any information contained in the Bidder's proposal that is marked "Confidential" to another party unless such disclosures are required by law or by a court or governmental or regulatory agency having appropriate jurisdiction. As a regulated utility and electric cooperative, EKPC may be required to release proposal information to various government agencies and/or others as part of a regulatory review or legal proceeding. EKPC also reserves the right to disclose proposals to any EKPC consultant(s) for the purpose of assisting in evaluating proposals. In the event EKPC is required to submit copies of proposals to the Kentucky Public Service Commission (PSC) or other governmental or regulatory agency, EKPC will attempt to file such information labeled as "Confidential" on a confidential basis. Designating specific information as confidential, rather than the entire proposal, may facilitate such efforts. However, EKPC cannot guarantee that such information will be deemed confidential by the agency or court the information is filed with.

By submitting a proposal to EKPC under this RFP, Bidder certifies that it has not divulged, discussed, or compared its proposal with other bidders and has not colluded whatsoever with any other bidder or parties with respect to this proposal.

6.5. ACCEPTANCE OF PROPOSALS

EKPC reserves the right, without qualification, to select or reject any or all proposals and to waive any formality, technicality, requirement, or irregularity in the proposals received. EKPC also reserves the right to request further information, as necessary, to complete its evaluation of the proposals received, and to negotiate with Bidders selected for the short list, prior to any selection of any winning proposals. Bidders who submit proposals do so without recourse against EKPC for either rejection by EKPC or failure to execute an agreement for purchase of capacity and/or energy for any reason. EKPC will not

reimburse any Bidders for any cost incurred in the preparation or submission of a proposal and/or any subsequent negotiations regarding a proposal. All hard copies of proposals once submitted will become the property of EKPC.

6.6. SHORT LIST DEVELOPMENT

EKPC will develop a short list of potential proposals based on the benefit to EKPC's members. EKPC will then refine its analyses and develop its final decision. Acceptance of final bids will most likely be subject to approval by the Kentucky Public Service Commission, permitting agencies and potentially the Rural Utilities Service or other lenders. All respondents to the PPA Bid options must keep the terms of their bids firm and in effect until October 28, 2012, after which the Bidders can refresh the Bids if EKPC wants to put the Bidder on the Short List.



American Electric Power Service Corporation
as agent for
Kentucky Power Company

Request for Proposals

Up to 250 MW (nameplate) of
LONG-TERM CAPACITY and ENERGY
(PJM Resources only)

Capable of being on-line by June 1, 2015

Issued:
March 28, 2013

Web Address: <http://www.kentuckypower.com/go/rfp/>

Proposals Due:
June 11, 2013 (Columbus, OH)



Table of Contents

	Page
1) Company Information	4
2) Introduction	4
3) RFP Questions	5
4) Scope	6
5) RFP Schedule	8
6) Proposal Submittal.....	9
7) Key Terms and Conditions.....	9
8) Proposal Content	10
9) Treatment of Proposals.....	10
10) RFP Proposal Evaluation.....	11
11) Confidentiality	12
12) Seller’s Responsibility.....	12
13) Contacts	13

Appendices

Appendix A –General Project Information	14
Appendix B - Operating Characteristics	17
Appendix C - Proposal Requirements	19
Appendix D - DSM / EE Proposal Requirements.....	22
Appendix E - Seller’s Credit-Related Information	24
Appendix F - Confidentiality Agreement	25



Background

Kentucky Power Company (Company) is undertaking a process to determine the least, reasonable cost solution to replacing the impending generation loss anticipated with the retirement of its Big Sandy Unit 1 generation unit. Big Sandy Unit 1 is a 260 MW coal fired generating unit that went into service in 1963 and is currently scheduled for retirement in 2015. Big Sandy Unit 1 is located near Louisa, Kentucky and is within the PJM regional transmission organization.

The options available to the Company for the replacement of the Big Sandy Unit 1 generation capacity as a coal fired generation resource include:

- **BS1 Conversion**: converting Big Sandy Unit 1 to a natural gas fired generation unit (BS1 Conversion). The projected cost to convert Big Sandy Unit 1 will be developed by American Electric Power Service Corporation's (AEPSC) Projects, Controls & Construction group. (AEPSC Projects Group).
- **PJM Capacity Resource Request for Proposals (RFP)**: issue an RFP for 250 MW of PJM Generation Capacity Resources.

The Company will use the proposals (Proposals) received as a result of the 250 MW RFP along with the BS1 Conversion cost estimate to determine the least, reasonable cost solution to replacing the Big Sandy Unit 1 capacity as a coal fired generating unit.

The evaluation of the RFP and BS1 Conversion is not a commitment to convert (BS1 Conversion) or purchase (RFP) and shall not bind the Company or any affiliates of the Company in any manner. The Company in its sole discretion will determine which direction, if any, it wishes to take with respect to replacing the Big Sandy Unit 1 coal fired generation capacity, energy, and ancillary services.

The management and evaluation of this RFP will be directed by select AEPSC personnel that have been categorized into two groups – a Development Group and an Evaluation Group. The Development Group will be responsible for the design, development, and management of the overall RFP process, while the Evaluation Group will be responsible for evaluating the RFP Proposals and the BS1 Conversion cost as provided by the AEPSC Projects Group. Members of the Development and Evaluation Groups are separate groups from the AEPSC Projects Group or any Affiliate of the Company that may wish to participate in this RFP.

AEPSC and the Company will ensure that the bids received in response to this RFP along with the BS1 Conversion cost are evaluated in a consistent, transparent, and impartial manner.



1. Company Information

- 1.1. American Electric Power (AEP) is one of the largest electric utilities in the United States, delivering electricity to more than 5.3 million customers in 11 states. AEP ranks among the nation's largest generators of electricity, owning nearly 38,000 megawatts of generating capacity in the U.S. AEP also owns the nation's largest electricity transmission system, a nearly 39,000-mile network that includes more 765 kilovolt extra-high voltage transmission lines than all other U.S. transmission systems combined. AEP's utility units operate as AEP Ohio, AEP Texas, Appalachian Power (in Virginia and West Virginia), AEP Appalachian Power (in Tennessee), Indiana Michigan Power, Kentucky Power, Public Service Company of Oklahoma, and Southwestern Electric Power Company (in Arkansas, Louisiana and Texas). AEP's headquarters are in Columbus, Ohio. More information about AEP can be accessed by visiting www.aep.com.
- 1.2. Kentucky Power Company provides service to approximately 173,000 customers in all or part of 20 eastern Kentucky counties and is headquartered in Frankfort, KY. The Company has approximately 1,233 miles of transmission lines and 11,242 miles of distribution lines. Its distribution operations are based in Ashland with service centers in Pikeville and Hazard. The Company also has area offices in Paintsville and Whitesburg. More information about the Company can be accessed by visiting www.kentuckypower.com.

2. Introduction

- 2.1. American Electric Power Service Corporation, a subsidiary of AEP is administering this Request for Proposals (RFP) on behalf of Kentucky Power Company (Company). AEPSC is requesting bids which will result in obtaining up to approximately 250 MW of PJM Generation Capacity Resources¹ (Resources).
- 2.2. Resources bid into this RFP must be capable of being on-line by June 1, 2015 and able to supply a "Bundled Product" that includes Capacity (MW), Energy (MWh), and Ancillary Services if available.
- 2.3. AEPSC is requesting Proposals from parties desiring to sell a Bundled Product through a Power Purchase Agreement (PPA), Tolling Agreement (TA), an Asset Purchase Agreement (APA), or Other Proposal (OTH) as further defined in this RFP.

In addition, AEPSC will be accepting Proposals from demand-side management (DSM) and cost-effective energy efficiency (EE) resources.

¹ PJM Generation Capacity Resource is a generation unit, or the right to capacity from a specified generation unit, that meets the requirements of Schedules 9 and 10 of the PJM Reliability Assurance Agreement. A Generation Resource may be an existing Generation Resource or a Planned Generation Resource.



- 2.4. Energy scheduled as a result of any PPA, TA, or OTH agreement shall be scheduled via a unilateral schedule in the PJM InSchedule system with a Sink at the Big Sandy Unit 1 Pnode as further described in Section 4.4.2 (*Note: this scheduling requirement will enable the Company to utilize any proposed Resource in a manner similar to a Product produced from the Company's Big Sandy Unit 1 resource. In addition, it will enable the Company to compare Proposals to the BS1 Conversion cost as referenced in the Background of this RFP*).
- 2.5. For each Proposal, a Seller shall offer only one Base Proposal. Sellers are encouraged to provide the Company with a Base Proposal that reflects what it believes is their best pricing Proposal. At no point in the evaluation process will a Seller have the opportunity to unilaterally change its Proposal.
- 2.6. For each Base Proposal, a Seller is allowed to submit up to three alternatives (each an "Alternative Proposal"). Alternative Proposals may be for different bid sizes, term of contract (15 years or greater), or alternate contract terms and conditions. Proposals based on a different site, technology, contract type, or fuel supply arrangement from the Base Proposal must be submitted as a separate Proposal.
- 2.7. The Company will allow affiliates (Affiliates) of the Company to participate in this RFP. Affiliates will be required to follow all of the requirements of this RFP including the process outlined in Section 3 regarding questions. If an Affiliate's Proposal is offered, its Proposal (i) shall be submitted in the same format and under the same rules and (ii) shall be evaluated in the same manner as other Proposals submitted into this RFP.
- 2.8. The Company has established a web page (www.kentuckypower.com/go/rfp) at its website for this RFP. AEPSC and Kentucky Power Company reserve the right to amend this RFP at any time and at its sole discretion. Any amendments to this RFP will be posted at the Company web page.
- 2.9. This RFP is not a commitment to purchase and shall not bind the Company or any affiliates of the Company in any manner. The Company in their sole discretion will determine which Seller(s), if any, it wishes to engage in negotiations that may lead to a binding contract.

3. RFP Questions

- 3.1. Throughout the RFP process, interested parties may submit questions regarding this RFP to AEPSC via:
 - instructions located at the Company's website established for this RFP (www.kentuckypower.com/go/rfp) or
 - by emailing 2013KentuckyPowerRFP@aep.com.



- 3.2. Questions submitted as outlined in Section 3.1 above will be reviewed by AEPSC. Those questions (and answers) which AEPSC views in its sole discretion to be of benefit to other potential RFP participants will be posted on the Q&A portion of the website. Posted questions and answers will not identify the originator of the question.

4. Scope

The following sub-sections describe the scope of this RFP. All questions regarding the scope of this RFP should be submitted through the Company's website or RFP email address as outlined in Section 3.

- 4.1. Product – the Company is seeking a low cost Bundled Product from PJM Generation Capacity Resources that includes the following.

- 4.1.1. Capacity (MW)
- 4.1.2. Energy (MWh)
- 4.1.3. Ancillary Services (if available)
- 4.1.4. Environmental Attributes² (if available)

- 4.2. Quantity – the Company is seeking Proposals for up to 250 MW, however, may procure more or less than 250 MW, and may aggregate Bundled Products from multiple Sellers to meet its needs, or select no offers at all.

- 4.2.1. Proposals shall have a minimum nameplate capacity size of 50 MW, with the exception of DSM / EE Proposals.
- 4.2.2. DSM and EE Proposals shall have a minimum size of 1 MW.

- 4.3. Delivery Period – The delivery of Capacity and Energy should begin no earlier than June 1, 2015.

- 4.3.1. Delivery period start dates later than June 1, 2015 will be accepted, however, Seller will be required to supply to the Company the PJM Capacity value for the period between June 1, 2015 and the actual delivery start period.
- 4.3.2. All Base Proposals, with the exception of DSM/EE Proposals, shall have a term of 15 years. Base Proposals with terms other than 15 years will be considered non-conforming and rejected from the RFP process. Sellers may provide terms of greater than 15 years within their Alternative Proposals.
- 4.3.3. DSM / EE Proposals shall have a minimum term of 5 years.

- 4.4. Energy Delivery (for PPA, TA, and OTH Proposals)

- 4.4.1. The Company and the Seller(s) will bilaterally establish and confirm a contract in PJM's InSchedule system (Contract) related to any agreement between the Company and the Seller.
- 4.4.2. The Contract will have the following key attributes:

² Environmental Attributes include, but are not limited to any associated renewable energy credits (RECs) and any other current or future environmental attributes, including any greenhouse gas emission reductions associated with the quantity contracted from a facility.



4.4.2.1. the "Schedule Confirmation Type" will be "Unilateral Buyer," such that the Company will have unilateral schedule confirmation rights for all schedules between the parties;

4.4.2.2. the "Sink" will be the Point of Delivery as defined in the table below;

Point of Delivery	
Pnode ID name	BIGSANDY
Pnode ID number	40243783
Location	Louisa, KY
County	Lawrence

4.4.2.3. the "Service Type" will be "Internal Bilateral Transaction".

4.5. Interconnection

- 4.5.1. The Point of Interconnection shall be the Facility's interconnection point with the PJM system.
- 4.5.2. All Proposals, at a minimum, must have completed the PJM Feasibility Study phase of the interconnection request process with PJM.
- 4.5.3. The Seller is responsible for all costs associated with transmission interconnections and system upgrades as required by PJM and the transmission operator.
- 4.5.4. The Seller is responsible for following the established PJM and transmission operator policies and procedures that are in effect regarding facility interconnection and operation associated with a utility's transmission system.

4.6. Proposal Types - the Company is interested in executing a contract ("Supply Agreement") from one or more of the following proposal types

- 4.6.1. Power Purchase Agreements ("PPA")
- 4.6.2. Tolling Agreements ("TA") – Seller pricing shall include the option of Seller providing the fuel, however, the Proposal shall also include an option where the Company will supply the fuel to the Resource.
- 4.6.3. Asset Purchase Agreements ("APA") – The Company will accept Proposals for assets that are currently in-service or will be in-service prior to June 1, 2015. The Company will not accept Proposals for partially built assets.
- 4.6.4. Other Proposals ("OTH") – Other Proposals are other power supplies or arrangements that do not fall into a PPA, TA, APA or DSM/EE category
- 4.6.5. Demand-side management ("DSM") or Cost-effective energy efficiency resources ("EE")

4.7. Pricing

- 4.7.1. Seller shall use Appendix A and any other attachments as needed to fully articulate the pricing of its Proposal.
- 4.7.2. Seller shall provide a summary of its essential terms and conditions associated with Seller's Proposal and pricing.
- 4.7.3. Prices must be firm, representing best and final data and quoted in U.S. dollars.



- 4.7.4. If pricing involves escalation or indexing, the details of such pricing, including the specific indices or escalation rates, must be included for evaluation.
 - 4.7.5. Pricing to include all Ancillary Service costs, taxes and other fees necessary for delivery of the Energy to the Point of Delivery as applicable.
 - 4.7.6. All costs associated with interconnections and transmission, including any system upgrades, as required by PJM up to the Point of Delivery shall be included in the Seller's pricing where appropriate under current FERC orders and rulings.
 - 4.7.7. DSM / EE Proposals: Seller shall fully describe in Appendix D or other attachment the pricing associated with its Proposal.
- 4.8. Ancillary Services
- 4.8.1. Under a Supply Agreement, the Company prefers to have the unrestricted right to utilize all Ancillary Services associated with generation being offered by the Seller. In addition, the Company desires to have the unrestricted rights to any future Ancillary Services defined by the industry and capable of being provided by the generation capacity being offered.
 - 4.8.2. The Seller shall describe the Ancillary Service capability of the Facility (Regulation, Synchronized Reserve, Black Start Service, DA Scheduling Reserve, etc.)
 - 4.8.3. All Ancillary Services must be provided in accordance with the requirements of PJM and the transmission operator.
 - 4.8.4. The Ancillary Services that would be available to the Company should not be limited to those defined in this section.
 - 4.8.5. In the case where the Company purchases only part of the generation capacity from a unit, system or facility, then the Company desires to have unrestricted rights to Ancillary Services on a prorated basis.
- 4.9. DSM / EE Proposals must be from resources located within the Company's service area.

5. RFP Schedule

- 5.1. The following schedule and deadlines apply to this RFP. AEPSC and the Company reserve the right to revise this schedule at any time and at its sole discretion. Any revisions to the schedule will be posted to the RFP website.
- 5.2. All Proposals must be complete in all material respects and be received no later than 4 p.m. EST on Tuesday, June 11th at the AEPSC Columbus, OH location as defined in Section 6 of this RFP.



RFP Issued	Thursday, March 28, 2013
Confidentiality Agreements	Friday, May 24, 2013
Proposals Due Date	Tuesday, June 11, 2013
RFP Short-List Identified	Friday, July 12, 2013
Final Decision (Recommended)	tbd

6. Proposal Submittal

One hard copy and one electronic copy on CD of the Proposal(s) shall be submitted by the Proposal Due Date as outlined in Section 5 of this RFP to:

American Electric Power Service Corporation
Kentucky Power Company RFP Administrator
155 W. Nationwide Blvd
Columbus, OH 43215

7. Key Terms and Conditions

For a Supply Agreement, the Seller's Proposal should include, where applicable to the Seller's Proposal, the following terms and conditions, among other things:

- 7.1. Seller will guarantee all pricing and terms that affect pricing such as but not limited to heat rate, fuel cost, operations and maintenance costs, as applicable.
- 7.2. Pricing shall include all pricing and terms for Capacity, associated Energy, and Ancillary Services.
- 7.3. Seller will guarantee the annual and seasonal availability.
- 7.4. Seller will be responsible for any and all compliance related costs and fines (environmental, NERC, FERC, PJM, etc) incurred due to the non-compliance of the asset(s) designated to supply Capacity, Energy, and Ancillary Services to the Company.
- 7.5. Seller shall be responsible for ALL reporting requirements under NERC, PJM, etc.
- 7.6. Seller shall be responsible for offering Company's Capacity, Energy and Ancillary Services into the PJM market.
- 7.7. For the sale of generation capacity and energy to the Company under a Supply Agreement, the Seller would be responsible for obtaining all necessary permits and providing all credits and allowances needed to comply with the permit requirements for the life of the agreement, where permits, credits and allowances are applicable for the product being sold.



7.8. Failure to obtain or comply with any environmental permit or governmental consent would not excuse nonperformance by Seller.

7.9. Financial Capability

7.9.1. Should the Company elect to enter into a Supply Agreement with a Seller who fails to meet its obligations at any point in time, the Company's customers may be exposed to the risk of higher costs. Therefore, Sellers will be required to demonstrate, in a manner acceptable to the Company, the Seller's ability to meet all financial obligations to the Company throughout the applicable development, construction and operations phases for the term of the Supply Agreement. Under no circumstances, should the Company's customers be exposed to increased costs relative to the cost defined in an agreement between the Seller and the Company.

7.9.2. Upon execution of a Supply Agreement, Seller will be required to provide Security in the form of an irrevocable standby letter of credit (LOC), cash, or a corporate guaranty from a credit worthy entity, to protect the Company's customers in the event of default by the Seller. The amount and terms of the Security will be subject to approval by the Company based upon the Company's standards.

8. Proposal Content

8.1. The Seller is encouraged to provide as much information as possible to aid in the evaluation of the offer. Seller shall use Appendix C as a reference of the material required to be submitted with Seller's Proposal.

8.2. The Company reserves the right to request additional information. Any failures to supply the information requested will be taken into consideration relative to the Company's internal evaluation of cost, risk, and value.

8.3. The Seller should also provide any additional information the Seller deems necessary or useful to the Company in making a definitive and final evaluation of the benefits of the Seller's Proposal without further interaction between the Company and the Seller.

9. Treatment of Proposals

9.1. The Company reserves the right, without qualification, to select or reject any or all Proposals and to waive any formality, technicality, requirement, or irregularity in the Proposals received.

9.2. The completed Appendices and any supplement information submitted by the Seller may be utilized in any filings with regulatory agencies related to this RFP.



9.3. The Company reserves the right to solicit additional Proposals, to modify the RFP or request additional information, as necessary, to complete its evaluation of the Proposals received.

9.4. Sellers who submit Proposals do so without recourse against the Company for either rejection by the Company or failure to execute an agreement for purchase of Capacity and/or energy for any reason.

10. RFP Proposal Evaluation

10.1. Initial Review

Proposals will be thoroughly reviewed and assessed to ensure that each meets ALL applicable content requirements as described in Section 8 – Proposal Content. Proposals that meet all the requirements (as applicable) of the RFP shall be considered conforming. Proposals will be deemed non-conforming if they do not meet all the requirements specified in the RFP and will be rejected. During the initial screening process, the Company reserves the right, but is not obligated, to contact Seller(s) to clarify Proposal terms or to request additional information.

10.2. Evaluation

The Company will use a multi-stage evaluation process to review Proposals. The evaluation process followed will depend on the number and nature of the Proposals received. The evaluation process will consider all applicable factors including, but not limited to, the following to determine the reasonableness of the Proposal and the projected least, reasonable cost:

- Terms of the proposal
- Exceptions to the terms and conditions as outlined in this RFP
- Proposal Pricing
- Impact of Proposal to Company's balance sheet and credit rating
- Seller's creditworthiness and experience
- Proposed date of commercial operation (on-line)
- Status of interconnection process with PJM
- Project capacity
- Regulatory considerations
- Development status of Seller's generation facility including, but not limited to, site chosen, permitting, and transmission;

At the conclusion of the evaluation process, a Short-list of Proposals will be identified for further evaluation and comparison to the BS1 Conversion cost as referenced in the Background section (page 3) of this RFP. If the Company determines that a Proposal(s) is in the best interest of the Company and its customers, the Company will enter into negotiations which may lead to the execution of a definitive agreement(s). Sellers of Proposals that are not selected to



the Short-list will be notified that their Proposals were not selected to the Short-list.

- 10.3. Seller agrees to cooperate, to the fullest extent necessary, to obtain any and all State, Federal, or other regulatory approvals required for the effectiveness of a transaction.
- 10.4. Execution of any agreement shall also be dependent upon AEPSC and Kentucky Power Company obtaining sufficient assurance that the product purchased pursuant to the any agreement will be recognized for full recovery in the rates charged to its jurisdictional customers. The determination of what constitutes “sufficient assurance” shall be at the sole discretion and judgment of AEPSC and Kentucky Power Company.

11. Confidentiality

- 11.1. Attached as Appendix F is the Company’s Form Confidentiality Agreement (CA). If Seller elects, they may complete the CA and forward electronically to 2013KentuckyPowerRFP@aep.com for execution by the Company.
- 11.2. AEPSC will take reasonable precautions and use reasonable efforts to maintain the confidentiality of all bids submitted. Sellers should clearly identify each page of information considered to be confidential or proprietary. AEPSC reserves the right to release any Proposals to agents or consultants for purposes of Proposal evaluation. AEPSC’s disclosure policies and standards will automatically bind such agents or consultants. Regardless of the confidentiality, all such information may be subject to review by the appropriate state authority, or any other governmental authority or judicial body with jurisdiction relating to these matters and may be subject to legal discovery. Under such circumstances, AEPSC will make all reasonable efforts to protect Seller’s confidential information.

12. Seller’s Responsibilities

- 12.1. Proposals and bid pricing must be valid for at least 120 days after the Proposal Due Date, upon which time Proposals shall expire unless the Seller has been notified and selected as a Short-listed Seller or as a final award recipient.
- 12.2. It is the Seller’s responsibility to submit all requested material by the deadlines specified in this RFP. The Seller should make its Proposal as comprehensive as possible so that the Company may make a definitive and final evaluation of the Proposal’s benefits to its customers without further contact with the Seller.
- 12.3. Sellers are responsible for the timely completion of the project and are required to submit proof of their financial and technical wherewithal to ensure the successful completion of the project.



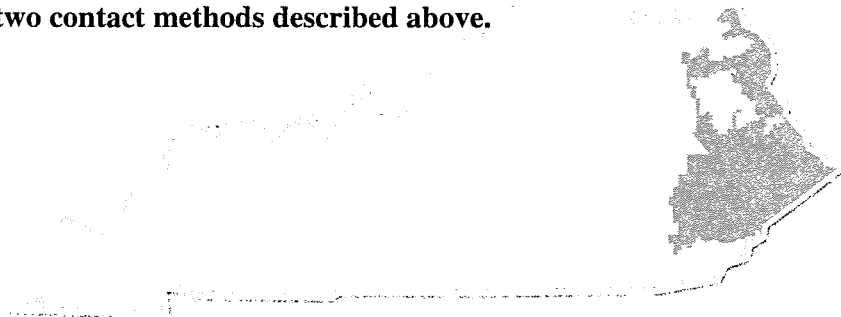
12.4. The Company shall not be liable for any expenses Sellers incur in connection with the preparation and submission of a Proposal and/or any subsequent negotiations. The Company will not reimburse Sellers for their expenses under any circumstances, regardless of whether the RFP process proceeds to a successful conclusion or is abandoned by the Company at its sole discretions.

13. Contacts

All correspondences and questions regarding this RFP must be:

1. directed to the “Questions” section of the website established for this RFP (www.kentuckypower.com/go/rfp) or
2. by emailing 2013KentuckyPowerRFP@aep.com.

NOTE: Sellers or parties interested in participating in this RFP shall not contact the Kentucky Power Company offices directly. ALL inquiries must be submitted via the two contact methods described above.





Appendix A

Company Information

Seller (Company):		
Contact Name:		
Contact Title:		
Address:		
City:	State:	Zip Code:
Work Phone:	Cell Phone:	
Email Address:		

General Project Information

Project Name / Description:				
Resource Type :				
<i>(e.g. NG Simple Cycle, Combined Cycle, Pulverized Coal, CFB, Wind, Hydro, DSM, EE, etc.):</i>				
Fuel Type (Primary / Secondary) :				
Project Location:				
Estimated On-line Date:		Expected Annual Production (MWh):		
Project Capacity Values, MW	Nameplate Rating	Winter Rating	Summer Rating	PJM Capacity Value
Is proposed MW the entire facility capacity (Y / N);				
If no, then how large is the entire facility (MW)?				

PJM Interconnection Summary

Feasibility Study Complete (Y/N):	PJM Queue #:
Interconnecting Utility / Location:	



Substation:	Interconnection Voltage:
PJM Interconnection Status (describe):	

<i>Proposal Type (check one)</i>				
PPA	TA	OTH	DSM	EE

Pricing

Sellers shall provide a detailed written description of all pricing formulas including a detailed description of all sub-components. As noted in the RFP, the Company requires a Base Proposal, however the Company will allow Sellers to include up to three other Alternatives in their Proposal. If Seller elects to offer Alternatives, then Seller shall submit separate Proposal Pricing Sheets for each Alternative.

The following requirements for each of the Proposal Types shall be used as a guide. It is the Sellers responsibility to clearly articulate in this Appendix and any associated attachments the pricing component to the Seller's proposal.

PPA Proposals

Project Name: _____

Term: [_____] to [_____]

Contract Quantity: [_____] MW of Capacity and Energy

Capacity Charge: [_____] \$ / kw-month, define any annual price escalation

Heat Rate: [_____] Btu / kWh, provide heat rates at all dispatch points

Variable O&M: [_____] \$ / MWh, define any annual price escalation

Fuel Cost: (Fuel Cost Index Name) or [_____] \$ / MMBtu, provide a fuel price index and any adders, escalation or adjustments to the index to be used to price fuel delivered to the Facility, or provide the actual cost of fuel delivered to the facility.

Energy Payment: [_____] \$ / MWh, define any annual price escalation

Start-up Payment: [_____]: \$ / start

Other Operating Related Charges: [Define cost and parameters for charges]



TA Proposals

Project Name: _____

Term: [_____] to [_____]

Contract Quantity: [_____] MW of Capacity and Energy

Capacity Charge: [_____] \$ / kw-month, define any annual price escalation

Heat Rate: [_____] Btu / kWh, provide heat rates at all dispatch points

Variable O&M: [_____] \$ / MWh, define any annual price escalation

Fuel Cost: (Fuel Index Name) or [_____] \$ / MMBtu, provide a fuel price index and any adders, escalation or adjustments to the index to be used to price fuel delivered to the Facility, or provide the actual cost of fuel delivered to the Facility. For Tolling Agreements, Kentucky Power Company reserves the right to purchase and supply the fuel to the Facility itself.

Start-up Payment: [_____]: \$ / start

Other Operating Related Charges: [Define cost and parameters for charges]

Asset Purchase Agreements

Project Name: _____

Nameplate Capacity: _____

Sale Price, \$M: [_____]

Proposed Asset Transfer Date: [_____]

Other Proposals

For "Pricing Terms" for all non-PPA proposals, Bidder shall provide these terms on a separate sheet providing a complete detail of such terms.



Appendix B

Operating Characteristics

Heat Rate – Summer (Btu /kwh at all loading points allowed by the Proposal)	
Heat Rate – Winter (Btu /kwh at all loading points allowed by the Proposal)	
Summer Capacity – Max (MW)	
Summer Capacity – Min (MW) or at all loading points allowed by the Proposal	
Winter Capacity – Max (MW)	
Winter Capacity – Min (MW) or at all load points allowed by the Proposal	
Output (MW) in 10 minutes from Start	
Ramp Rate (MW / min) – Normal	
Ramp Rate (MW / min) – Maximum	
Start-up time (hot) to minimum capability	
Start-up time (hot) to maximum capability	
Start-up time (warm) to minimum capability	
Start-up time (warm) to maximum capability	
Start-up time (cold) to minimum capability	
Start-up time (cold) to maximum capability	
Auxiliary Load (at all loading points allowed by the Proposal)	
Minimum run time	
Minimum down-time	
Forced Outage Rate	
Scheduled Outage Rate	
Annual Availability (%)	
Production Constraints:	
Ancillary Services (describe):	

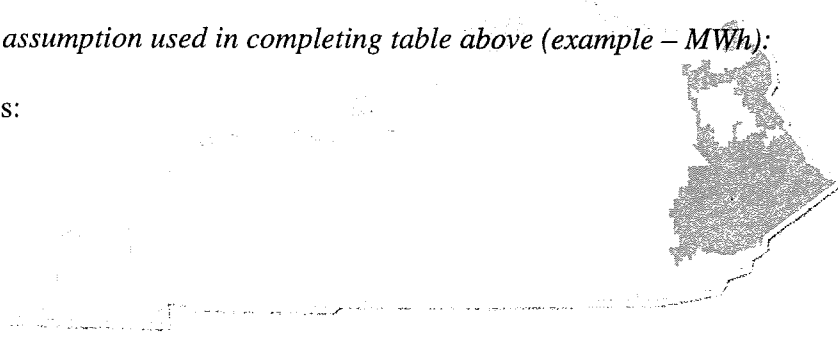


Air Emissions

Emissions	Primary Fuel		Secondary Fuel	
	Lb / MWh	Tons / Year	Lb / MWh	Tons / Year
Sulfur Dioxide				
Nitrogen Oxide				
Carbon Monoxide				
Carbon Dioxide				
Mercury				
Particulates (PM / PM 10)				
Volatile Organic Compounds				

Please note assumption used in completing table above (example – MWh):

Assumptions:





Appendix C

Proposal Requirements

1. An executive summary of the bid's characteristics and timeline, including any unique aspects and benefits.
2. Seller shall complete Appendix A as applicable.
3. Seller shall complete Appendix B as applicable.
4. Sellers with DSM/EE Proposals shall complete Appendix D. DSM/EE Proposal documents shall be limited to 30 pages. Additional information may be submitted electronically (eg. CD, memory stick).
5. Seller shall fully describe any exceptions it takes towards any terms and conditions as described in Section 7 or other parts of this RFP.
6. Experience and References
 - a. Provide a general description of the Seller's background and experience in utility scale power projects similar to its proposal, including any affiliated companies, holding companies, subsidiaries or predecessor companies presently or in the past engaged in developing energy power supply projects.
 - b. Provide three (3) or more references from projects where the bidder, or any of its affiliates, has completed the development and construction of a power project similar to the one proposed to the Companies. If the bidder has fewer than three projects, it shall provide as many references as possible.
7. Seller shall provide a comprehensive narrative of the development status of any new generation project intended to be used to meet Seller's obligations to the Company. Seller's narrative shall include the following.
 - a. Key project participants including owners, operators, engineer / contractors, fuel suppliers.
 - b. Status of engineering and design work.
 - c. A comprehensive development and construction schedule.
 - d. A listing of all required permits and governmental approvals and their status.
 - e. A listing of all required electric interconnection and or transmission agreements and their status.
 - f. A financing plan.
 - g. A summary of key contracts (fuel, construction, major equipment) to the extent that they exist.
8. Seller shall provide copies of all PJM Interconnection studies. In addition, Seller shall provide the following:



- a. Impedance of the generator step-up transformer.
- b. Transient and sub-transient characteristics of the generator.

9. Project Site

- a. Seller shall provide proof or status of ownership or control of site.
- b. Seller shall provide a summary describing whether the site has been assessed for environmental contamination, has any known environmental issues, and if a Phase 1 environmental assessment has been completed.
- c. Has the site been assessed for environmental contamination? Describe any known environmental issues?
- d. Describe status of all required permits.
- e. If the plant site is subject to site approval by a governmental authority, provide a description of the approval status including a copy of the application. If approval has been granted, provide a copy of the approval.

10. Legal Proceedings

- a. List all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been or are engaged that could affect bidder's performance of its bid.
- b. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.

11. Technology / Equipment

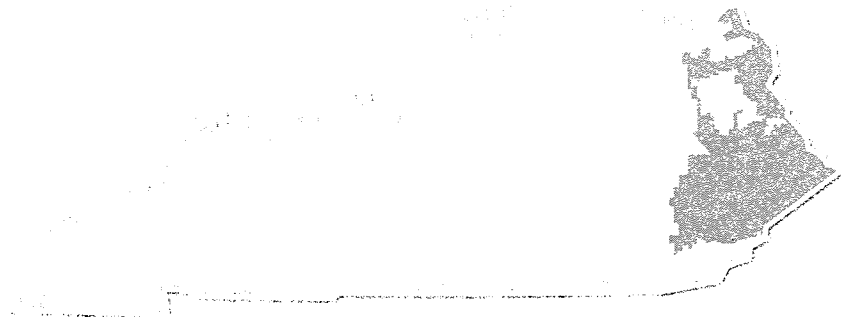
- a. Technology employed (combined cycle, pulverized coal, CFB, etc.)
- b. Provide details regarding the technology selected, major equipment manufacturer identified, status of equipment purchases.

12. Existing Facilities (including **Asset Purchase Agreements**) - For existing facilities, at a minimum, provide the following information for each of the last 5 years of operating history;

- a. Energy generated
- b. Capacity factor
- c. Number of start-ups
- d. Average heat rate
- e. On-Peak availability
- f. Fixed O&M Costs
- g. Variable O&M Costs
- h. Capital expenditures



13. Sellers of assets (Asset Purchase Agreements) shall provide a description of the facility's major equipment
14. Seller shall provide a copy of air permit or permit application(s) if available.
15. Seller shall provide a summary of the timing and status of all permit applications including water withdrawal, wastewater disposal, fuel byproducts handling and disposal, etc.
16. Seller shall provide its operations plan – describe the entity who will be performing operations and maintenance of the facility
17. Seller shall provide its fuel supply plan.
18. Subsidies – Bidders must indicate if their proposal is dependent upon any existing state or federal tax credit or grant program and expiration of said program.
19. Maintenance Outages
 - a. Seller shall describe the required annual (routine) maintenance outage schedule and associated tasks.
 - b. Seller shall describe major outages schedules, general scope and frequency





Appendix D

DSM / EE - Proposal Requirements

Company Information

Seller (Company):		
Contact Name:		
Contact Title:		
Address:		
City:	State:	Zip Code:
Work Phone:	Cell Phone:	
Email Address:		

Seller's with DSM and EE Proposals shall fully describe below or on a separate attachment the resource being offered, size/quantity, term, pricing, and essential terms and conditions associated with their offering. DSM/EE Proposal documents shall be limited to 30 pages. Additional information may be submitted electronically (eg. CD, memory stick).

General Project Information

Project Name / Description:

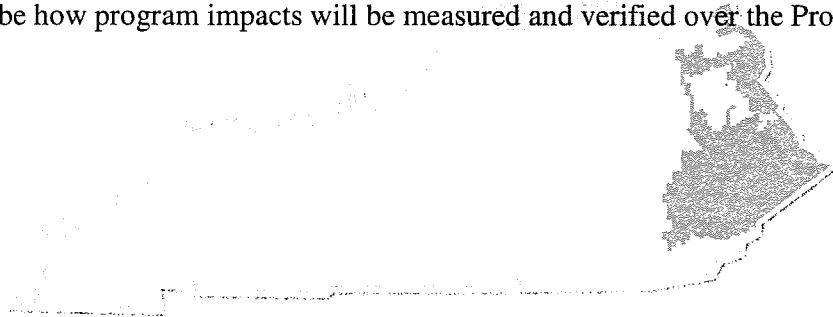


Describe End-uses Impacts:

- Provide monthly projected peak and energy impacts over the Proposal Term
- Provide hourly reduction load shapes over the Proposal Term by end-use and aggregated for the Proposal
- Provide measure life and any degradation in peak and energy impacts over the Proposal Term

Measurement and Verification:

- Describe how program impacts will be measured and verified over the Proposal Term





Appendix E

Bidder's Credit-Related Information

Full Legal Name of the Bidder:
Type of Organization (Corporation, Partnership, etc.):
Bidder's % Ownership in Proposed Project:
Full Legal Name(s) of Parent Corporation: 1. 2. 3.
Entity Providing Credit Support on Behalf of Bidder (if applicable): Name: Address: City: Zip Code:
Type of Relationship:
Current Senior Unsecured Debt Rating: 1. S&P: 2. Moodys:
Bank References & Name of Institution:
Bank Contact: Name: Title: Address: City: Zip Code: Phone Number:
Legal Proceedings: As a separate attachment, please list all lawsuits, regulatory proceedings, or arbitration in which the Bidder or its affiliates or predecessors have been or are engaged that could affect the Bidder's performance of its bid. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
Financial Statements: Please provide copies of the Annual Reports for the three most recent fiscal years and quarterly reports for the most recent quarter ended, if available. If available electronically, please provide link:



Appendix F

Mutual Confidentiality Agreement

Email to: 2013KentuckyPowerRFP@aep.com
American Electric Power Service Corporation
155 West Nationwide Boulevard
Suite 500
Columbus, OH 43215
Fax: (614) 583-1611

Due: Friday, May 24, 2013

This Mutual Confidentiality Agreement (“Agreement”) dated as of _____, 2013 (“Effective Date”) is made and entered into by and between American Electric Power Service Corporation (“AEPSC”), as agent for Kentucky Power Company, and *insert full legal name, a(n) insert state of formation insert type of company* (“Bidder”).

Recitals:

I. Bidder is or is considering submitting a proposal (the “Proposal”) in response to a Request for Proposals (the “RFP”) issued by AEPSC for energy, capacity, and ancillary services as described in the RFP. If submitted, the Proposal will become the property of AEPSC and shall be held confidential under terms of the RFP.

II. It may become desirable that AEPSC and Bidder exchange other confidential information pursuant to questions, responses or other communications that are not contained in the Proposal and which the parties desire to protect as confidential.

III. In addition, if the Proposal, if submitted, is selected by AEPSC, then Bidder and AEPSC will negotiate about a proposed agreement between AEPSC and Bidder to implement the Proposal (the “Proposed Agreement”). Bidder and AEPSC want to keep all negotiations concerning the Proposed Agreement, including the Proposed Agreement itself and all drafts of the Proposed Agreement, confidential.

IV. The parties are willing to exchange such confidential information pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:



Section 1. Definitions.

1.1. (a) “Confidential Information” means any information that is disclosed by the Disclosing Party to the Receiving Party or its Representatives in connection with the RFP or any Proposed Agreement (collectively, the “Transaction”), whether before or after the date hereof and irrespective of the format in which the information is provided. For avoidance of doubt, “Confidential Information” includes:

- (i) Written information or machine-readable data, including questions, responses or communications in connection with AEPSC’s RFP or any Proposed Agreement, notes, reports, assessments, specifications, drawings, financial statements and projections, software and databases, customer information, sales and marketing strategies, and any other written information or machine-readable data;
- (ii) Orally conveyed information, including but not limited to demonstrations that are directly related to written or other tangible Confidential Information;
- (iii) Any hardware, including but not limited to samples, devices and any other physical embodiments delivered to the Receiving Party;
- (iv) Any Evaluation Material; or
- (v) The existence of this Agreement, the terms of this Agreement and any Proposed Agreement, including all drafts of the Proposed Agreement and all negotiations concerning the Proposed Agreement, that may arise stemming from the Bidder’s Proposal.

(b) “Confidential Information” does not include information which:

- (i) is, or subsequent to disclosure becomes, part of the public domain through no fault of the Receiving Party;
- (ii) is lawfully disclosed to the Receiving Party by a third party which, to the knowledge of the Receiving Party, does not have a confidentiality obligation to the Disclosing Party;
- (iii) was lawfully in the possession of the Receiving Party prior to disclosure by the Disclosing Party; or
- (iv) is lawfully and independently developed by the Receiving Party without use of the Confidential Information disclosed by the Disclosing Party.

1.2. “Disclosing Party” means the party disclosing Confidential Information.



- 1.3. "Evaluation Material" means notes, reports or other documents which reflect, interpret, evaluate, include or are derived from the Confidential Information.
- 1.4. "Receiving Party" means the party receiving Confidential Information.
- 1.5. "Representatives" means a party's employees, officers, directors, attorneys, accountants, consultants, advisors and agents (including potential lenders, equity partners, underwriters, or other parties involved in the Transaction for the party), and the party's affiliates and the employees, officers, directors, attorneys, accountants, consultants, advisors and agents thereof.

Section 2. Confidentiality. Except as provided in Section 5, the parties hereby agree that the Confidential Information will be kept confidential during the term of this Agreement. The parties also agree that without the prior written consent of the Disclosing Party, the Confidential Information will not be disclosed by the Receiving Party, in whole or in part, to any other person except as provided herein. Each party shall use the same care in protecting the other's Confidential Information as it uses to protect its own confidential information, provided that neither party shall use less than reasonable efforts to protect the other's Confidential Information. Notwithstanding the foregoing, the Receiving Party may (a) disclose Confidential Information to its Representatives whose access is necessary to conduct the evaluations and negotiations in connection with the Transaction, or for supervisory, regulatory or similar purposes, and who have been informed of and have agreed to abide by the confidentiality restrictions contained in this Agreement and (b) make a limited number of copies of the Confidential Information in order for the Receiving Party to adequately use the Confidential Information subject to the terms and conditions of this Agreement. Each party agrees to be responsible for the actions, uses and disclosures of any of its Representatives in accordance with the terms and restrictions of this Agreement.

Section 3. Ownership and Use of Confidential Information. All Confidential Information (except Evaluation Material) shall remain the property of the Disclosing Party. No license or other rights under any patents, trademarks, copyrights or other proprietary rights is granted or implied by the disclosure of the Confidential Information. Neither party shall use the Confidential Information for any purpose other than for evaluation of and negotiations relating to the Transaction.

Section 4. Disposition of Confidential Information. The Receiving Party, upon written request from the Disclosing Party, shall promptly return or destroy all Confidential Information in its possession; provided, however, with respect to Evaluation Materials, the Receiving Party may at its discretion destroy such Evaluation Material. If requested by the Disclosing Party, the Receiving Party shall provide the Disclosing Party with a certification that all Confidential Information and Evaluation Material has either been returned or destroyed, as appropriate. Notwithstanding the foregoing, the Receiving Party may retain one copy of the Confidential Information solely for archival purposes and for the purpose of demonstrating compliance with this Agreement. The return or destruction of the



Confidential Information shall not extinguish any rights or obligations under this Agreement with respect to the Confidential Information.

Section 5. Legally Required Disclosures. If the Receiving Party or its Representatives become subject to a bona fide requirement or request by any regulatory, governmental, judicial or supervisory authority (by subpoena, oral deposition, interrogatories, request for production of documents, civil investigative demand, administrative order or otherwise), to disclose any of the Confidential Information, or if such disclosure is necessary in order to obtain or maintain regulatory or governmental approvals, applications or exemptions, the Receiving Party will provide the Disclosing Party with as much advance notice as and to the extent as permitted and practicable to afford the opportunity to seek an appropriate protective order or other appropriate remedy to prevent the disclosure. The Receiving Party or any of its Representatives being compelled to disclose such Confidential Information will reasonably cooperate with the Disclosing Party, at its expense, to enable the Disclosing Party to obtain a protective order or other reliable assurance that confidential treatment will be accorded the same (e.g. confidentiality agreement). If such protective order or other appropriate remedy (e.g. confidentiality agreement) is not obtained, the Receiving Party or any of its Representatives being compelled to disclose such Confidential Information may disclose the information without liability hereunder provided that the party may only furnish that portion of the Confidential Information which is legally required or necessary.

Section 6. Term. If the Bidder's Proposal and/or related negotiations do not result in a final agreement, then this Agreement is effective for two (2) years from the Effective Date stated above. If the negotiations result in a final agreement, then this Agreement is effective until two (2) years after the termination of the final agreement.

Section 7. No Warranties. The Disclosing Party makes no representations or warranties as to the reliability, accuracy or completeness of the Confidential Information. The Disclosing Party shall not be subject to any liability to the Receiving Party based on the Receiving Party's use of the Confidential Information.

Section 8. Remedies. The parties acknowledge that improper or unauthorized use or disclosure of Confidential Information could cause irreparable harm to the Disclosing Party and that monetary damages would not be an adequate remedy for a breach of this Agreement. In the event of any breach or threatened breach of this Agreement, the non-breaching party shall be entitled to pursue injunctive and other equitable relief, and the breaching party agrees to waive any requirement for the posting of a bond in connection with such remedy. Such injunctive and equitable relief shall not be deemed to be the exclusive remedy for a breach of this Agreement, but shall be in addition to all other available remedies. In no event shall either party be liable to the other for any incidental, indirect, special, punitive or consequential damages (including without limitation damages for lost profits).



Section 9. Relationship of Parties. Neither party shall have any obligation to commence or continue discussions or negotiations, to exchange any Confidential Information, to reach or execute any agreement with the other party, to refrain from engaging at any time in any business whatsoever, or to refrain from entering into or continuing any discussions, negotiations or agreements at any time with any third party, until each party executes a definitive agreement. Until such definitive agreement is executed, neither party shall have any liability to the other party with respect to the Transaction except as set forth in this Agreement. Neither party shall have any liability to the other party in the event that, for any reason whatsoever, no such definitive agreement is executed.

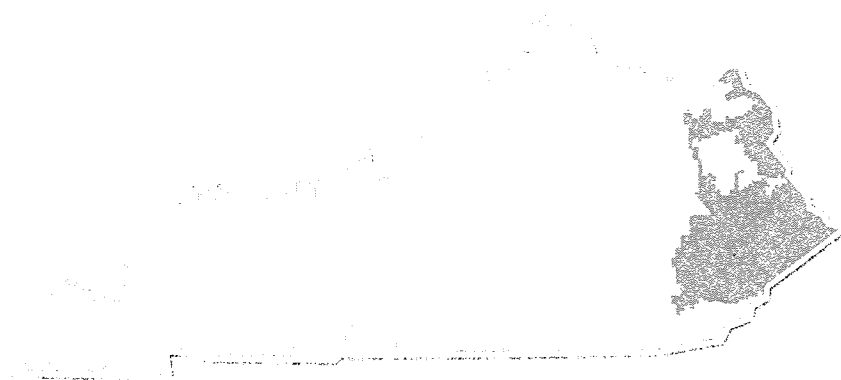
Section 10. General.

- 10.1 Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Kentucky.
- 10.2 Entire Agreement.** This Agreement constitutes the entire Agreement between the parties, supersedes any prior understandings or representations relating to the confidential treatment of the Confidential Information, and shall not be modified except by a written agreement signed by both parties.
- 10.3 Assignability.** This Agreement may not be assigned by either party without the prior written consent of the other party; provided, however, that AEPSC may assign this Agreement to one or more of its affiliated companies.
- 10.4 Severability.** All provisions of this Agreement are severable, and the unenforceability of any of the provisions of this Agreement shall not affect the validity or enforceability of the remaining provisions of this Agreement.
- 10.5 No Waiver.** Failure of either party to insist upon strict performance of any of the terms and conditions shall not be deemed to be a waiver of those terms and conditions.
- 10.6 Counterparts and Faxed Signatures.** This Agreement may be executed in counterparts, and in the absence of an original signature, faxed signatures will be considered the equivalent of an original signature.
- 10.7 Notices.** Notices shall be in writing and shall be sent to the addresses listed below, either by personal delivery, by the U.S. Mail, overnight mail, fax or other similar means. All notices shall be effective upon receipt.



The parties have signed this Agreement effective as of the later signature date set forth below.

SIGNATURES ON FOLLOWING PAGE





The parties have signed this Agreement effective as of the later signature date set forth below.

American Electric Power Service Corporation, as agent for Kentucky Power Company

[BIDDER: insert full legal name]

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Bidder Address:

Attn: _____



REQUEST FOR PROPOSALS

Duke Energy Kentucky's Capacity and Energy Needs for Delivery Years 2014-2016

Dated: April 8, 2013
Proposals Due: May 15, 2013

Complete Information on this RFP can be found at:
<http://DukeEnergyKentuckyRFP.com>



1.0 Introduction

Duke Energy Kentucky (DEK) has a need for capacity or capacity and energy resources during the PJM delivery years of 2014/2015 through 2016/2017 in order to meet its PJM Resource Adequacy obligation. DEK will pursue Power Purchase Agreements (PPA) to satisfy this need.

Specific requirements for this Request for Proposals (RFP) are as follows:

- Resource need up to 200 MWs of PJM Unforced Capacity (UCAP) in the applicable delivery years below:

June 1, 2014/May 31, 2015: 200 MW

June 1, 2015/May 31, 2016: 200 MW

June 1, 2016/May 31, 2017: 200 MW

- 1-3 Year Terms of 2014/2015, 2015/2016, or 2016/2017 or combinations thereof
- Resources must be delivered in the 2014/2015 through 2016/2017 timeframe, but DEK will consider contracting resources as early as June 1, 2014 through delivery year ending May 31, 2017 although Duke's needs begin in early 2015
- Resources must be unit contingent and dispatchable by PJM
- Proposals and renewable proposals must be for a minimum block of 50 MWs
- Capacity and energy from generation resources must include firm deliverability to the PJM DEOK load zone

DEK has retained Burns & McDonnell (B&M) to act as an independent third party consultant to assist with this RFP. All respondents will directly interface with B&M for all communications including questions, RFP clarification issues and RFP bid submittal.

Duke Energy Corporation (Duke Energy), an energy company headquartered in Charlotte, NC, supplies and delivers energy to approximately 7.2 million U.S. customers in the Southeast and Midwest United States. The company has nearly 49,700 MWs of owned regulated electric generating capacity in the Midwest and the Southeast and natural gas distribution services in Ohio and Kentucky.

Headquartered in Charlotte, N.C., Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the internet at www.Duke-Energy.com.

2.0 Product Definition & Eligibility

A. Product Definition

This RFP is for unit contingent capacity or capacity and energy from assets that meet the requirements of Generation Capacity Resources (GCRs) as defined in the PJM Reliability Assurance Agreement (RAA). The hourly energy output from the GCR must be offered into the PJM Day Ahead

Market (DAM). DEK will not accept proposals for projects on DEK property, purchases of new or existing energy facilities, energy efficiency, or demand side management (DSM).

B. Eligibility

In order to participate in this RFP, respondent must submit its PJM qualifications and FERC authorization. The respondent must be a qualified market buyer and seller in good standing with PJM. Assets must meet all PJM RAA terms. Capacity resources that cleared in any Reliability Pricing Model (RPM) Auction delivery year of the RFP may not bid in for that delivery year of the RFP. In addition, the unit cannot have been specified in a FRR (Fixed Resource Requirement) Capacity Plan for the delivery year of the RFP.

3.0 General Terms

DEK is requesting up to 200 MW of capacity or capacity and energy in connection with its Resource Adequacy obligations for the PJM delivery years of 2014/2015 through 2016/2017. DEK requires that resources be dispatchable (into the PJM DAM) and unit contingent.

A. Delivery Point

The delivery point shall be the PJM DEOK load zone. DEK's preference is for supplier pricing at the DEOK load zone including applicable congestion and losses. Alternate pricing structures will be considered.

B. Contract Capacity

The contract capacity shall be stated in terms of PJM UCAP. Minimum blocks of 50 MW of UCAP capacity are required.

DEK does not desire to purchase any Renewable Energy Certificates at this time.

C. Quantity & Delivery Date

DEK will accept bids with a minimum UCAP of 50 MW. Intermittent resources must bid at least 50 MW as defined by the PJM Manual 21, Appendix B: Calculating Capacity Values for Intermittent Resources. For example, a solar facility would have to bid at least 144 MW of capacity to meet this obligation using a 38% effective class average capacity factor.

DEK is seeking up to the following cumulative UCAP capacity amounts to meet its reserve margin requirements during the following PJM delivery years:

June 1, 2014/May 31, 2015: 200 MW

June 1, 2015/May 31, 2016: 200 MW

June 1, 2016/May 31, 2017: 200 MW

Respondents must deliver capacity or capacity and energy for a minimum of one year on dates between June 1, 2014 and May 31, 2017. DEK's capacity and energy needs begin in early 2015, but DEK is willing to consider contracts as early as June 1, 2014, in order to meet its FRR obligation.

D. Capacity and/or Energy Pricing

All pricing should be comprised of a capacity component on a \$/kw-yr basis and, if applicable, an energy component consisting of a non-fuel variable O&M (\$/MWh) component and a fuel cost (\$/MMBtu) component. A heat rate must be given for conversion of fuel costs to \$/MWh. Alternatively, a fixed "dispatch" cost may be provided on a \$/MWh basis. The total variable pricing (non-fuel variable O&M +fuel) of the unit charged to DEK must be equal to the PJM DAM (or RTM) dispatch price. DEK prefers non-fuel variable pricing to be on a fixed price or fixed escalation rate basis (e.g. 2%, 3% escalation rate).

Proposals must provide a detailed description of the pricing terms and conditions. During any subsequent discussions and/or negotiations, DEK may request modifications to the proposed contract structure scheme in order to accommodate its own operational or administrative requirements.

Bidder is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO₂ allowances, NO_x allowances and emission fees.

E. Contract Term

In order to accommodate DEK's uncertain capacity needs in light of environmental legislation, DEK would request that bidders offer products in one or more of the increments described below. Capacity should be priced discretely in any multi-year contracts.

Delivery Year	Incremental (MW)	Cumulative (MW)
June 1, 2014/May 31, 2015	200	200
June 1, 2015/May 31, 2016	0	200
June 1, 2016/May 31, 2017	0	200

- a. 2014/2015 (1 Year Term)
- b. 2015/2016 (1 Year Term)
- c. 2016/2017 (1 Year Term)
- d. 2014/2015 – 2015/2016 (2 Year Term)

- e. 2015/2016 – 2016/2017 (2 Year Term)
- f. 2014/2015 – 2016/2017 (3 Year Term)

Proposal term must be for at least one year and cannot extend past May 31, 2017.

F. Fuel Supply

The proposal must indicate the most applicable fuel pricing point and any applicable local distribution company (LDC) charges. Fuel supply proposals may include either a fuel index formula or fixed fuel price. For all indexed bids, a fuel pricing formula must be provided which must supply sufficient detail for DEK to understand the formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term. For evaluation purposes, DEK plans to use its own fundamental fuel price forecast for estimates of natural gas commodity pricing for each bid.

For natural gas pipeline capacity, the cost of any firm transportation should be specified, if appropriate. If firm gas transportation is to be provided by the respondent, provide the pertinent details on the firm gas transportation arrangement and total cost. Details should include Maximum Daily Transportation Quantity (MDTQ) and any transportation demand rate information expressed as a Daily Demand Rate per MMBtu (100% LF) necessary for DEK to understand the total cost of firm gas transportation on a monthly and annual basis. Please provide the upstream interstate and LDC provider so as to give an understanding of the transportation path. Also, state if this is firm or non-firm transportation.

G. Location

Proposals must contain unit contingent offers. Proposal must identify the generation resources that have been proposed and their location. Capacity and energy from the generation resources must have firm deliverability to the PJM DEOK load zone. There will be a preference for assets with the following declining order of preference:

1. Assets located in the PJM DEOK load zone
2. Assets located in PJM with firm deliverability to the DEOK load zone
3. Assets external to PJM with firm deliverability to the PJM DEOK load zone

H. Operations and Dispatch

The hourly energy output from the GCR must be offered into the PJM Day Ahead Market (DAM). The supplier will remain responsible for the operations and maintenance of the asset including the offering and scheduling of the asset in the (DAM) or the Real Time Market (RTM). Suppliers shall also offer applicable Ancillary Service products into the PJM markets.

I. Transmission

Existing and new generation located in the PJM region must be pre-certified by PJM as meeting the Generation Deliverability Test. Resources external to PJM must contain an indication of the intended ATC path to deliver the existing capacity into the PJM DEOK load zone. (Firm transmission service from the unit to the border of PJM and generation deliverability in PJM must be demonstrated by the start of the Delivery Year). Proposals must have firm deliverability to the PJM DEOK load zone. Suppliers will have the responsibility to secure and provide all transmission services necessary for firm delivery of capacity and energy. Seller is responsible for all delivery and loss charges to the delivery point (PJM DEOK).

4.0 Instructions to Respondents

A. Overview of Process

B&M has set-up an e-mail address DukeEnergyKentuckyRFP@burnsmcd.com to collect all communications and questions from potential respondents as well as a web site <http://DukeEnergyKentuckyRFP.com/> to provide uniform communications, including updates and specific detail as may be provided from time to time through this bidding process.

The bid process will include the activities and events as indicated in the schedule shown below. Proposal opening will be performed in private by B&M on a confidential basis. Proposals will be reviewed for completeness and offers that do not include the information requirements of this RFP will be notified and allowed five business days to conform. All conforming proposals will be sent to DEK for evaluation with the respondent's name and other identifying information redacted from the proposal. The evaluation of the bids will be performed by DEK with assistance provided by B&M. Respondents selected for the short list may or may not be invited to begin negotiations of final details of the offers.

Duke Energy Kentucky RFP Schedule

Event	Anticipated Date
Release of RFP	April 8, 2013
Notice of Intent to Bid	April 22, 2013
Proposal Submittal Deadline	May 15, 2013
Selection of Short List	July 1, 2013
Complete Negotiations	End of Third Quarter 2013

B. Notice of Intent to Bid (Attachment A)

Each respondent is requested to advise B&M of its intent to submit a proposal by submitting a Notice of Intent to Bid (NOIB), attached hereto as **Attachment A: Notice of Intent to Bid**. The Notice of Intent to Bid form may be e-mailed, to the following address:

DukeEnergyKentuckyRFP@burnsmcd.com.

Respondent's contact information, as supplied in the NOIB, will provide a vehicle for B&M to communicate any updates/revisions to the RFP in a timely manner. Therefore, we encourage respondents to submit a NOIB by April 22, 2013

C. Nondisclosure Agreement (Attachment B) and Response Package (Attachment C)

Respondents to this RFP are required to sign **Attachment B: Nondisclosure Agreement (NDA)** in its present form. Respondents to this RFP area also required to complete the **Attachment C: Response Package** to be eligible to compete in the solicitation process. Respondents should organize their proposals as described in **Section 4.0: Proposal Organization**. All applicable information contained in the proposal must be addressed, including:

Attachment B: Nondisclosure Agreement (NDA)
Attachment C: Response Package

All correspondence concerning this RFP should be sent via e-mail to:

DukeEnergyKentuckyRFP@burnsmcd.com.

Phone inquiries regarding this RFP will not be entertained. Individual questions submitted by a respondent to B&M will be answered with responses sent via email back to the respondent. Responses to frequently asked questions may be placed on the RFP Website for the benefit of all respondents, although care will be taken not to identify any specific respondent(s).

D. Deadline and Method for Submitting Proposals

All proposals submitted in response to this RFP must be received by B&M no later than **5:00 PM EST on May 15, 2013**. DEK will not guarantee evaluation of proposals associated with this RFP if submitted after this time.

Respondents are required to submit three (3) hard copies of each proposal and a CD with the spreadsheets provided in **Attachment C: Response Package** to the address below. It is further required that multiple proposals submitted by each respondent be identified separately. **Emailed proposals will not be accepted**. Financial statements, annual reports and other large documents may be referenced via a web site address.

Burns & McDonnell
Attn: Jon Summerville
9400 Ward Parkway
Kansas City, MO 64114

5.0 Proposal Organization

A. Executive Summary

Please provide an overview of the proposal and project. Include an overview of the technology, fuel type, project benefits and location. Please also complete **Section A: General Information** located in **Attachment C: Response Package** for all projects.

B. Proposal Limitations

Please describe in reasonable detail any economic, operational or system conditions that might affect the respondent's ability to deliver capacity and energy as offered.

C. Technical Proposal & Cost

Please describe in reasonable detail the source of the capacity and energy. Operational information and pricing should be given as indicated in the **Section B: Term Sheet** section located in **Attachment C: Response Package**.

D. Company Data

Please include information on the respondent's corporate structure (including identification of any parent companies), a copy of the respondent's most recent quarterly report containing unaudited consolidated financial statements that is signed and verified by an authorized officer of respondent attesting to its accuracy, a copy of respondent's most recent annual report containing audited consolidated financial statements and a summary of respondent's relevant experience. Financial statements, annual reports and other large documents may be referenced via a web site address.

6.0 Proposal Evaluation and Contract Negotiations

A. Initial Proposal Review

After the proposal submittal deadline, B&M will privately open and review all responses for completeness and responsiveness. B&M may request that a respondent provide additional information or clarification to its original proposal. B&M will make such requests in writing via email and specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline may result in disqualification of the proposal.

All conforming proposals will be sent to DEK for evaluation with the respondent's name and other identifying information redacted from the proposal.

B. Short List Development

DEK will then evaluate all proposals to meet both capacity and energy needs. Proposals will be evaluated based on present value economics and other factors that may include, but will not be limited to location, credit, relevant experience, technology feasibility, permitting, and deliverability.

During the evaluation process, DEK may or may not choose to initiate discussions with one or more respondents. Discussions with a respondent shall in no way be construed as commencing contract negotiations.

C. Contract Negotiations

DEK will contact the respondent in writing of its interest in commencing contract negotiations. DEK's commencement of and participation in negotiations shall not be construed as a commitment to execute a contract. If a contract is negotiated, it will not be effective unless and until it is fully executed with the receipt of all required regulatory approvals.

7.0 Reservation of Rights

Nothing contained in this RFP shall be construed to require or obligate DEK to select any proposals or limit the ability of DEK to reject all proposals in its sole and exclusive discretion. DEK further reserves the right to withdraw and terminate this RFP at any time prior to the proposal deadline, selection of a short list or execution of a contract.

All proposals submitted to DEK pursuant to this RFP shall become the exclusive property of DEK and may be used for any reasonable purpose by DEK. DEK and B&M shall consider materials provided by respondent in response to this RFP to be confidential only if such materials are clearly designated as "Confidential." Respondents should be aware that their proposal, even if marked "Confidential", may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by DEK. Respondents may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by an order of an agency or court of competent jurisdiction, DEK may produce the material in response to such order without prior consultation with the respondent.



REQUEST FOR PROPOSALS

For Up to 200 MW of Long Term Capacity and Energy (PJM Qualifying Resources)

Duke Energy Kentucky

Dated: June 3, 2013

Proposals Due: August 15, 2013

Complete Information on this RFP can be found at:

<http://DukeEnergyKentuckyRFP.com>



Table of Contents

1.0 Background	..	3
2.0 Introduction & Company Information.....		.3
3.0 General Terms	.	..4
4.0 Instructions to Respondents		.7
5.0 Proposal Organization	.	8
6.0 Proposal Evaluation and Contract Negotiations9
7.0 Reservation of Rights		..10

Appendices

Appendix A: Minimum Environmental Performance/Equipment for Coal Assets..	11
---	----

1.0 Background

Duke Energy Kentucky, Inc. (DEK) is requesting long term capacity and energy to potentially replace approximately 163 MWs of capacity at its Miami Fort 6 coal generating facility. DEK is considering the retirement of the Miami Fort 6 facility as a result of the multiple emerging environmental regulations including the EPA Mercury and Air Toxic Standards (MATS) rule and other water quality, fish impingement, and coal residual standards. The company is considering multiple capacity alternatives including power purchase agreements (PPA), tolling agreements (TA), asset purchases, new self-build generation, and PJM auction capacity to potentially replace this resource. DEK will allow company affiliates to participate in this RFP.

2.0 Introduction & Company Information

Duke Energy Kentucky has a need for capacity and energy resources no later than June 1, 2017 in order to meet its PJM Resource Adequacy obligation.

Specific requirements for this Request for Proposals (RFP) are as follows:

- Resource need up to 200 MWs of PJM Unforced Capacity (UCAP) no later than June 1, 2017
- Traditional supply side and renewable proposals must be for a minimum block of 50 MWs
- PPA terms of contracts are from 15-20 years in duration and the remaining life for asset purchases should be expected to be ten years or longer
- Resources must be unit contingent and dispatchable (or schedulable) into PJM
- Capacity and energy from generation resources must include firm deliverability to the PJM DEK Pricing Node
- DEK will not accept proposals for projects on DEK property, energy efficiency, or demand side management (DSM).

DEK has retained Burns & McDonnell (B&M) to act as an independent third party consultant to assist with this RFP. All respondents will directly interface with B&M for all communications including questions, RFP clarification issues and RFP bid submittal.

Duke Energy Corporation (Duke Energy), an energy company headquartered in Charlotte, NC, supplies and delivers energy to approximately 7.2 million U.S. customers. The company has nearly 49,700 MWs of owned regulated electric generating capacity in the Midwest and the Southeast and natural gas distribution services in Ohio and Kentucky.

Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the internet at www.duke-energy.com.

3.0 General Terms

DEK is requesting up to 200 MW of capacity and energy in connection with its PJM Resource Adequacy obligations. DEK requires that resources be dispatchable/schedulable (into the PJM DAM) and unit contingent.

A. Product Definition

DEK is seeking the following bundled products in its RFP:

1. Capacity (MW)
2. Energy (MWh)
3. Ancillary Services (if available)
4. Environmental Attributes (if available)

Assets must meet the requirements of Generation Capacity Resources (GCRs) as defined in the PJM Reliability Assurance Agreement (RAA). The hourly energy output from the GCR must be offered into the PJM Day Ahead Market (DAM). The respondent must be a qualified market buyer and seller in good standing with PJM.

B. Proposal Types

DEK is interested in potentially executing a contract for traditional supply side and/or renewable resources with one of the following proposal types:

1. Purchase Power Agreements (PPA)
2. Tolling Agreements (TA)
3. Asset Purchase

C. Contract Capacity

The contract capacity shall be stated in terms of PJM UCAP. DEK will accept bids with a minimum UCAP of 50 MW up to a maximum UCAP of 200 MW. Intermittent resources must bid at least 50 MW as defined by the PJM Manual 21, Appendix B: Calculating Capacity Values for Intermittent Resources. For example, a solar facility would have to bid at least 144 MW of capacity to meet this obligation using a 38% effective class average capacity factor.

D. Delivery Date & Term

DEK is seeking up to 200 MW of capacity and energy no later than June 1, 2017. A term with a minimum of 15 years but not longer than 20 years is required. The remaining life for asset purchases should be expected to be for ten years or longer.

E. Delivery Point

The delivery point shall be the PJM DEK Pricing Node. DEC's preference is for supplier pricing at the DEK Pricing Node including applicable congestion and losses. Alternate pricing structures will be considered.

F. Contract Pricing

1. Purchase Power Agreements/Tolling Agreements

All PPA/TA pricing should be comprised of a capacity component on a \$/kw-yr basis and an energy component consisting of a non-fuel variable O&M (\$/MWh) component and a fuel cost (\$/MMBtu) component. A heat rate must be given for conversion of fuel costs to \$/MWh. Alternatively, a fixed "dispatch" price may be provided on a \$/MWh basis. The total variable pricing (non-fuel variable O&M +fuel) of the unit charged to DEK must be equal to the PJM DAM (or RTM) dispatch price. DEK prefers non-fuel variable pricing to be on a fixed price or fixed escalation rate basis (e.g. 2%, 3% escalation rate). This information must be provided in **Attachment C: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

The seller of the capacity will be responsible for all relevant PJM resource performance assessment penalty charges. Bidder is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO₂ allowances, NO_x allowances and emission fees.

2. Asset Purchase Price

The purchase price of the asset should be stated in millions of dollars. Operational data must also be given as detailed in **Attachment C: Response Package** under **Section C: Asset Purchase Term Sheet**.

G. Fuel Supply

1. Gas

The proposal must indicate the most applicable fuel pricing point and any applicable local distribution company (LDC) charges. Fuel supply proposals may include either a fuel index formula or fixed fuel price. For all indexed bids, a fuel pricing formula must be provided which must supply sufficient detail for DEK to understand the formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term. For evaluation purposes, DEK plans to use its own fundamental fuel price forecast for estimates of natural gas commodity pricing for each bid.

For natural gas pipeline capacity, the cost of any firm transportation should be specified, if appropriate. If firm gas transportation is to be provided by the respondent, provide the pertinent details on the firm gas transportation arrangement and total cost. Details should include Maximum Daily Transportation Quantity (MDTQ) and any transportation demand rate information expressed as a Daily Demand Rate per MMBtu (100% LF) necessary for DEK to understand the total cost of firm gas transportation on a monthly and annual basis. Please provide the upstream interstate and LDC provider.

This information must be provided in **Attachment C: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

2. Coal

The proposal must provide coal specifications and projected coal prices. This information must be provided in **Attachment C: Response Package** under **Section D: Environmental and Coal Specifications**.

H. Location

Proposals must contain unit contingent offers. Proposal must identify the generation resources that have been proposed and their location. Capacity and energy from the generation resources must have firm deliverability to the PJM DEK Pricing Node. There will be a preference for assets with the following declining order of preference:

1. Assets located in the PJM DEK Pricing Node
2. Assets located in PJM with firm deliverability to the PJM DEK Pricing Node
3. Assets external to PJM with firm deliverability to the PJM DEK Pricing Node

I. Transmission

Existing and new generation located in the PJM region must be pre-certified by PJM as meeting the Generation Deliverability Test. Resources external to PJM must contain an indication of the intended ATC path to deliver the existing capacity into the PJM DEK Pricing Node. (Firm transmission service from the unit to the border of PJM and generation deliverability in PJM must be demonstrated by the start of the Delivery Year). Proposals must have firm deliverability to the PJM DEK Pricing Node. PPA/TA suppliers will have the responsibility to secure and provide all transmission services necessary for firm delivery of capacity and energy. PPA/TA supplier is responsible for all delivery and loss charges to the delivery point (PJM DEK Pricing Node).

J. Environmental Obligations

Coal fired generation will be subject to minimum environmental compliance and operational specifications in order to bid into the RFP. Both **Appendix A: Minimum Environmental**

Performance/Equipment for Coal Assets and Attachment C: Response Package, Section D: Coal Plant Environmental Specs contain the environmental and operational requirements of coal assets.

4.0 Instructions to Respondents

A. Overview of Process

B&M has set-up an e-mail address DukeEnergyKentuckyRFP@burnsmcd.com to collect all communications and questions from potential respondents as well as a web site <http://DukeEnergyKentuckyRFP.com/> to provide uniform communications, including updates and questions and answers as may be provided from time to time through this bidding process.

The bid process will include the activities and events as indicated in the schedule shown below. Proposal opening will be performed in private by B&M on a confidential basis. Proposals will be reviewed for completeness and offers that do not include the information requirements of this RFP will be notified and allowed five business days to conform. All conforming proposals will be sent to DEK for evaluation with the respondent's name and other identifying information redacted from the proposal. The evaluation of the bids will be performed by DEK with assistance provided by B&M. Respondents selected for the short list may or may not be invited to begin negotiations of final details of the offers.

Duke Energy Kentucky RFP Schedule

Event	Anticipated Date
Release of RFP	June 3, 2013
Notice of Intent to Bid	June 28, 2013
Proposal Submittal Deadline	August 15, 2013
Selection of Short List	Mid-November, 2013
Complete Negotiations	First Quarter 2014

B. Notice of Intent to Bid (Attachment A)

Each respondent is requested to advise B&M of its intent to submit a proposal by submitting a Notice of Intent to Bid (NOIB), attached hereto as **Attachment A: Notice of Intent to Bid**. The Notice of Intent to Bid form may be e-mailed, to the following address: DukeEnergyKentuckyRFP@burnsmcd.com .

Respondent's contact information, as supplied in the NOIB, will provide a vehicle for B&M to communicate any updates/revisions to the RFP in a timely manner. Therefore, we encourage respondents to submit a NOIB by June 28, 2013.

C. Nondisclosure Agreement (Attachment B) and Response Package (Attachment C)

Respondents to this RFP are required to sign **Attachment B: Nondisclosure Agreement (NDA)** in its present form. Respondents to this RFP area also required to complete the **Attachment C: Response Package** to be eligible to compete in the solicitation process. Respondents should organize their proposals as described in **Section 4.0: Proposal Organization**. All applicable information contained in the proposal must be addressed, including:

Attachment B: Nondisclosure Agreement (NDA)
Attachment C: Response Package

All correspondence concerning this RFP should be sent via e-mail to:
DukeEnergyKentuckyRFP@burnsmcd.com .

Phone inquiries regarding this RFP will not be entertained. Individual questions submitted by a respondent to B&M will be answered with responses sent via email back to the respondent. Responses to frequently asked questions may be placed on the RFP Website for the benefit of all respondents, although care will be taken not to identify any specific respondent(s).

D. Deadline and Method for Submitting Proposals

All proposals submitted in response to this RFP must be received by B&M no later than **5:00 PM EST on August 15, 2013**. DEK will not guarantee evaluation of proposals associated with this RFP if submitted after this time.

Respondents are required to submit three (3) hard copies of each proposal and a CD with the spreadsheets provided in **Attachment C: Response Package** to the address below. It is further required that multiple proposals submitted by each respondent be identified separately. **Emailed proposals will not be accepted**. Financial statements, annual reports and other large documents may be referenced via a web site address.

Burns & McDonnell
Attn: Jon Summerville
9400 Ward Parkway
Kansas City, MO 64114

5.0 Proposal Organization

The proposal must include an executive summary, proposal limitations, the technical and cost aspects and relevant company data.

A. Executive Summary

Please provide an overview of the proposal and project. Include an overview of the technology, fuel type, project benefits and location. Please also complete **Section A: General Information** located in **Attachment C: Response Package** for all projects.

B. Proposal Limitations

Please describe in reasonable detail any economic, operational or system conditions that might affect the respondent's ability to deliver capacity and energy as offered.

C. Technical Proposal & Cost

Please describe in reasonable detail the source of the capacity and energy. For Purchase Power Agreement and Tolling Agreements, operational information and pricing should be given as indicated in the **Section B: PPA/TA Term Sheet** section located in **Attachment C: Response Package**. All proposed asset purchase proposals shall fill **Section C: Asset Purchase Term Sheet** section located in **Attachment C: Response Package**. Finally, all coal plants proposals regardless of PPA or purchase shall fill out the **Section D: Coal Plant Environmental Specs** also located in **Attachment C: Response Package**.

D. Company Data

Please include information on the respondent's corporate structure (including identification of any parent companies), a copy of the respondent's most recent quarterly report containing unaudited consolidated financial statements that is signed and verified by an authorized officer of respondent attesting to its accuracy, a copy of respondent's most recent annual report containing audited consolidated financial statements and a summary of respondent's relevant experience. Financial statements, annual reports and other large documents may be referenced via a web site address.

6.0 Proposal Evaluation and Contract Negotiations

A. Initial Proposal Review

After the proposal submittal deadline, B&M will privately open and review all responses for completeness and responsiveness. B&M may request that a respondent provide additional information or clarification to its original proposal. B&M will make such requests in writing via email and specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline may result in disqualification of the proposal.

All conforming proposals will be sent to DEK for evaluation with the respondent's name and other identifying information redacted from the proposal.

B. Short List Development

DEK will then evaluate all proposals to meet both capacity and energy needs. Proposals will be evaluated based on present value economics and other factors that may include, but will not be limited to location, credit, relevant experience, technology feasibility, permitting, deliverability and impact to the DEK's balance sheet.

During the evaluation process, DEK may or may not choose to initiate discussions with one or more respondents. Discussions with a respondent shall in no way be construed as commencing contract negotiations.

C. Contract Negotiations

DEK will contact the respondent in writing of its interest in commencing contract negotiations. DEK's commencement of and participation in negotiations shall not be construed as a commitment to execute a contract. If a contract is negotiated, it will not be effective unless and until it is fully executed with the receipt of all required regulatory approvals.

7.0 **Reservation of Rights**

Nothing contained in this RFP shall be construed to require or obligate DEK to select any proposals or limit the ability of DEK to reject all proposals in its sole and exclusive discretion. DEK further reserves the right to withdraw and terminate this RFP at any time prior to the proposal deadline, selection of a short list or execution of a contract.

All proposals submitted to DEK pursuant to this RFP shall become the exclusive property of DEK and may be used for any reasonable purpose by DEK. DEK and B&M shall consider materials provided by respondent in response to this RFP to be confidential only if such materials are clearly designated as "Confidential." Respondents should be aware that their proposal, even if marked "Confidential", may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by DEK. Respondents may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by an order of an agency or court of competent jurisdiction, DEK may produce the material in response to such order without prior consultation with the respondent.

Appendix A: Minimum Environmental Performance/Equipment for Coal Assets

Coal units must meet the follow specifications in order to be considered for this RFP.

Criteria Pollutants

The SO₂ emissions rate is not to exceed 0.15 lb/MMBtu on a 30 day rolling average basis, and the NO_x emissions rate is not to exceed 0.10 lb/MMBtu on a 30 day rolling average basis. The bidder must represent the methods by which the unit achieves the performance threshold including type, age and performance of emission control equipment. If emissions control equipment is planned, the bidder must describe the equipment, the status of construction, and the expected in service date. The bidder must also identify any known or anticipated local or regional air quality issues that have the potential to impose further reductions on SO₂ or NO_x including NAAQS nonattainment areas impacted by the unit and any air quality monitoring for the unit.

Mercury & Air Toxic Standards Rule

Mercury emission rates shall not exceed 1.2 lb/TBTU on a 30 day rolling average basis, filterable particulate matter emissions rates shall not exceed 0.03 lb/MMBtu FPM on a 30 day rolling average basis, and acid gas emissions shall not exceed 0.002 lb/MMBtu HCl on a 30 day rolling average basis. Please identify the compliance method for each type of pollutant. Also, if acid gas compliance shall be via the SO₂ alternative, please state. Alternative compliance demonstration methods for the pollutants under the MATS rule are also acceptable (for example, the lb/GWHR metrics or quarterly stack testing). Please identify any alternative methods. The bidder must represent the methods by which the unit can attain MATS compliance including the age, type and performance of installed or planned emission control equipment. Any sorbent systems such as SO₃ mitigation, activated carbon injection, FGC chemical additives, etc. should be identified whether installed or planned. If emissions control equipment is planned, the bidder must describe the equipment, the status of construction, and the expected in service date. The bidder must identify the planned outage periods during which it intends to perform the Work Practice Standard for organic HAP emissions and on whether on a 3 or 4 year frequency in the future. If the frequency is four years, then the qualifying neural network optimization system installed on the unit must be identified.

Unit Equipment Based Criteria

The unit shall be equipped with a dry flyash collection, conveyance and storage system. If dry ash conversion is planned, please describe the status of construction and the in service date. The unit shall be equipped with an on-site or accessible nearby permitted, lined landfill facility meeting proposed Subtitle D specifications, and/or demonstrate long-term contracts for the sale of all FGD waste produced and flyash collected. If landfill development is planned, the bidder must describe the status of construction and the expected in service dates. If the unit has wet flue gas desulfurization, then the waste water treatment system must be described. The unit shall be equipped with a closed cycle cooling system which either cooling towers or a closed cooling water

impoundment that is not Waters of the US. Please identify the cooling system makeup water source and the type of intake structure.



REQUEST FOR PROPOSALS

For Up to 300 MW Capacity or Capacity and Energy

Duke Energy Indiana

Dated: July 9, 2013
Proposals Due: August 5, 2013

Complete Information on this RFP can be found at:
<http://DukeEnergyIndianaRFP.com>



Table of Contents

1.0 Background	..	3
2.0 Introduction & Company Information.....		.3
3.0 General Terms	.	..4
4.0 Instructions to Respondents		.6
5.0 Proposal Organization	.	8
6.0 Proposal Evaluation and Contract Negotiations9
7.0 Reservation of Rights		..10

1.0 Background

Duke Energy Indiana, Inc. is requesting capacity or capacity and energy to potentially replace 300 MWs from coal generating facilities that could possibly retire. These retirements could be necessary as a result of the multiple emerging environmental regulations including the EPA Mercury and Air Toxic Standards (MATS) rule and other water quality, fish impingement, and coal residual standards. The company will consider multiple capacity alternatives including Power Purchase Agreements (PPA), Tolling Agreements (TA), Asset Purchases, existing coal to natural gas conversion, and new self build generation. Duke Energy Indiana will allow company affiliates to participate in this RFP.

2.0 Introduction & Company Information

Duke Energy Indiana, Inc. has a need for capacity or capacity and energy resources beginning June 1, 2016 in order to meet its MISO Planning Reserve Margin Requirement and serve its customers needs economically.

Specific requirements for this Request for Proposals (RFP) are as follows:

- Resources of up to 300 MWs of Unforced Capacity (UCAP) or Capacity (UCAP) and Energy beginning June 1, 2016
- Traditional supply side and renewable proposals must be for a minimum block of 50 MWs UCAP
- PPA and TA contract terms must be for a minimum of 5 years and a maximum of 10 years; asset purchases must have remaining asset life of at least 10 years
- Resources must be operated by a MISO market participant, unit contingent and dispatchable (or schedulable) into MISO
- Capacity must be located in MISO or have firm deliverability to the MISO border
- Energy can be either physical or financial with following delivery options:
 - If physical energy and in MISO, then the energy must be delivered at the generator node
 - If physical energy and external to MISO, then the energy must be delivered to the MISO border
 - If financial energy, then the delivery point is CIN.PSI
- Duke Energy Indiana will not accept proposals for projects on Duke Energy property, energy efficiency, or demand side management (DSM)
- Asset Purchases of coal generating facilities will not be accepted.

Duke Energy Indiana has retained Burns & McDonnell (B&M) to act as an independent third party consultant to assist with this RFP. All respondents will directly interface with B&M for all communications including questions, RFP clarification issues and RFP bid submittal.

Duke Energy Corporation (Duke Energy), an energy company headquartered in Charlotte, NC, supplies and delivers energy to approximately 7.2 million U.S. customers. The company has nearly 49,700 MWs

of owned regulated electric generating capacity in the Midwest and the Southeast and natural gas distribution services in Ohio and Indiana.

Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the internet at www.duke-energy.com.

3.0 General Terms

Duke Energy Indiana is requesting up to 300 MW of capacity or capacity and energy in connection with its MISO Planning Reserve Margin Requirements and to serve its customers' energy needs economically. Duke Energy Indiana requires that resources be dispatchable/schedulable into MISO and unit contingent.

A. Product Definition

Duke Energy Indiana is seeking the following products in its RFP:

1. Capacity (MW) -or-
2. Capacity (MW) and Energy (MWh),

Traditional supply side and renewable proposals are acceptable, but Renewable Energy Certificates are not desired at this time.

In order to participate in this RFP, resources must be a certified Capacity Resource as defined by MISO. Resources external to MISO must demonstrate firm Transmission Service from the resource to the MISO border. Firm Transmission Service must be obtained to deliver at least the ICAP amount of the Capacity Resource from the external resource to the MISO border.

B. Proposal Types

Duke Energy Indiana is interested in potentially executing a contract for traditional supply side and/or renewable resources with one of the following proposal types:

1. Purchase Power Agreements (PPA)
2. Tolling Agreements (TA)
3. Asset Purchase

C. Contract Capacity

The contract capacity shall be stated in terms of MISO UCAP. Duke Energy Indiana will accept bids with a minimum UCAP of 50 MW up to a maximum UCAP of 300 MW.

D. Delivery Date & Term

Duke Energy Indiana is seeking up to 300 MW of capacity or capacity and energy beginning June 1, 2016. A minimum term of 5 years is required up to a maximum term of 10 years. Asset purchases must have a remaining plant life of at least 10 years.

E. Delivery Point

Capacity must be located in MISO or have firm delivery to the MISO border. Energy that is either physical or financial is acceptable. If the product is physical energy which is located in MISO, then the delivery point is at the generator node. If the product is physical energy external to MISO, then the delivery point is the MISO border. If the product is financial energy, then the delivery point is the CIN.PSI node. Preference is for energy pricing at the CIN.PSI Pricing Node including applicable congestion and losses.

F. Contract Pricing

1. Purchase Power Agreements/Tolling Agreements

All PPA/TA pricing should be comprised of a capacity component on a \$/kw-yr basis and an energy component consisting of a non-fuel variable O&M (\$/MWh) component and a fuel cost (\$/MMBtu) component. A heat rate must be given for conversion of fuel costs to \$/MWh. Alternatively, a fixed "dispatch" price may be provided on a \$/MWh basis. The total variable pricing (non-fuel variable O&M +fuel) of the unit charged to Duke Energy Indiana must be equal to the MISO dispatch price. Duke Energy Indiana prefers non-fuel variable pricing to be on a fixed price or fixed escalation rate basis (e.g. 2%, 3% escalation rate). This information must be provided in **Attachment B: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

The seller of the capacity will be responsible for all relevant MISO resource performance assessment penalty charges. Bidder is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO₂ allowances, NO_x allowances and emission fees.

2. Asset Purchase Price

The purchase price of the asset should be stated in millions of dollars. Operational data must also be given as detailed in **Attachment B: Response Package** under **Section C: Asset Purchase Term Sheet**. Purchases of coal assets are not desired at this time.

G. Fuel Supply

1. Gas

The proposal must indicate the most applicable fuel pricing point and any applicable local distribution company (LDC) charges. Fuel supply proposals may include either a fuel index formula or fixed fuel price. For all indexed bids, a fuel pricing formula must be provided which must supply sufficient detail for Duke Energy Indiana to understand the formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term. For evaluation purposes, Duke Energy Indiana plans to use its own fundamental fuel price forecast for estimates of natural gas commodity pricing for each bid.

For natural gas pipeline capacity, if firm transportation is included in the bid, then the cost of should be specified. Provide appropriate details including-- Maximum Daily Transportation Quantity (MDTQ) and any transportation demand rate information expressed as a Daily Demand Rate per MMBtu (100% LF) necessary for Duke Energy Indiana to understand the total cost of firm gas transportation on a monthly and annual basis. Please provide the upstream interstate and LDC provider.

This information must be provided in **Attachment B: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

2. Coal

The proposal must provide coal specifications and projected coal prices. Asset purchases of coal will not be accepted at this time. This information must be provided in **Attachment B: Response Package**.

H. Location

Proposals must contain unit contingent offers. Proposal must identify the generation resources that have been proposed and their location. There will be a preference for assets with the following declining order of preference:

1. Assets located in MISO Local Resource Zone 6
2. Assets located in MISO
3. Assets external to MISO with firm deliverability to the MISO Border

I. Transmission

Resources external to MISO must demonstrate firm Transmission Service from the resource to the MISO border. Firm Transmission Service must be obtained to deliver at least the ICAP amount of the Capacity Resource from the external resource to the MISO border. PPA/TA suppliers are responsible for all delivery and loss charges to the delivery point.

4.0 Instructions to Respondents

A. Overview of Process

B&M has set-up an e-mail address DukeEnergyIndianaRFP@burnsmcd.com to collect all communications and questions from potential respondents as well as a web site <http://DukeEnergyIndianaRFP.com/> to provide uniform communications, including updates and specific detail as may be provided from time to time through this bidding process.

The bid process will include the activities and events as indicated in the schedule shown below. Proposal opening will be performed in private by B&M on a confidential basis. Proposals will be reviewed for completeness and offers that do not include the information requirements of this RFP will be notified and allowed five business days to conform. All conforming proposals will be sent to Duke Energy Indiana for evaluation with the respondent's name and other identifying information redacted from the proposal. The evaluation of the bids will be performed by Duke Energy Indiana with assistance provided by B&M. Respondents selected for the short list may or may not be invited to begin negotiations of final details of the offers.

Duke Energy Indiana RFP Schedule

Event	Anticipated Date
Release of RFP	July 9, 2013
Proposal Submittal Deadline	August 5, 2013
Selection of Short List	September 16, 2013
Complete Negotiations	First Quarter 2014

B. Nondisclosure Agreement (Attachment A) and Response Package (Attachment B)

Respondents to this RFP are required to sign **Attachment A: Nondisclosure Agreement (NDA)** in its present form. Respondents to this RFP area also required to complete the **Attachment B: Response Package** to be eligible to compete in the solicitation process. Respondents should organize their proposals as described in **Section 4.0: Proposal Organization**. All applicable information contained in the proposal must be addressed, including:

Attachment A: Nondisclosure Agreement (NDA)

Attachment B: Response Package

All correspondence concerning this RFP should be sent via e-mail to:

DukeEnergyIndianaRFP@burnsmcd.com .

Phone inquiries regarding this RFP will not be entertained. Individual questions submitted by a respondent to B&M will be answered with responses sent via email back to the respondent. Responses to frequently asked questions may be placed on the RFP Website for the benefit of all respondents, although care will be taken not to identify any specific respondent(s).

D. Deadline and Method for Submitting Proposals

All proposals submitted in response to this RFP must be received by B&M no later than **5:00 PM EST on August 5, 2013**. Duke Energy Indiana will not guarantee evaluation of proposals associated with this RFP if submitted after this time.

Respondents are required to submit three (3) hard copies of each proposal and a CD with the spreadsheets provided in **Attachment B: Response Package** to the address below. It is further required that multiple proposals submitted by each respondent be identified separately. **Emailed proposals will not be accepted**. Financial statements, annual reports and other large documents may be referenced via a web site address.

Burns & McDonnell
Attn: Jon Summerville
9400 Ward Parkway
Kansas City, MO 64114

5.0 Proposal Organization

The proposal must include an executive summary, proposal limitations, the technical and cost aspects and relevant company data.

A. Executive Summary

Please provide an overview of the proposal and project. Include an overview of the technology, fuel type, project benefits and location. Please also complete **Section A: General Information** located in **Attachment B: Response Package** for all projects.

B. Proposal Limitations

Please describe in reasonable detail any economic, operational or system conditions that might affect the respondent's ability to deliver capacity and energy as offered.

C. Technical Proposal & Cost

Please describe in reasonable detail the source of the capacity and energy. For Purchase Power Agreement and Tolling Agreements, operational information and pricing should be given as indicated in the **Section B: PPA/TA Term Sheet** section located in **Attachment B: Response Package**. All proposed asset purchase proposals shall fill **Section C: Asset Purchase Term Sheet** section located in **Attachment B: Response Package**.

D. Company Data

Please include information on the respondent's corporate structure (including identification of any parent companies), a copy of the respondent's most recent quarterly report containing unaudited consolidated financial statements that is signed and verified by an authorized officer of respondent attesting to its accuracy, a copy of respondent's most recent annual report containing audited consolidated financial statements and a summary of respondent's relevant experience. Financial statements, annual reports and other large documents may be referenced via a web site address.

6.0 Proposal Evaluation and Contract Negotiations

A. Initial Proposal Review

After the proposal submittal deadline, B&M will privately open and review all responses for completeness and responsiveness. B&M may request that a respondent provide additional information or clarification to its original proposal. B&M will make such requests in writing via email and specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline may result in disqualification of the proposal.

All conforming proposals will be sent to Duke Energy Indiana for evaluation with the respondent's name and other identifying information redacted from the proposal.

B. Short List Development

Duke Energy Indiana will then evaluate all proposals to meet both capacity and energy needs. Proposals will be evaluated based on present value economics and other factors that may include, but will not be limited to location, credit, relevant experience, technology feasibility, permitting, deliverability and impact to Duke Energy Indiana's balance sheet.

During the evaluation process, Duke Energy Indiana may or may not choose to initiate discussions with one or more respondents. Discussions with a respondent shall in no way be construed as commencing contract negotiations.

C. Contract Negotiations

Duke Energy Indiana will contact the respondent in writing of its interest in commencing contract negotiations. Duke Energy Indiana's commencement of and participation in negotiations shall not be construed as a commitment to execute a contract. If a contract is negotiated, it will not be effective unless and until it is fully executed with the receipt of all required regulatory approvals.

7.0 Reservation of Rights

Nothing contained in this RFP shall be construed to require or obligate Duke Energy Indiana to select any proposals or limit the ability of Duke Energy Indiana to reject all proposals in its sole and exclusive discretion. Duke Energy Indiana further reserves the right to withdraw and terminate this RFP at any time prior to the proposal deadline, selection of a short list or execution of a contract.

All proposals submitted to Duke Energy Indiana pursuant to this RFP shall become the exclusive property of Duke Energy Indiana and may be used for any reasonable purpose by Duke Energy Indiana. Duke Energy Indiana and B&M shall consider materials provided by respondent in response to this RFP to be confidential only if such materials are clearly designated as "Confidential." Respondents should be aware that their proposal, even if marked "Confidential", may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by Duke Energy Indiana. Respondents may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by an order of an agency or court of competent jurisdiction, Duke Energy Indiana may produce the material in response to such order without prior consultation with the respondent.

REQUEST FOR PROPOSALS

**NORTHEAST
NEBRASKA**

PUBLIC POWER DISTRICT

For

Power Supply Proposals

Northeast Nebraska Public Power District

City of South Sioux City, NE

City of Wakefield, NE

City of Wayne, NE

City of Emerson, NE

ISSUED BY: Timber Canyon Energy Consulting, LLC

Dated: June 17, 2013

BACKGROUND

The Northeast Nebraska Public Power District ("NeNPPD") is currently a full requirement customer of Nebraska Public Power District (NPPD) which is a member of the Southwest Power Pool. NeNPPD has a peak load of approximately 65 MW. The peak is unique in that it is set in the off-peak hours with irrigation demand. NeNPPD must give NPPD a three year notice to reduce its purchases from the NPPD. This notice can be given to NPPD on or before December 31, 2013 with a new provider starting service beginning January 1, 2017. NeNPPD has a customer mix by kWh of 39% Residential, 44% Commercial and Industrial, 13% Irrigation, 4% Sales for Resale and to Public Authorities.

NeNPPD serves approximately 8,500 retail electric customers in Pierce, Thurston, Wayne, Dixon and Dakota Counties in Nebraska. NeNPPD operates about 3,000 miles of electric lines and over 100 miles of high voltage transmission lines. Power is delivered to the Cities of Wayne, Wakefield, Winside and Emerson over NeNPPD transmission lines from the Nebraska Public Power District which owns coal and nuclear generating plants.

As well as the load of NeNPPD there are the municipalities of South Sioux City, Wayne, Wakefield and Emerson, Nebraska that are also interested in potentially leaving NPPD. The group will be referred as "Customers". **Currently the total Customers' load is approximately 110 MW.**

INTRODUCTION

Through the issuance of this Request for Proposals (RFP), the Customers are requesting bidders to submit proposals for energy and capacity supplies as laid out in the RFP below. We will initially request proposals for the NeNPPD load. The number of bidders will be narrowed down to a list of pre-qualified bidders. After the short list is selected, a more detailed evaluation is expected to include serving the municipal loads as well. This will make the process of evaluation simpler and faster to complete. All of these Customers are located in Northeast Nebraska inside the Counties named above and are contiguous electric systems. The loads are currently in the Southwest Power Pool but are adjacent to MISO. We will be accepting proposals from both MISO and SPP regions. It is feasible that the loads can be moved into MISO from the SPP either through a pseudo tie or the construction of transmission line. In order to leave the NPPD system, the Customers must give a 3-year notice. The notice can be for a maximum of 30% reduction per year beginning in 2017 by giving notice prior to the end of 2013. Additional notice can be given in 2014 and 2015 for 30% reductions in 2018 and 2019.

MISO proposals will be delivered to the interface between NPPD and MISO.

A \$500 non-refundable filing fee must be submitted with each proposal. The filing fee should be made by check payable to Northeast Nebraska Public Power District.

RFP PROCESS SCHEDULE

Issuance of RFP - June 17th, 2013 by 5:00 PM MST

Proposals Due - July 2nd, 2013

Pre-Qualified Short List Notification July 12th, 2013

Presentation of Proposals – July 23rd, 2013 in Wayne, Nebraska

Bidder Short List Notification around August 14th, 2013

Contract Execution – On or before December 17th, 2013

BIDDER COMMUNICATION

All bidder communications should be made in writing with questions and proposal submissions directed to:

Todd Hegwer

President

Timber Canyon Energy Consultants, LLC

2145 Beechnut Place, Castle Rock, Colorado 80108

E-mail: toddhegwer@gmail.com

All proposals should be submitted in Portable Document Format (pdf) and sent via e-mail and also submitted in (1) hard copy to Timber Canyon Energy Consulting, LLC.

A Screening Committee reviews submittals and determines which qualified candidates are invited to present their qualifications further at an interview with the Screening Committee.

PRODUCTS

Short Term: Firm Energy Blocks – Delivered to the Customers load

For the term beginning January 1, 2017 up to 5 years, please provide pricing for the term as one price for each product in \$/MWh per year. We will accept energy and/or capacity offers. Please use the form in Appendix A. For the purpose of this evaluation, power should be delivered to a point of interconnection with Nebraska Public Power District. Please include transmission cost in the price to deliver to the point of interconnection, if any.

1. Firm On-Peak Energy Block: (5x16)
2. Wrap 2x16 and 7x 8 including FERC Holidays
3. Blended price for 1 and 2 above.
4. Full Requirements Supply – Load data is attached.
5. Capacity and reserves.

Capacity and Reserves

Please price the capacity assuming a Planning Reserve Margin as if the load will be served in SPP with a 13.6% Reserve Margin. This is a conservative estimate since MISO’s requirement is lower than the SPP Reserve Margin.

Energy Services:

Please provide a cost for a complete package of energy services including but not limited to load forecasting, scheduling, hourly load management, settlements, etc...

Long-Term:

Proposals of five years or more will be considered as a full requirements package. These will be evaluated separately. Long-term proposals will be analyzed as delivered to Customers’ Load. Please price Capacity in \$/kW-month, Energy in \$/MWh, and escalation factors associated with both. Additional cost such as O&M and other costs shall be itemized separately. Please present prices for each year beginning in 2017. The initial effort is to secure a short term agreement and then move to a longer term transaction. The Customers may agree to move to a long-term agreement sooner based on both economic and non-economic factors.

Load Requirements for Blocks of Load

Peak 5x16, Wrap 7x8 and 2x16

MW	2017		2018		2019		2020		2021	
Month	Peak	Wrap	Peak	Wrap	Peak	Wrap	Peak	Wrap	Peak	Wrap
Jan	10	9	19	18	29	28	29	28	29	28
Feb	9	9	19	18	28	27	28	27	28	27
Mar	8	7	16	14	23	22	23	22	23	22
Apr	7	7	14	13	22	20	22	20	22	20
May	8	7	16	15	25	22	25	22	25	22
Jun	12	12	23	23	35	35	35	35	35	35
Jul	15	16	29	33	44	49	44	49	44	49
Aug	13	13	26	25	39	38	39	38	39	38
Sep	9	8	18	17	27	25	27	25	27	25
Oct	9	8	17	16	26	23	26	23	26	23
Nov	9	9	18	17	28	26	28	26	28	26
Dec	10	9	20	18	29	27	29	27	29	27

Please use this data to calculate an annual average for each year. The total load may move to 110 MW with the addition of the municipalities.

Use the below estimate for the loads in 2022 and beyond.

2022	
Peak	Wrap
32	31
31	30
26	24
24	22
27	25
39	39
48	54
44	42
30	28
29	26
31	29
33	30

Renewable Energy Offers

NeNPPD will evaluate renewable energy offers that can be shaped and delivered to the interconnection with NPPD. The amount of energy should not exceed 10 MW.

Bidder's Presentation on July 23, 2013

Pre Qualified Bidder's are required to make a presentation. Todd Hegwer will contact each pre Qualified Bidder to setup a time on July 23, 2013. Presentations will be limited to 1 hour. The purpose of the presentations is twofold. First it is to clarify any questions about the proposals and to clear up and define any questions the bidders may have at that time. Second it is an opportunity for the Customers to learn more about the power markets since they have been full requirement customers of NPPD for many years.

Bids and Discussion with Bidders

Customer may initiate discussion with Bidder(s), as appropriate, following the analytical assessment of the bids. Customers reserve the right to enter into an agreement at any time with a Bidder who, in the opinion of the Customers, will provide the greatest value. The Customers in their sole discretion may decline to enter discussions with any Bidder, may terminate negotiations with any Bidder, and/or decline to select any Bidder at any time during the RFP process. All communications between Bidders and Customers shall be conducted in writing. The Customers being public entities are subject to Board and/or City Council approval prior to any final authorization to enter into contracts.

RIGHT OF NeNPPD TO CANCEL REQUEST FOR QUALIFICATIONS, TO ELECT NOT TO AWARD, TO REJECT SUBMITTALS, AND TO WAIVE INFORMALITIES OR IRREGULARITIES

NeNPPD expressly reserves the right to cancel the RFP at any time, to elect not to award contracts cited in the RFP, to reject any or all submittals, to waive any informality or irregularity in any submittal received, and to be the sole judge of the merits of the respective submittals received.

Appendix A

Candidates must complete each of the following items in order to be considered.

1. FIRM NAME:

2. BUSINESS ADDRESS:

3. NAME OF CONTACT PERSON: _____

4. TELEPHONE, WITH AREA CODE: _____

5. E MAIL ADDRESS: _____

Source SPP or MISO (Check one "X")							
Product - Short Term		2017	2018	2019	2020	2021	2022
1	Firm On-Peak Energy Block (5x16) (\$/MWh)						
2	Wrap 2x16 and 7x8 (\$/MWh)						
3	Blend (1 and 2)(\$/MWh)						
4	Full Requirements (\$/MWh)						
5	Capacity(\$/KW-month)						

Year	2017	2018	2019	2020	2021	2022	Escalation
Energy Services \$/Year							

Long Term	2017	2018	2019	2020	2021	2022	Escalation
Capacity (\$/KW-month)							
Energy (\$/MWh)							
Other							