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January 5, 2016

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c/o Document Control Center
State Corporation Commission
Tyler Building – First Floor
1300 East Main Street
Richmond, Virginia 23219

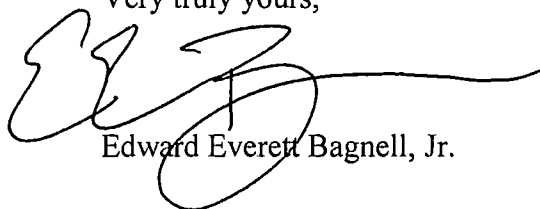
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**Re: APPLICATION OF VIRGINIA ELECTRIC AND POWER COMPANY For approval and certification of the proposed Greenville County Power Station and related transmission facilities, and for approval of a rate adjustment clause, designated Rider GV;
Case No. PUE-2015-00075**

Dear Mr. Peck:

Pursuant to ordering paragraph (9) of the July 29, 2015 Order for Notice and Hearing in the above matter, enclosed for filing on behalf of PJM Power Providers Group and the Electric Power Supply Association are Public Comments on the Application of Virginia Electric and Power Company seeking approval and certification of the proposed Greenville County Power Station.

Very truly yours,



Edward Everett Bagnell, Jr.

EEB/am
Enclosure

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA ELECTRIC AND POWER COMPANY)
) Case No. PUE-2015-00075
For approval and certification of the proposed Greenville)
County Power Station and related transmission)
facilities, and for approval of a rate adjustment clause,)
designated Rider GV)

COMMENTS BY PJM POWER PROVIDERS GROUP¹
& THE ELECTRIC POWER SUPPLY ASSOCIATION²

Pursuant to ordering paragraph (9) of the July 29, 2015 Order for Notice and Hearing, PJM Power Providers Group (“P3”) and the Electric Power Supply Association (EPSA) (collectively “P3/EPSA”) respectfully submit the following Comments on the Application of Virginia Electric and Power Company (“Dominion” or the “Company”) seeking approval and certification of the proposed Greenville County Power Station:

I. Statement of Interest

PJM Power Providers Group is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. (“PJM”) region. Combined, PJM Power Providers Group members own over 84,000 MWs of generation assets, produce enough power to supply over 20 million homes and employ over 40,000 people in the PJM region covering 13 states and the District of Columbia.

¹ The comments contained in this submission represent the position of PJM Power Providers Group as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on PJM Power Providers Group, visit www.p3powergroup.com

² EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets. EPSA seeks to bring the benefits of competition to all power customers. For more information on EPSA, visit www.epsa.org/about/

EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets. EPSA seeks to bring the benefits of competition to all power customers.

II. Background

P3/EP SA has formally participated as a respondent in the Company's cases seeking approval and certification of new generation facilities and approval of Integrated Resource Plans ("IRP" or "IRPs") in recent years. In those proceedings, P3/EP SA has consistently supported policies that allow consumers to enjoy the benefits of competition. P3/EP SA firmly believes that developing new resources and retaining existing resources based on competitive market signals will, over time, provide consumers reliable electricity at the lowest cost.

As set forth in its Application, Dominion issued a RFP on November 3, 2014 (the "2014 RFP"), seeking up to 1,600 MW of "Unit Firm Capacity," with a delivery point located in or in close proximity to the PJM Dominion Transmission Zone.³ On December 1, 2014, P3/EP SA sent a letter to the State Corporation Commission ("Commission") expressing its concerns that the 2014 RFP was not designed to elicit competitive bids, and therefore could not result in the level of consideration of market alternatives required by the 2013 amendment to Va. Code § 56-585.1 A 6 requiring utilities to consider and weigh third-party market alternatives prior to obtaining a Certificate of Public Convenience and Necessity ("CPCN"). In response to its letter, P3/EP SA received a January 5, 2015, letter from William F. Stephens, Director of the Division

³ Direct Testimony of Michael S. Hupp, Jr., 4:8 - 5:19.

of Energy Regulation, seeking additional information, to which P3/EP SA responded by letter dated January 23, 2015.

P3/EP SA now submits these Comments to highlight the same flaws in Dominion's Greenville 2014 RFP that P3 raised in its correspondence with the Commission a year ago so they may be considered as part of the record in this case. The December 2014 - January 2015 correspondence between P3/EP SA and the Commission is included in the Appendix to these Comments. P3/EP SA likewise will discuss additional concerns regarding the Company's review and analysis of bids received in response to the RFP, based on the very limited information the Company has disclosed in its Application regarding that process.

II. Summary of Applicable Law

In February 2013, the General Assembly enacted an amendment to the Virginia Electric Utility Regulation Act that provides that "[a] utility seeking approval to construct a generating facility shall demonstrate that it has considered and weighed alternative options, including third-party market alternatives, in its selection process."⁴ In PUE-2013-00128, Dominion's application for approval of the Brunswick County Power Station, which was filed prior to the effective date of the amendment, the Commission acknowledged the significance of this amendment, stating that, "[t]his is a new statutory standard that an applicant will have to satisfy. That is, under this new statute, a CPCN applicant no longer has the option of trying to prove its case without evidence of consideration of actual third-party alternatives in its selection process."⁵ This case represents the first large-scale generation project subject to the new requirements.

⁴ Va. Code § 56-585.1 A 6

⁵ *Application of Virginia Electric and Power Company for Approval and Certification of Proposed Brunswick County Power Station*, PUE-2012-00128, August 2, 2013 Final Order at 17.

The Commission has, however, previously interpreted the amendment in the course of reviewing the Company's application for approval of the 20 MW Remington Solar Facility. Addressing the amendment to Va. Code § 56-585.1 A 6, the Commission correctly held that "[t]he statutory requirement that an applicant must demonstrate that "third-party market alternatives" have been considered and weighed during the applicant's selection process expresses the General Assembly's clear intent that serious and credible efforts must be made to determine whether there are third-party market options available to provide this renewable power at prices less burdensome to consumers than the applicant's self-build option."⁶

In the Remington Solar case, the only evidence the Company offered that it considered alternatives was its analysis of the North Carolina solar market, but because the resources the Company considered were already committed, the Commission correctly held that those resources were not alternatives to the proposed project, and denied Dominion's application.⁷ Commenting on arguments advanced by Consumer Counsel, the Commission further stated that "[a] serious and credible RFP process would certainly be relevant to whether a CPCN applicant has met the Code's requirement to consider and weigh third-party market alternatives in the Company's selection process; however, we do not need to rule herein that a formal RFP must always be performed in a CPCN case in order to fulfill the demonstration required by Code § 56-585.1 A 6 regarding alternative options, including third-party market alternatives. There may be other credible methods to meet the statute's requirement."⁸

P3/EPSCA respectfully submits that when utility seeks to build \$1.33 billion, 1588 MW facility, interconnected to a Regional Transmission Organization ("RTO"), such as the proposed

⁶ *Application of Virginia Electric and Power Company for Approval and Certification of Proposed Remington Solar Facility*, PUE-2015-00006, October 20, 2105 Final Order at 6.

⁷ *Id.*, at 7.

⁸ *Id.* at 8.

Greenville Power Station, that a broad-based and equitable RFP process is the only credible means to properly consider alternatives to the project.⁹ Moreover, such an RFP cannot be designed to favor a utility's self-build option, but instead, must be fairly designed, appropriately administered, and impartially reviewed, to constitute a serious and credible RFP.

III. Dominion's 2014 RFP

As described in P3/EPSC's prior correspondence with the Commission, Dominion's 2014 RFP purposely and unreasonably favored Dominion's long-standing plans to self-build the Greenville Power Station, and fails to comport with best practices implemented in a fair and impartial RFP in several ways:

A. Schedule & Process.

Although Dominion has contemplated the need for a facility such as the proposed Greenville Power Station since 2011,¹⁰ it issued its RFP on November 3, 2014, and required an intent to bid in less than two weeks, and a completed bid in six weeks. This time frame unreasonably restricted prospective bidders' ability to meaningfully respond. Meanwhile the Company's self-build team had been working to develop its Greenville application since at least as early as August 29, 2014, as revealed by the IRP filed on that date.¹¹

B. Unnecessary and Overly Restrictive Specifications.

The 2014 RFP's narrowly-tailored fuel specifications, requiring "fuel transportation that must have full-year firm capacity from origin (or liquid supply point) to plant," are overly

⁹ Indeed, the Company acknowledges that "[f]or this specific need for generation, the Company believes that conducting an RFP is an appropriate means to meet [the statutory requirement that it consider third party market alternatives]." Direct Testimony of Michael S. Hupp, Jr., 3:26-27; Staff goes further and states its view that that the Company has an obligation to issue a formal RFP in this case. Direct Testimony of Marc A. Tufaro, 12:9-11.

¹⁰ Direct Testimony of Glenn A. Kelly, 5:9-11 ("In each of the Company's Plans since 2011, a 3x1 combined cycle ("CC") facility in the 2019 timeframe was identified as part of the optimal resource mix...").

¹¹ Dominion's 2014 RFP, Figure 7.2.3 - Generation under Development.

restrictive. As are Dominion's "exclusive right" to 100% of the facility's output, and the 2014 RFP's provision requiring that Bidders make "no exception" to the form of the PPA or provide an "execution-ready" PPA. Similarly, the Delivery Point requirements¹² unnecessarily limit the zones from which resources in PJM must be delivered. As long as the resources are deliverable, and the risk remains upon the supplier, restrictions on delivery locations should not be made. Likewise, the requirement of a fully dispatchable product¹³ is unnecessary and unreasonably limits the pool of qualified bidders. Dominion also limited the term to 10 to 20 year contracts, but such a limitation is unnecessary and precludes bidders from offering shorter term proposals that could delay the projected need for the Company's self-build project, resulting in significant savings to customers.

C. Lack of Impartial Review.

P3 respectfully submits that the review of bids in response to any RFP must be impartial, and that the Company should seek, and the Commission should require, that a neutral, third-party perform an evaluation and comparison of bids, including the Company's proposed self-build option. This is particularly true where the Company is motivated to build by the financial incentives available to it through rate adjustment clauses. Dominion apparently recognizes the importance of an impartial evaluation, noting that it "established an RFP evaluation team separate from the team leading the development of the self-build proposal....[and contending that the] Dominion Virginia Power self-build team was treated like other third parties and followed substantially identical protocols and processes."¹⁴ The notion that Dominion employees can impartially review the Company's own proposal simply because they were not on

¹² 2014 RFP, Part 1, Section C.4

¹³ 2014 RFP, Part 1, Section C.1

¹⁴ Direct Testimony of Michael S. Hupp, Jr., 4:3-7.

the “self-build team,” along with the Company’s conclusion that its option represents a net present value savings of \$1.5 to \$2.304 billion compared to the alternatives evaluated are suspect at best. As P3/EPSC has demonstrated in prior proceedings before the Commission, numerous other jurisdictions utilize an independent review board, independent monitor, or other impartial, third party review of bids received in response to an RFP. By contrast, Dominion conducts its own review of bids, relying heavily on Strategist modeling, the details of which are not shared with the public or the Commission. In his rebuttal testimony on behalf of the Company, Mr. Kelly states that, “[i]n all instances, the Company used the Strategist model to assist in evaluating the economics of various resource alternatives.”¹⁵ Continuing, Mr. Kelly testifies that the “Strategist model uses a dynamic programming methodology for making a series of decisions needed to calculate the optimized mix of resources given a particular set of assumptions.”¹⁶ There is nothing in this testimony that gives us any idea of what the Company actually did to evaluate alternatives, what assumptions were made, and what series of decisions the model made. Because the record does not tell the Commission or the public what Dominion did with any of the bids it received, it is impossible to evaluate whether Dominion’s consideration was fair and meaningful.

Indeed, the RFP was not designed to be a fair evaluation of all available options for the capacity need identified by the Company. Instead, the RFP was based on the premise that the Company’s self-build option was the best choice as evidenced by the narrow scope of the proposals sought, which largely required that bids include characteristics contained in the self-build option. Under this framework, it is not surprising that the Company’s “in-house” review team used evaluation parameters that heavily favored the Company’s own project.

¹⁵ December 18, 2015 Rebuttal Testimony of Glenn A. Kelly at 6:15-16

¹⁶ Id., at 7:4-6.

For example, the Company's "non-price" evaluation of bids included 21 categories, developed by the Company, with each proposal receiving a score of one, three, or five for each category, based upon attributes developed by the Company. Not surprisingly, the particular attribute required in most categories for the maximum score of five was simply a description of the Company's own project. Both of the Company's self-build options received the maximum score of five in fifteen of the twenty-one categories. If a bid did not include the pre-selected criteria included in the Company's own proposals, the score dropped to a three, at best. This system achieved its designed purpose. The Company's proposals received scores of 4.52 and 4.54, while the highest non-Company score received was a 3.3. Additionally, the Company, in the course of conducting its non-price evaluation, identified "certain key risks [that] were compiled and included in the final evaluation ("Key Risk Factors"). These "Key Risk Factors, while not reflected in the price and non-price evaluations, were deemed significant enough to independently impact the overall favorability of a Proposal, and thus also were included as an independent consideration in the final summary evaluation."¹⁷ Because the Key Risk Factors ultimately identified by the Company have been redacted from its public filings as "Extraordinarily Sensitive," we know only that the Company's own proposal contained none of them. Moreover, the 2014 RFP did not apprise any potential bidders of the Key Risk Factors, thereby depriving them of an opportunity to prepare a bid that resolved or mitigated such risk factors.¹⁸

The Company's review of market alternatives from a cost standpoint was also conducted internally, using inputs to the Strategist model that are not disclosed in its Application. Staff's

¹⁷ Direct Testimony of Michael S. Hupp, Jr., 8:1-5.

¹⁸ The 2014 RFP merely apprises potential bidders that "uncertainty whether a key operating permit/license for a facility can be renewed," is an example of what the Company might consider as a Key Risk Factor.

proffered testimony regarding the adequacy of Dominion's consideration of third-party alternatives largely summarizes Dominion's own testimony and punts to the Commission, stating that "... ultimately, the Commission must determine if the Company's solicitation of and evaluation of third-party market alternatives meets the Commission's "adequately considered" standard and the 2013 amendment to §56-585.1 A 6 regarding third party market alternatives."¹⁹ When asked directly whether the Company adequately considered third-party market alternatives in this case, Principal Utilities Analyst Mr. Tufaro replied that, "[t]hat is a difficult question to answer."²⁰

While deferring to the Commission on the ultimate issue, Staff notes that Dominion's analysis of the alternatives from a cost standpoint was based on a Strategist production cost model that estimated each proposed alternative's expected customer value against a forecast model of PJM wholesale market prices for capacity and electricity as an alternative to compare to the Project.²¹ Similar modeling was used by the Company to predict a range of \$1.5 billion to \$2.304 billion²² in estimated cost savings when comparing the Greenville self-build to other alternatives the Company studied. Staff correctly discounted the value of these estimates, stating that forecasting market purchase prices and fuel prices is "extremely difficult to predict with a high degree of accuracy. As such the Staff believes that the Company's cost savings estimates reflect some, and perhaps a significant degree of, uncertainty."²³ The same inherently uncertain forecasting of wholesale market prices for capacity and energy were plugged into the Strategist

¹⁹ Direct Testimony of Marc A. Tufaro, 15:22 - 16:3

²⁰ *Id.*, at 13.

²¹ *Id.*, at 15.

²² This includes an estimated \$2.1 billion in savings over market purchases. Direct Testimony of Glen A. Kelly at 17.

²³ Direct Testimony of Marc A. Tufaro, at 11:1-8

model used by the Company to evaluate the bids received in response to its RFP,²⁴ and the Commission should have the same reservations regarding the outcome of that analysis.

Staff concludes its testimony regarding the Company's analysis of market alternatives by suggesting that "no respondents or comments filed by the public" challenge Mr. Kelly's conclusion that the Company's Greenville proposal is a better option than any third party alternatives.²⁵ Staff's testimony overlooks the testimony of Rachel S. Wilson, submitted on behalf of the Environmental Respondents. In addition to questioning Dominion's manual input of its self-build into the Strategist model, Ms. Wilson also devotes a substantial portion of her testimony to criticizing the limited scope of the Company's 2014 RFP, and compares the limited nature of the 2014 RFP to an "all sources" RFP issued by the Public Service Company of Colorado.²⁶ The Staff has not undertaken a critical analysis of Dominion's conclusions regarding its analysis of market alternatives, but it does not follow that the Company has carried its burden to consider and weigh third-party market alternatives by conducting a serious and credible RFP, nor that the Company's evaluation of the bids received was conducted in an impartial and unbiased manner.

D. P3/EPSC's Recommendations and Conclusions

Consistent with requests made in prior CPCN proceedings,²⁷ P3/EPSC respectfully requests that the Commission establish a rulemaking case, pursuant to Va. Code § 56-585.1(E), and promulgate rules implementing the 2013 statutory amendment to requiring that utilities conduct a broad based RFP, subject to impartial, third party review, in order to comply with the

²⁴ Direct Testimony of Marc A. Tufaro, at 11:15-16, citing Direct Testimony of Glen A. Kelly at 19-20.

²⁵ *Id.* at 15:19-22.

²⁶ Direct Testimony of Rachel S. Wilson, pp 14-18

²⁷ See Application of Virginia Electric and Power Company for approval and certification of the proposed Brunswick County Power Station, PUE-2012-00128, August 20, 2013, Motion for Reconsideration by EPSC and P3, at 11.

statutory requirement that they consider and weigh third party alternatives. The Company maintains, as it has since its first Virginia IRP, that it makes spot market purchases from PJM when economically prudent. The Greenville project, however, if approved and constructed by 2019 as set forth in the Company's 2015 IRP, will be the third large scale, combined cycle generation facility built by the Company in five years. Although the Commission has previously determined that the 2013 amendments to Va. Code § 56-585.1 do not require a utility to conduct an RFP in connection with every CPCN application, however, the amendment does empower the Commission to require a broad, impartial RFP in order to justify the substantial investment required to construct generation facilities such as the proposed Greenville County Power Station. Virginia's electric consumers deserve no less, and they have repeatedly voiced their concern that market alternatives are not adequately considered by Dominion. For example, this year, the Office of the Attorney General, Division of Consumer Counsel, advocated in the Remington Solar case that the Commission require utilities to issue RFPs in connection with any CPCN application, and the Compete Coalition, on behalf a broad range of commercial customers has implored the Commission to require Dominion to utilize competitive procurement to fulfill its energy and capacity requirements.²⁸

Due to the fact that the 2014 RFP was not a "serious and credible" examination of third-party alternatives, given that it was too limited in scope, conducted under unreasonable time constraints, and was not subject to an impartial, independent review, P3/EPSC encourages the Commission to deny Dominion's Application, and order the Company to conduct an open, broad RFP subject to independent review.

²⁸ See April 13, 2013 Public Comments submitted by the Compete Coalition in PUE 2012-00128, a copy of which is included in the Appendix hereto.

January 5, 2016.

PJM Power Providers Group

The Electric Power Supply Association

/s/

Glen Thomas, President
PJM Power Provider Group (P3)
1060 First Avenue, Suite 400
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610.768.8080

/s/

John E. Shelk, President & CEO
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APPENDIX

THE P³ GROUP



Electric Power Supply Association
Advancing the power of competition

160110053

December 1, 2014

Judith Williams Jagdmann, Chairman
Mark C. Christie, Commissioner
James C. Dimitri, Commissioner
Virginia State Corporation Commission
P.O. Box 1197
Richmond, Virginia 23218:

Dear Chairman Jagdmann, Commissioner Christie and Commissioner Dimitri:

The PJM Power Providers Group ("P3") and the Electric Power Supply Association ("EPSA")¹ are writing to express our very serious concerns with Dominion Virginia Power's ("Dominion" or "Company") November 3, 2014, Request for Proposal ("RFP") that seeks proposals for 1,600 MWs of intermediate or base load power supply generation for its Virginia service territory. Although this RFP appears to be a straight-forward attempt to receive proposals to supply this alleged generation need, a reading of the RFP clearly demonstrates that it is a RFP in name only, as the provisions of the RFP would make it very difficult for any third-party attempt to meet its qualifications. As competitive energy providers, that collectively own over 87,000 megawatts of generation assets in the PJM region, P3's and EPSA's members are best suited to offer competitive options to Virginia residents. However, these potential competitive offerings are all but denied if a RFP, itself, is self-serving and anticompetitive. Such appears to be the case with Dominion's RFP for the 1,600 MWs of requested capacity. A list of just a few of the concerns with the RFP is attached.

¹ P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. P3 strongly believes that properly designed and well-functioning competitive markets are the most effective means of ensuring a reliable supply of power to the PJM region, facilitating investments in alternative energy and demand response technology, and promoting prices that will allow consumers to enjoy the benefits of competitive electricity markets. Combined, P3 members own over 87,000 megawatts of generation assets, own over 51,000 miles of transmission lines, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region encompassing 13 states and the District of Columbia. The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on P3, visit www.p3powergroup.com.

EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

The primary reason that P3 and EPSA are concerned is the fact that the State Corporation Commission ("SCC") clearly stated in Dominion's last Certificate of Public Convenience and Necessity ("CPCN") proceeding that Dominion "shall demonstrate" that it has "considered and weighed alternative options, including third-party market alternatives" before seeking to construct a new generating facility. Specifically, this Commission stated:

"Finally, respondents discuss a new statutory provision enacted by the General Assembly in 2013 regarding third-party alternatives. Specifically, the 2013 General Assembly added the following legal requirement for CPCN proceedings: "A utility seeking approval to construct a generating facility **shall demonstrate** that it has considered and weighed alternative options, including third-party market alternatives, in its selection process. Although this new law is not applicable to the instant case, it clearly will affect CPCN proceedings in the future. This is a new statutory standard that an applicant will have to satisfy. That is, under this new statute, a CPCN applicant no longer has the option of trying to prove its case without evidence of consideration of actual third-party alternatives in its selection process." ² (footnotes omitted; emphasis in original)

The failure to properly evaluate competitive market alternatives before seeking to self-build was an issue with several parties, including P3 and the Virginia Attorney General, in Dominion's last CPCN proceeding. The failure to adequately consider such alternatives in a "broad solicitation" was one of the findings that the Hearing Examiner made in the recommendation that the Commission deny Dominion's previous CPCN Application for the Brunswick power plant.³

Furthermore, Virginia customers have long been on record appealing to the Commission to require Dominion to competitively solicit electricity resources before embarking on self-build initiatives that cost Virginia businesses, in particular, tens of millions of dollars each year. As several, key Virginia businesses have stated to the Commission, "[u]sing a market-based approach for resource procurement would be the approach most consistent with the Commission's guidance in its Dominion IRP order 'that Dominion should adequately consider third-party market alternatives as capacity resources.' It would also be in harmony with Virginia public policy as expressed in legislation signed into law in February that 'requires a utility seeking approval to construct a generating facility to demonstrate that it has considered and weighed alternative options including third-party market alternatives, in its selection process.'" ⁴

While this RFP may appear to be a broader solicitation than the minimal and informal one that Dominion conducted prior to its CPCN Application for its Brunswick plant, P3 and EPSA fear that the result will be the same. Because it appears that it will be very difficult for a third-party to meet the unnecessary and onerous requirements of the RFP to supply the needed capacity, Dominion will seek a

² *State Corporation Commission, Final Order: Application of Virginia Electric and Power Company for Approval and Certification of the proposed Brunswick County Power Station*, Case No. PUE-2012-000128, dated August 2, 2013, p.17.

³ *Report of A. Ann Berkebile, Hearing Examiner, Application of Virginia Electric and Power Company for Approval and Certification of the proposed Brunswick County Power Station*, Case No. PUE-2012-000128, dated June 13, 2013.

⁴ Compete Coalition: Letter to Joel H. Peck, Clerk, Case No. PUE-2012-00092, dated April 16, 2013.

CPCN Application to self-build yet another generation plant. Just a few of these onerous and unnecessary provisions are addressed in the attached list.

In its current form, Dominion's November 3, 2014 RFP for 1,600 MWs of base load capacity clearly would not meet this Commission's long-standing precedent requiring that the Company must carry its burden to demonstrate that there are no suitable alternatives to a self-build construction.⁵ P3 and EPSA request that the Commission require Dominion to conduct a more open, competitive and broad RFP, especially addressing the attached concerns, if the Company seeks to utilize its results as any indication of a solicitation of third-party market alternatives to any self-build Application the Company may seek.

Sincerely,

_____/s/
 John E. Shelk
 President & CEO
 Electric Power Supply Association (EPSA)
 1401 New York Avenue, NW, Suite 1230
 Washington, D.C. 20005
 202.628.8200

_____/s/
 Glen Thomas
 President
 PJM Power Provider Group (P3)
 1060 First Avenue, Suite 400
 King of Prussia, PA 19406

- cc: William H. Chambliss, General Counsel, State Corporation Commission
 William Stephens, Director of Energy Regulation, State Corporation Commission
 B. Hayes Framme, Advisor: Infrastructure/Development, Secretary of Commerce and Trade
 William T. Reisinger, Assistant Attorney General, Office of Attorney General
 C. Meade Browder, Jr., Senior Assistant Attorney General, Office of Attorney General
 Senator Thomas K. Norment, Jr., Virginia General Assembly
 Senator John C. Watkins, Virginia General Assembly

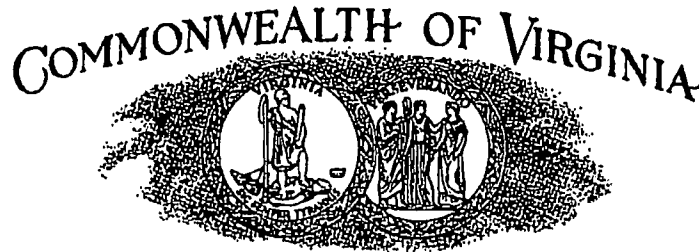
⁵ *Application of Virginia Electric and Power Company*, Case No. PUE8600058, 1987 S.C.C. Ann. Rep. 262.

Dominion Nov. 3, 2014 RFP – Intermediate or Base Load Power Supply Generation

- Dominion RFP is discriminatory and violates RFP "best practices."
 - Schedule & Process:
 - Unrealistic, short timeframe and bidding requirements:
 - Part 1, Section D. 5's (Expiration of Proposals) provision that Bidder's proposal must remain binding until midnight EST on May 3, 2015 is onerous and exposes Bidder to market volatility. This type of requirement all but ensures that no reasonable alternative proposal will be accepted.
 - Part 1, Section D. 2 (Intent to Bid and Confidentiality Agreement) deadline, which is less than two weeks after RFP was announced on Nov. 3, 2014, is unreasonably restrictive and all but ensures that Bidders will not have the requisite information together to meet the RFP proposal requirements.
 - Part 1, Section D. 4 (Proposed Submittal) provision requiring final proposals to be submitted only six (6) weeks after RFP release date, is unreasonably restrictive and all but ensures that Bidders will not have the requisite information together to meet the RFP proposal requirements.
 - Lack of Third-Party Review:
 - The RFP lacks any impartial review of proposals.
 - Unnecessary and Overly Restrictive Fuel Specifications:
 - The narrowly-tailored fuel specifications are overly restrictive, all but ensuring that no reasonable alternative will be considered, including the statement "Fuel transportation that must have full-year firm capacity from origin (or liquid supply point) to plant"
 - Dominion's "exclusive right" to 100% of the facility's output;
 - Onerous "No Exception" Provision for Proposals:
 - Part 1, Section C. 7's requirement that Bidders may take only a "no exception" stance to the form of the PPA or provide an "execution-ready" PPA essentially ensures that no reasonable proposal will be accepted.
 - Company Self-build Alternative:
 - Part 2, Section A. 2's provision stating that the Company has developed a self-build alternative for "an approximately 1,600 MW combined cycle facility," of which will be used to "evaluate and compare" to proposals – at the Company's sole discretion, and without Third-Party Review all but ensures that no reasonable alternative proposal will be accepted.
 - Dominion has informed investors that it plans to ask state regulators in mid-2015 to approve another 1,300 MW gas-fired plant to be constructed by 2019. Therefore, it is clear to see that the current RFP is not a serious attempt to obtain useable proposals from third parties to close the alleged generation shortfall.

- Speculative Price Evaluation:
 - Part 2, Section C's provision regarding the evaluation of a proposal's price – analyzing each proposal's "value" to Dominion Virginia Power customers is speculative and vague, with no clear benchmarks or Third-Party Review, all but ensuring that no reasonable alternative proposal will be accepted.
- Environmental Risks:
 - Part 3, Section B. 8's provision that the cost of compliance with any current or future environmental laws or regulations should be the sole responsibility of Bidder in its Proposal all but ensures that no reasonable alternative proposal will be accepted.
- Delivery Point:
 - Part 1, Section C.4 - unnecessarily limits the zones from which resources in PJM are delivered.
 - As long as the resources are deliverable (and the risk remains upon the supplier), restrictions on delivery locations should not be made.
- Product:
 - Part 1, Section C.1 – unnecessary requirement that the proposed resource(s) must be a "fully dispatchable product."

William F. Stephens
Director
(804) 371-9611
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PO Box 1197
Richmond, Virginia 23218-1197

16911053

STATE CORPORATION COMMISSION
DIVISION OF ENERGY REGULATION

January 5, 2015

JAN - 8 2015

Mr. John E. Shelk
President & CEO
Electric Power Supply Association (EPSA)
1401 New York Avenue, NW, Suite 1230
Washington, D.C. 20005

Mr. Glen Thomas
President
PJM Power Provider Group (P3)
1060 First Avenue, Suite 400
King of Prussia, PA 19406

Dear Mr. Shelk and Mr. Thomas:

Pursuant to my letter to you on December 5, 2014, the Staff has received additional information from Dominion in response to the issues you previously raised. Staff has reviewed Dominion's response and has additional follow-up questions for Dominion and for P3 regarding the RFP issues in dispute. Please address the following questions.

- (1) During your review of completed utility-scale RFP processes, did P3 identify any RFP processes where a bid by any of your members was awarded the contract? If so, identify the RFP(s) and provide the length of time after the RFP announcement(s) that bids were due for all contracts awarded to third party bidders.
- (2) Why do you believe Dominion's requirement that a bidder have a firm fuel transportation arrangement is too restrictive or not a common industry practice? Provide examples of such utility-scale RFPs that required something less.
- (3) Why do you believe Dominion's "exclusive right" to a winning bidder's proposed facility's output is too restrictive or not a common industry practice? Provide examples of such utility-scale RFPs that required something less.
- (4) Why do you consider Dominion's requirement for a "fully dispatchable product" to be outside the normal industry practice? Provide examples of a winning third party bid that was not such a product.

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- (5) Is it common industry practice to require submission of an execution-ready PPA? Identify some examples of utility-scale RFPs that did not require the submission of an execution-ready PPA.
- (6) Identify other utility-scale RFPs that did not require the bidder to absorb the cost of compliance with current and future environmental laws and regulations into the cost of its bid proposal.

To accommodate Staff's timely review of this matter, please provide this information on or before January 16, 2015. If you have any questions or concerns about this request in the meantime, please let me know.

Sincerely,



William F. Stephens
Energy Division

Enclosure

Cc: William H. Chambliss, General Council

THE P³
GROUP



Electric Power Supply Association
dedicated to the power & energy future

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January 23, 2015

Mr. William F. Stephens
Director, Energy Regulation Division
Virginia State Corporation Commission
P.O. Box 1197
Richmond, Virginia 23218-1197

Dear Mr. Stephens:

Thank you for your letter, dated January 5, 2015, regarding the PJM Power Providers Group's ("P3")¹ and the Electric Power Supply Association's ("EPSA")² December 1, 2014, letter to the State Corporation Commission ("Commission") expressing concerns with Dominion Virginia Power's ("Dominion" or "Company") November 3, 2014, Request for Proposal ("RFP") seeking proposals for 1,600 MWs of intermediate or base load power supply generation for its Virginia service territory.

P3 and EPSA appreciate the opportunity to respond to the Commission's questions regarding RFP processes, in general, and more specifically, those that affect

¹ P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. P3 strongly believes that properly designed and well-functioning competitive markets are the most effective means of ensuring a reliable supply of power to the PJM region, facilitating investments in alternative energy and demand response technology, and promoting prices that will allow consumers to enjoy the benefits of competitive electricity markets. Combined, P3 members own over 87,000 megawatts of generation assets, own over 51,000 miles of transmission lines, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region encompassing 13 states and the District of Columbia. The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on P3, visit www.p3powergroup.com.

² EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on EPSA, visit www.epsa.org.

third-party bidders. As you can appreciate, we have attempted to answer these questions as fully and completely as possible.

P3 and EPSA respectfully submit the following in response to your questions:

- (1) During your review of completed utility-scale RFP processes, did P3/EPsA identify any RFP processes where a bid by any of your members was awarded the contract? If so, identify the RFP(s) and provide the length of time after the RFP announcement(s) that bids were due for all contracts awarded to third party bidders.**

Answer: We can confirm that certain P3/EPsA member companies have been successful bidders in over ten recent RFP processes proving that RFPs have been held and won by third party suppliers. These RFPs cover a variety of transaction periods, volumes, and product types. Pertinent states include Pennsylvania, New Jersey, Virginia, and Illinois.

Furthermore, the schedules and processes of typical utility-scale RFPs are significantly more lengthy and otherwise stakeholder-friendly than Dominion's current RFP. For example, a recent RFP by Entergy contains a reasonable four-month period between the issuance of the initial RFP and the date that the bids would be due.³ And a 2013 Request For Offer ("RFO") from Southern California Edison Company ("SCE") ("SCE RFO") contained a full year schedule between the date of the RFO issuance and the deadline to submit bids.⁴ Compare these time periods with the six-week period contained in Dominion's RFP.

- (2) Why do you believe Dominion's requirement that a bidder have a firm fuel transportation arrangement is too restrictive or not a common industry practice? Provide examples of such utility-scale RFPs that required something less.**

Answer: This is an example of an area where Dominion should provide optionality in a supplier's ultimate ability to meet its fuel needs. So long as

³ <https://spofossil.entergy.com/ENTRFP/SEND/AmiteSouthRFP/Index.htm>

⁴ https://www.sce.com/wps/portal/home/procurement/solicitation/lcr/lut/p/b1/rZRfb5swFMW_SvaAtD04vm_CHP3ujC0pAVdKWVCu8RMZxCBtgAk6z7NOP0ExVpZWkU_zke3V8bP98ZBzjJxyX7DILmcpkyJjHZvLwB-7-oQa_vxG98ANfXvsTT0I52YriFoBvDNc6Nbr9sSd-iH4YN064N_cPXjOwiG2RfB3HOOYI6pSGxw1XCy5LJUo1VKUGpzmGohS1OihUNWS72pRdL1G5hnPV_HfSRoNccpYPOKtY2zwMarHdZS_SZvA55_WX40YVz1Y4IoxQY8UTNEpGgKjObeSQNUEOMxl1HJLohn66WM_Je8B8u_0LpkdwBmwHppU4E_CmwRz8yeKegE_uYRa6LqEwT4I-9ufoBzhOc5I0Dx25ZULsFMe1WIta1MNd3bY3SiXNVw002O_3w1TKNBdDLgsN_rVklxuFn94gcdSSsN4lMTZw-Po0Is2YYHqCIDEJouBQZFt0hTi1DJPzNVBinjMcXdvQ-rBhcEE6sh_bbey24T-G_FeL7f_T33-BkL5BfFH6zxiOrm1ofdgwuOBnuLiSz6YqngsbHLI0M8H-0Dy56JYzmalJW3xe7F-qeLI_fQH9wFJBq!!/dl4/d5/L2dBISevZ0FBIS9nQSEh/

the responsibility to meet the fuel procurement remains on the supplier, there are numerous ways in which to assure fuel as needed that do not require a full-requirements contract. Such was the case in a recent RFP issued by Lubbock Power and Light. In that RFP, created by an independent third-party for the municipal utility, the company stated that it had "left a lot of options for vendors when they propose. (The company) could get a number of different responses back that give (us) a lot of options for 2019."⁵

Based on the above, a more standard RFP approach would establish the preferred performance obligations and penalty process that can be negotiated with the winning bidder.

(3) Why do you believe Dominion's "exclusive right" to a winning bidder's proposed facility's output is too restrictive or not a common industry practice? Provide examples of such utility-scale RFPs that required something less.

Answer: We have seen RFPs structured with various options with the intent of identifying the least cost option of fulfilling the supply objective, including options for exclusive rights. However, many RFPs and PPAs for generation within PJM recognize the ubiquitous nature of the transmission grid and therefore require conditions with respect to availability and *capacity*, but do not always include an absolute requirement on the "exclusive right" to output. As the Commission knows, PJM is a regional transmission grid, whereby generation output by all generation resources is provided to the grid, not to Dominion directly.

(4) Why do you consider Dominion's requirement for a "fully dispatchable product" to be outside the normal industry practice? Provide examples of a winning third party bid that was not such a product.

Answer: We believe that the RFP should generally allow options for all assets, regardless of technology or vintage and including financial agreements, so long as they meet the utility's power need. A fully-dispatchable product is a choice and not a requirement and a load following option is more typical and a better request for the portfolio. A 1600 MW fully dispatchable product provides maximum flexibility for Dominion, but not necessarily the least cost option for their customers. In addition, Dominion should be required to compare the lowest cost winning bid product against the rest of its supply portfolio, not just the needs in the RFP. It may find that the winning bid is a lower cost than other existing resources that could be retired lowering the overall costs to customers.

⁵ <http://redraiders.com/local-news/2014-07-17/lubbock-power-light-resubmit-request-proposal-2019-power-search#.VLhBwXvz7Gw>

See the SCE RFO for an example of the utility accepting multiple technology sources to satisfy a 1400 – 1800 MW requirement.⁶

(5) Is it common industry practice to require submission of an execution-ready PPA? Identify some examples of utility-scale RFPs that did not require the submission of an execution-ready PPA.

Answer: It is *not* common industry practice to require submission of an execution-ready PPA. In fact, it is highly unlikely that Dominion would place this restriction upon itself when entering into various contracts. To do so is clearly *not* common for any standard contracting scenario. Good RFP processes typically involve a negotiated stage between the two parties.

What is more standard is to provide a pro-forma PPA and ask for comments, such as is the case in the recent SCE RFO.⁷

(6) Identify other utility-scale RFPs that did not require the bidder to absorb the cost of compliance with current and future environmental laws and regulations into the cost of its bid proposal.

Answer: It is the industry standard for full requirements contracts to include “Change in Law” provisions. Such change in law provisions are commonly negotiated to properly allocate risks between the Parties in an equitable manner. In utility scale full requirements supply auctions in PJM, it is not unusual for the utility to take responsibility for certain unhedgeable or non-market based charges. The logic for doing this is that (i) the risk premium that will be charged by the bidder to absorb the risk will likely exceed actual costs that will be incurred, and (ii) the utility is in control of the facility and dispatch decisions which drive such costs. Accordingly, in order to provide service to their customers at the lowest possible cost, the utility agrees to take responsibility for such costs, for self-builds and existing utility owned facilities. Given the high degree of uncertainty surrounding future environmental legislation and/or regulation, the utility would need to evaluate whether it makes sense to pay a bidder a risk premium for a cost that may never materialize.

Overall, P3 and EPSA remain concerned that Dominion's RFP, as structured, is too heavily weighted towards its own, potential self-build to properly allow third parties to meet its requirements. The exceptionally short time period in which to submit bids,

⁶ SCE RFO, *supra*, footnote 4, see question no. 7.

⁷ SCE RFO, *supra*, footnote 4, see question 20.

requiring "execution-ready" PPAs, and overly restrictive firm fuel arrangements and technology sources all but ensure that third parties will find it exceptionally difficult to secure a winning bid. We believe this type of RFP is contrary to Virginia's new legal requirement that a utility "shall demonstrate" that it has considered and weighed third-party market alternatives before seeking to self-build.⁸

We appreciate the opportunity to provide additional follow-up to our concerns. Please feel free to contact us should you have further questions.

Sincerely,

/s/
 John E. Shelk
 President & CEO
 Electric Power Supply Association
 (EPSA)
 1401 New York Avenue, NW, Suite 1230
 Washington, D.C. 20005
 202.628.8200

/s/
 Glen Thomas
 President
 PJM Power Provider Group (P3)
 1060 First Avenue, Suite 400
 King of Prussia, PA 19406
 610.768.8080

cc: William H. Chambliss, General Counsel

⁸ 2013 Va. Acts ch. 2, Subsection A 6.



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Phone: 202-745-6331
Fax: 202-783-0329
www.competitiononline.com

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April 16, 2013

Joel H. Peck, Clerk
c/o Document Control Center
State Corporation Commission
Tyler Building – First Floor
1300 East Main Street
Richmond, Virginia 23219

Subject: Virginia Electric and Power Company's request for approval and certification of the proposed Brunswick County Power Station and related transmission facilities pursuant to §§ 56-580 D, 56-265.2, and 56-46 .1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider BW, pursuant to § 56-585 .1 A 6 of the Code of Virginia -- Comments for Filing in Case No. **PUE-2012-00128**.

Dear Mr. Peck:

As members of the Virginia business community, we are writing to express our concern with the request by Virginia Electric and Power Company ("Dominion") to build the 1,358 MW Brunswick generating plant without conducting a competitive procurement to determine if there are less costly means to meet future electricity demand. Overpaying for such a substantial amount of capacity will increase our electricity costs, harm our businesses and cost Virginia jobs. Collectively, our companies have over 6,700 facilities in Virginia, employ nearly 825,000 workers, and spend over \$90 million each year on electricity in the state.

The Brunswick plant is estimated to cost at least \$1.3 billion, yet we have no assurance that it is the least-cost way of meeting Dominion's future generation capacity needs. Many utilities similar to Dominion are using market approaches to ensure that available least-cost resources are acquired to keep electricity prices down. The attachment to this letter presents accounts of utilities like Dominion that are using market alternatives to avoid unnecessarily spending billions of dollars of ratepayers' money. Competitive procurements are a well-accepted means of acquiring electricity resources, and there is no reason Dominion should not test its Brunswick plant proposal against alternatives to ensure that it's the best deal for customers.

Using a market-based approach for resource procurement would be the approach most consistent with the Commission's guidance in its Dominion IRP order "that Dominion should adequately consider third-party market alternatives as capacity resources." It would also be in harmony with Virginia public policy as expressed in legislation signed into law in February that "requires a utility seeking approval to construct a generating facility to demonstrate that it has considered and weighed alternative options, including third-party market alternatives, in its selection process."

America: Powered by Competition

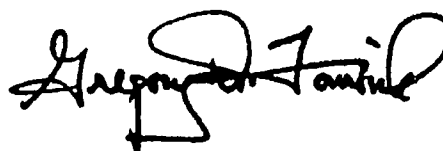
From a business perspective, controlling our own costs is critically important to our survival, and we use markets for all of our major purchases to be sure we do not overspend. Dominion should do the same to ensure that we and other Virginia businesses do not pay too much for electricity. Ensuring that Dominion secures our electricity supply at the lowest available cost protects jobs in Virginia.

We request that the State Corporation Commission reject Dominion's request for approval of the Brunswick Plant. Dominion should not be allowed to proceed with its Brunswick plant without putting it to a market test, as other utilities do. This is a tried and true customer protection mechanism. When Dominion considers market alternatives, Virginia customers win.

Sincerely,



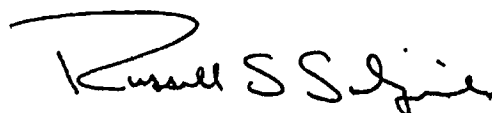
Kevin Moran
Manager of Utility and Energy Services
BJ's Wholesale Club, Inc.



Gregory D. Tomsick
Senior Director - Energy
Boston Market Corporation



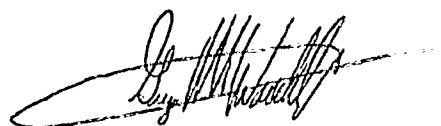
Steve Elsea
Director Energy Management
Lowes Companies, Inc.



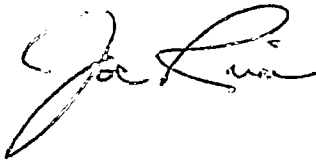
Russell S. Subjinske
Senior Director of Energy
Quality Supply Chain Coop, Inc. on behalf of
Wendy's Restaurant Operator members in
Virginia



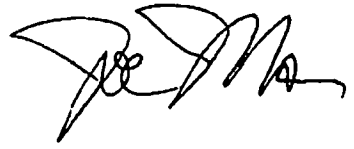
Paige A. Miller
Senior Manager, Energy & Environmental
Rite Aid Corporation



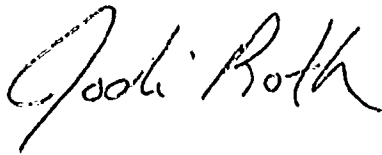
George Waidelich
V.P. Energy Operations
Safeway



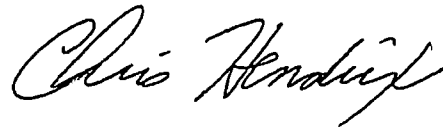
Joe Raia
Energy Manager
Sheetz, Inc.



Joe Main
VP
UFPC for Yum! Brands, Inc.
(Parent Company of KFC, Pizza Hut and
Taco Bell)



Jodi Roth
Director of Government Affairs
Virginia Retail Merchants Association



Chris Hendrix
Director of Markets & Compliance
Wal-Mart Stores, Inc.

Utility Companies Exploring Market Alternatives to Meet Future Supply Needs

American Electric Power (AEP) Withdraws Application for \$1 Billion Scrubber Project¹

On May 30, 2012, Kentucky Power, an AEP subsidiary, sought to **withdraw its application for pollution controls – a nearly \$1 billion scrubber project** – at its 1,098 MW Big Sandy coal plant. Kentucky Power states that it is no longer certain that retrofitting the aging plant is the least-cost option for its ratepayers.

Instead, the utility will conduct a "reanalysis" to determine how it should meet U.S. EPA regulations. This reanalysis will be a "complete reevaluation"...according to spokesman Ronn Robinson. "The scrubber is not necessarily off the table," he said, **but the utility will also look at the options of new gas-fired generation or market power purchases to replace Big Sandy units 1 and 2.**

As recently as May 14, Kentucky Power was defending its plan to install emissions controls as the best for ratepayers despite accusations that it would lead to one of the largest rate increases in state history. The quick change of course was prompted by the results of the recent PJM Interconnection LLC capacity auction, which showed there would be more capacity than Kentucky Power had previously anticipated. "We now believe there is going to be available generation capacity in the 2015 to 2016 timeframe," Robinson said. "That should give us more time to evaluate options for our customers' generation needs."

Kentucky Power's move is likely to be praised by critics ranging from the Sierra Club to the Kentucky Industrial Utility Customers to the state's attorney general's office, all of which had argued before the commission that scrubbing the plant was not economic. The attorney general had estimated that if the plan had moved forward it could have increased electric bills in the state by as much as \$47.22 a month.

Indianapolis Power & Light (IPL) Seeks 600 MW of Gas-Fired Capacity²

On June 28, 2012, IPL issued a Request for Proposals (RFP) seeking 600 MW of natural gas-fired, combined-cycle generation to replace a similar amount of existing coal-fired generation at its Eagle Valley and Harding Street stations that is likely to be retired over the next several years. The AES Corp. subsidiary's RFP...**will consider proposals for power purchase agreements, tolling agreements and purchase and sale agreements for new and existing gas-fired, combined-cycle facilities.** The term for all proposed power purchase agreements and tolling agreements will be for a minimum of 20 years, beginning in June 2017.

IPL will be evaluating [market] proposals against a potential self-build, gas-fired combined-cycle project. The company noted that the RFP is being issued in connection with an upcoming Indiana Utility Regulatory Commission proceeding.

¹ <http://www.snl.com/InteractiveX/article.aspx?ID=15006138>

² <http://www.snl.com/interactivex/article.aspx?id=15211333&KPLT=6>

Utility Companies Exploring Market Alternatives to Meet Future Supply Needs

LG&E, KU Solicitation Seeks Up To 700 MW³

September 11, 2012 – Louisville Gas & Electric and Kentucky Utilities are **seeking up to 700 MW of generation supply starting in 2015 as a possible alternative to installing additional pollution controls at the 739-MW E.W. Brown coal-fired plant** near Harrodsburg, Kentucky. As part of the RFP, the utilities also will evaluate new generation supply as an alternative to installing additional pollution controls on Units 1 and 2 at Brown, a three-unit baseload plant.

In the newly released request for proposals, the PPL subsidiaries and Kentucky's largest electric utilities said **they will consider short-term offers of one to five years as well as long-term proposals ranging from 10 to 20 years from qualified power suppliers for firm capacity and energy.**

LG&E and KU said they may buy more or less than 700 MW and may consider combining the capacity and energy from multiple sources. "We want to find the best overall long-term solution for our customers," said David Sinclair, LG&E/KU vice president of energy marketing. "We will consider all proposals that are reliable, feasible and represent the lowest reasonable cost means of meeting our customers' needs."

LG&E-KU get good response to RFP⁴

November 6, 2012 – Judging from the response to a just-expired request for proposals, Louisville Gas & Electric and Kentucky Utilities **have plenty of potential options if they elect not to install additional pollution controls** at their 739-MW E.W. Brown coal-fired power plant near Harrodsburg, Kentucky.

A spokesman for the two PPL subsidiaries said Monday that company officials soon will begin scrutinizing **more than 30 proposals from more than two-dozen parties that submitted bids.**

Altogether, bidders offered more than 10,800 MW of new generation supply, according to Brian Phillips, the spokesman. "The offers ranged in capacity from one megawatt up to 800 megawatts of potential supply," he said, "and included a variety of different technologies and fuels," from renewables to coal to natural gas.

LG&E and KU, the commonwealth's largest electric utilities with more than 930,000 customers combined, sought up to 700 MW of generation supply starting in 2015 as a possible alternative to retrofitting Brown. The utilities said they would consider short-term offers of one to five years as well as long-term proposals ranging from 10 to 20 years from qualified power suppliers for firm capacity and energy.

They will evaluate whether it is less expensive to contract with an outside third-party for generation supply instead of installing more controls on units 1 and 2 at Brown, a three-unit baseload plant whose units were placed in operation from 1957 to 1971.

³ See, Platts Megawatts Daily, Tuesday, September 11, 2012. www.platts.com

⁴ See, Platts Megawatt Daily, Tuesday, November 6, 2012. www.platts.com

Utility Companies Exploring Market Alternatives to Meet Future Supply Needs

AEP Subsidiary to Retire Coal Unit in Oklahoma, Purchase Power from Calpine Plant⁵

September 27, 2012 – Public Service Co. of Oklahoma (PSO), a subsidiary of American Electric Power, has announced that a **proposal by Calpine to provide 260 MW of natural gas-fired power to for 15 years starting in June 2016 has been selected** as the winner of PSO's April solicitation for replacement baseload power, Tulsa-based PSO said Wednesday. **The PPA will replace capacity PSO will lose when it takes its 465-MW Northeastern-1 coal unit offline as part of an environmental compliance plan the utility filed at the OCC on Wednesday.**

In a filing with the Oklahoma Corporation Commission, PSO said that its April request for proposals for 260 MW netted 10 offers..." Steven Fate, PSO's director of business operations support, said in pre-filed testimony.

Xcel Energy asks Minn. regulators to cancel uprate at Prairie Island nuke⁶

October 24, 2012 – Xcel Energy Inc. has decided that a previously planned uprate of the capacity at its Prairie Island nuclear plant would not be worth the cost. Instead, the company's Northern States Power Co. Minnesota subsidiary is **expected to engage in a competitive process next year to find new power supply**, a company spokesman said.

But now Xcel Energy believes **no uprate is better than even a smaller project. According to the utility, "...we conclude that the risks of the project outweigh the expected benefits, and customers would be better off if this project did not proceed."**

"As a result, we conclude that a decision not to proceed with the uprates would in no way pose risk to customers of an insufficient supply to meet their needs," the filing said.

OG&E eyes trimming peak demand by 300 MW⁷

Trimming peak demand by 300 MW and letting a 300-MW power sales agreement expire will enable Oklahoma Gas & Electric to delay the construction of fossil-fired generating capacity to 2020 while minimizing costs to the utility and its customers.

Jesse Langston, vice president of retail energy, said in an interview that OG&E's strategy also gives the utility **"the luxury of additional time" to see how generation technologies and federal environmental regulations evolve. With those extra few years, "we'll be able to make better choices" when the time comes to add to OG&E's fleet**, he said.

⁵ See, Platts, Megawatt Daily, Thursday, September 27, 2012. www.platts.com. See also, <http://www.snl.com/InteractiveX/article.aspx?ID=15891240>

⁶ See, SNL Wednesday October 24, 2012. <http://www.snl.com/interactivex/article.aspx?id=16059091&KPLT=6>

⁷ See, Platts Megawatt Daily, Friday, March 8, 2013. www.platts.com