

**REQUEST FOR PROPOSALS**

**FOR**

**RENEWABLE ENERGY CREDITS**

Levitan & Associates, Inc.

Procurement Administrator on behalf of

Illinois Power Agency

for

Ameren Illinois Utilities

AmerenCILCO

Peoria, IL

AmerenCIPS

Springfield, IL

AmerenIP

Decatur, IL

**ISSUE DATE: April 20, 2009**

**DUE DATE: May 18, 2009**

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1.0 Introduction

Levitan & Associates, Inc. (“LAI”), acting as Procurement Administrator on behalf of the Illinois Power Agency (“IPA”) for the Ameren Illinois Utilities, issues this Request for Proposals (“RFP”) for Renewable Energy Credits (“RECs”) covering the period June 1, 2009, through May 31, 2010. For the purposes of this procurement, the terms “Renewable Energy Credit” and “Renewable Energy Certificate” are considered interchangeable.

Serving about 1.2 million customers throughout Illinois, the Ameren Illinois Utilities include Central Illinois Light Company doing business as (“d/b/a”) AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP. Unless otherwise noted, AmerenCILCO, AmerenCIPS and AmerenIP are hereafter referred to as the Ameren Illinois Utilities. The Ameren Illinois Utilities are subsidiaries of Ameren Corporation, headquartered in St. Louis, Missouri. More information about the Ameren Illinois Utilities can be found at <http://www.ameren.com>.

2.0 Purpose and Scope

Section 1-75(c) of the Illinois Power Agency Act (the “IPA Act”) establishes a Renewable Portfolio Standard (“RPS”), which requires a minimum percentage of the Ameren Illinois Utilities’ supply for eligible retail customers to be procured from cost-effective renewable energy resources. The IPA Act allows the utilities to satisfy the RPS by purchasing either the energy from qualifying renewable resources, or by acquiring qualifying RECs. In accordance with the Procurement Plan prepared by the IPA and approved (with certain modifications) by the Illinois Commerce Commission (“ICC” or “Commission”) on January 7, 2009, the Ameren Illinois Utilities shall meet their RPS requirement through the acquisition of RECs.<sup>1</sup> This RFP is intended to solicit and procure the required RECs for the period June 1, 2009 through May 31, 2010.

On March 11, 2009 the ICC approved the IPA’s selection of LAI as the Procurement Administrator. As Procurement Administrator, LAI is authorized to serve as the interface between the Ameren Illinois Utilities and bidders. In issuing this RFP, LAI has the responsibility for managing the bidder pre-qualification and registration process, receiving and reviewing all bids, and submitting a confidential report to the ICC recommending acceptance or rejection of bids. The IPA Act and the Public Utility Act (“PUA”) authorize the Procurement Monitor to monitor the interactions among the Procurement Administrator, suppliers, and the utilities and to report to the ICC on progress of the procurement process. The Procurement Monitor also consults with the

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<sup>1</sup> 08-0519 (Illinois Power Agency – Approval of Initial Procurement Plan) Order, January 7, 2009.

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Procurement Administrator regarding the development and use of benchmark criteria, standard form contracts, credit policies, and bid documents. Boston Pacific Company, Inc. has been selected to be the Procurement Monitor for this procurement process.

**3.0 Product Solicited**

**3.1 Eligible Renewable Resources**

The IPA is seeking RECs that satisfy all requirements under the IPA Act. According to the IPA Act, a REC “means a tradeable credit that represents the environmental attributes of a certain amount of energy produced from a renewable energy resource.” (IPA Act, Section 1-10.)

Renewable energy resources includes “energy and its associated renewable energy credit or renewable energy credits from wind, solar thermal energy, photovoltaic cells and panels, biodiesel, crops and untreated and unadulterated organic waste biomass, trees and tree trimmings, hydropower that does not involve new construction or significant expansion of hydropower dams, and other alternative sources of environmentally preferable energy. For purposes of this Act, landfill gas produced in the State is considered a renewable energy resource. ‘Renewable energy resources’ do not include the incineration, burning, or heating of tires, garbage, general household, institutional, and commercial waste, industrial lunchroom or office waste, landscape waste other than trees and tree trimmings, railroad crossties, utility poles, and construction or demolition debris, other than untreated and unadulterated waste wood.” (IPA Act, Section 1-10.)

This RFP is for Standard RECs as defined in Schedule P of the REC Contract attached to this RFP as Attachment B.

**3.2 REC Quantity**

For the planning year June 1, 2009, through May 31, 2010, the IPA Act requires that RECs equivalent to 4% of the Ameren Illinois Utilities’ eligible retail customer load for June 1, 2007 through May 31, 2008 be acquired through this RFP. Eligible retail customers include those residential and non-residential customers with peak demands less than 400 kW who acquire power and energy under fixed price tariffs. Based on the IPA’s Procurement Plan projection of the electricity consumption of the eligible customers of 17,984,564 MWh for the period June 1, 2007 through May 31, 2008 and the 4% minimum RPS requirement, the target quantity to be procured is 719,383 RECs. Each REC represents the environmental attribute corresponding to one megawatt-hour (1 MWh) of

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energy produced from renewable energy resources that qualify under the IPA Act.

The IPA Act further requires that, to the extent available, a minimum of 75% of the RECs must be derived from qualified wind resources. Therefore, a minimum of 539,538 RECs must be from qualified wind resources, if available.

To facilitate the bid evaluation process and the administration of the resulting contracts, bidders must submit bids in blocks of 5,000 RECs. The total target quantity solicited under this RFP is therefore “rounded up” to **720,000 RECs**. Similarly, the target minimum RECs to be purchased from wind resources is “rounded up” to **540,000 RECs**.

Notwithstanding these goals, lesser quantities than the quantities stated above may be purchased if the RECs are deemed to be not “cost effective” in accordance with the IPA Act. (Section 1-75(c)(1) - (2).) The amount of renewable purchases shall be limited such that the estimated average net increase due to the cost of the RECs included in the amounts paid by eligible retail customers is the greater of an additional 0.5% of the amount paid for electric service by those customers during the year ending May 31, 2008, or 1% of the amount paid per kWh by those customers during the year ending May 31, 2007. The Renewable Energy Resource Budget (“RRB”) for the 2009-2010 delivery period for the Ameren Illinois Utilities is therefore \$16.6 million. REC purchases that cause this budget to be exceeded are deemed to be not “cost effective.”

### 3.3 REC Classes

There are six classes of RECs, which are derived from six classes of eligible renewable resources:

- Illinois wind energy resources
- Illinois non-wind renewable energy resources
- Wind energy resources from states adjacent to Illinois: Wisconsin, Indiana, Iowa, Kentucky, Michigan, and Missouri (“Adjacent States”)
- Non-wind renewable energy resources from the Adjacent States
- Wind energy resources from states other than Illinois and the Adjacent States (“Other States”)
- Non-wind renewable energy resources from Other States.

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3.4 RECs Are Unit Non-Specific

Bidders do not need to specify the source of the RECs in advance of submitting bids. However, each block must consist of RECs that have the same vintage and are of only one class.

3.5 REC Preferences

The IPA Act specifies a preference for RECs derived from qualified Illinois renewable resources over Adjacent State renewable resources, and a preference for Adjacent State renewable resources over Other State renewable resources. (Section 1-75(3).) The requirement to procure at least 75% of the RECs from wind resources takes precedence over the locational requirement. (ICC Order, 07-0527, December 19, 2007, at 51.)

3.6 Replacement RECs

If a successful bidder (supplier) is unable to deliver the obligated quantity within the required delivery period, the supplier may, *with the prior approval of the Ameren Illinois Utilities*, provide qualified replacement RECs, provided, however, that the replacement RECs must be of the same class as defined above, except as follows, in accordance with the REC preferences:

- RECs derived from wind energy resources located in Illinois can replace RECs derived from wind energy resources in any state;
- RECs derived from wind energy resources located in any of the Adjacent States can replace RECs derived from wind energy resources located in any Adjacent or Other State;
- RECs derived from non-wind renewable energy resources located in Illinois can replace RECs derived from non-wind renewable resources in any state;
- RECs derived from non-wind renewable energy resources located in any of the Adjacent States can replace RECs derived from non-wind renewable energy resources located in any Adjacent or Other State;
- RECs derived from wind energy resources located in Illinois can replace RECs derived from non-wind renewable energy resources located in any state;

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- RECs derived from wind energy resources located in an Adjacent State can replace non-wind renewable energy resources located in any Adjacent or Other State;
- RECs derived from wind energy resources located in any Other State can replace RECs derived from non-wind renewable energy resources located in any Other State.

**3.7 Delivery Date / Vintage Year**

Regardless of delivery date, which may be as generated, all RECs must have been generated during the Vintage Year January 1, 2009 through May 31, 2010.

Bidders must provide an estimated delivery schedule of the RECs.

Recognizing that there may be a lag between the generation of a REC and the actual delivery and verification of the REC through the tracking system, delivery of RECs must be completed no later than the 15<sup>th</sup> of the month of the second month following the Vintage Year (*i.e.*, by July 15, 2010). The approximately six week reconciliation period after the end of the Vintage Year will also allow suppliers to make up potential shortfalls in their delivery obligation.

**3.8 Bid Pricing**

A bid price must be an “all-in” bid price on a *per REC* basis. All RECs within each 5,000 REC bid block must be uniformly priced.

Each block of 5,000 RECs represents an individual “bid.” Bidders may offer as many blocks as they choose, and each block may be offered at a different price. The Procurement Administrator may select all, some, or none of the blocks offered by a bidder.

**4.0 Other Requirements**

**4.1 REC Price Benchmarks**

The Procurement Administrator, in consultation with the IPA, the ICC Staff, and the Procurement Monitor, will develop market-based price benchmarks for all REC purchases. In accordance with the IPA Act (Section 16-111.5(e)(3)), the benchmarks “shall be based on price data for similar products for the same delivery period and same delivery hub, or other delivery hubs after adjusting for that difference. The price benchmarks may also be adjusted to take into account differences between the information reflected in the underlying data sources and the specific

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products and procurement process being used to procure power for the Illinois utilities.”

Benchmark prices will be developed for this procurement of RECs. No REC bid will be selected for award that exceeds the price benchmark. The price benchmarks will be confidential, but subject to ICC review and approval prior to bid day.

**4.2 Contract**

Selected bidders will be required to execute a contract substantially similar to the contract set forth in Attachment B (the “REC Contract”). Attachment B is a long-form confirmation that incorporates the “Master Renewable Energy Certificate Purchase and Sale Agreement” prepared by the American Bar Association’s Section of Environment, Energy and Resources, the Environmental Markets Association (“EMA”) and the American Council on Renewable Energy (“ACORE”), Version 1.0. Based on comments received from bidders in the Pre-Qualification Phase, the Procurement Administrator reserves the right to modify and reissue the REC Contract prior to the date when binding bids are due.

**4.3 Credit Requirement**

Prospective bidders will submit credit information in conjunction with the Bidder Pre-Qualification Application described in section 5.3 of this RFP. Each bidder will be required to provide a pre-bid irrevocable letter of credit (“ILOC”) to ensure winning bidders whose bids are accepted by the ICC execute contracts.

**4.4 REC Tracking**

Selected REC suppliers will be required to utilize either the M-RETS or PJM GATS generation tracking system. A REC supplier may utilize an alternative generation tracking system, but only if approved by the Procurement Administrator during the bidder qualification phase of this RFP. All costs and fees associated with utilizing a generation tracking system will be borne by the supplier of the RECs.

**4.5 Bidder Association**

A qualified bidder must certify that it is not associated or acting jointly with any other qualified bidder for the purposes of submitting a bid in response to this RFP. This form will be provided to bidders to complete and return as part of the registration phase.

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5.0 RFP Schedule and Procedure

5.1 Schedule

The following schedule and deadlines apply to this RFP. Subject to the provisions of the IPA Act, the Procurement Administrator reserves the right to revise this schedule at any time with the concurrence of the Procurement Monitor. Announcements regarding any schedule revisions will be posted on the RFP website at <http://www.levitan.com/AIURFP>.

<b>Activity</b>	<b>Date</b>
RFP Issued	April 20, 2009
Comment Period for REC Contracts	April 20, 2009 to May 6, 2009
Bidder Pre-Qualification Application Due	5:00 p.m. CPT, April 30, 2009
Bidders Notified of Results of Pre-Qualification Application Review	May 8, 2009
Final Contracts Posted to Website	May 11, 2009
Bidder Practice Session	May 14, 2009
Irrevocable Pre-Bid Letter of Credit Due; Bidder Registration Form Due	5:00 pm CPT, May 15, 2009
Binding Bids Due	12:00 noon, CPT, May 18, 2009
Procurement Administrator & Procurement Monitor Submit Reports to ICC	May 19, 2009 <sup>2</sup>
ICC Acceptance or Rejection of Recommendation	May 21, 2009 <sup>3</sup>
Bidders Notified of Selection	May 21, 2009 <sup>4</sup>
Contracts Executed with Winning Bidders	No later than May 27, 2009

5.2 Communications

The Procurement Administrator's point of contact for this RFP is:

John Bitler, Vice President & Principal  
Levitan & Associates, Inc.

<sup>2</sup> Legislation allows the Procurement Administrator and the Procurement Monitor two days to submit their reports to the ICC. LAI and Boston Pacific will submit their reports within one day.

<sup>3</sup> Legislation allows the ICC two days after the Procurement Administrator and Monitor submit their reports to review the bidding results.

<sup>4</sup> Winning bidders will be notified immediately after the ICC accepts or rejects the Procurement Administrator's report and recommendations.

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100 Summer Street, Suite 3200  
Boston, MA 02110

Telephone: 617-531-2818 Ext 22  
Fax: 617-531-2826  
Email: jrb@levitan.com

Questions regarding this RFP must be submitted in writing to the procurement website at: <http://www.levitan.com/AIURFP>. Questions should not be directed to the IPA or the Ameren Illinois Utilities. Questions and responses will be posted on this website. All identifying information will be redacted from the questions and responses prior to posting.

The Pre-Qualification Application and the Binding Bid must also be submitted to the secure procurement website at: <http://www.levitan.com/AIURFP>.

**5.3 Bidder Pre-Qualification Application**

Bidders shall submit a complete Pre-Qualification Application to the Procurement Administrator as described on the secure procurement website (<http://www.levitan.com/AIURFP>) no later than 5:00 p.m. CPT on April 30, 2009. A non-refundable fee of \$500 (the "Bid Participation Fee") will be required for any bidder submitting a Pre-Qualification Application. The Bid Participation Fee can be submitted by certified check mailed to Levitan & Associates, Inc., Attn: John Bitler, 100 Summer Street, Suite 3200, Boston, MA 02110. The check should be made out to "Levitan & Associates, Inc." The Bid Participation Fee can also be submitted via wire transfer; instructions can be requested by emailing [aiurfp@levitan.com](mailto:aiurfp@levitan.com).

The Pre-Qualification Application must contain the following information. All non-public information will be treated as confidential.

- 5.3.1 Bidder's Information. Provide legal name of company, address, and company representative (name, phone number, email address and fax number). Provide basic information on the bidder as requested, including a brief description of bidder ownership or operation of renewable energy resources. Describe any defaults or adverse situations as requested. This information will be treated as confidential.
- 5.3.2 Financial Information. The bidder or its parent company that is providing an unconditional corporate guarantee ("Guarantor") must provide information indicating financial condition and

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evidence of creditworthiness. Credit information must include the most recent senior unsecured long-term debt credit ratings from Standard & Poor's, Moody's, and Fitch, if available, or if not available, the current issuer or corporate credit ratings. Prior to execution of the Contract referenced in this RFP, if there is any subsequent material change in credit rating (including watch list actions), litigation, financial commitments, contingencies, or financial condition, a statement describing such material change must be submitted within 1 business day of occurrence. The Procurement Administrator will utilize this financial information to assess the creditworthiness of the bidder or its Guarantor, and to calculate the Collateral Threshold (set forth in Table A in Section 5.5.1 below) that will be in effect for the bidder.

- 5.3.3 Comments on REC Contract and Form of Pre-Bid ILOC. Bidders shall provide any comments or suggested edits to the REC Contract and Pre-Bid ILOC by May 6, 2009. The Procurement Administrator is not obligated to make any of the requested changes. Based on edits received from bidders, the Procurement Administrator may issue a revised REC Contract. The final REC Contract and Pre-Bid ILOC will be posted to the procurement website and made available to bidders on or before May 11, 2009.

5.4 Requests for Additional Information from Bidders

The Procurement Administrator may contact bidders to obtain additional clarification regarding the Pre-Qualification Application. All requests for information from the Procurement Administrator will be issued in writing, via email.

5.5 Review of Bidder Pre-Qualification Application

The Procurement Administrator and Procurement Monitor will review the Pre-Qualification Applications submitted by prospective bidders to determine the completeness of the applications. The information provided will be used to pre-qualify prospective bidders.

- 5.5.1 Bidders who are awarded REC Contracts must provide performance assurance as described in Section 11(d) of the REC Contract. The bidder must meet specific creditworthiness criteria in order to be eligible for a positive Collateral Threshold. Table A below illustrates the Collateral Thresholds for different credit ratings.

The credit rating used for Table A will be the lowest senior unsecured long-term debt rating then assigned by Standard and

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Poor’s (a division of The McGraw-Hill Companies, “S&P”), Moody’s Investors Service, Inc. (“Moody’s”) or Fitch Ratings (a subsidiary of Fimalac, S.A., “Fitch”), or their respective successors, or if such senior unsecured long-term debt rating is not available, then the then assigned issuer rating (or corporate credit rating) assigned by S&P or Fitch, discounted one notch, or the then assigned issuer rating assigned by Moody’s; provided, however, that (a) in the event a Party is rated by all three rating agencies, then the lower of the two highest ratings will be used and (b) in the event the two highest ratings are common, such common rating will be used. In the event the bidder is not rated, the collateral threshold will be \$0.

**Table A**

<b>Credit Rating</b>			<b>Collateral Threshold</b>
<b>S&amp;P</b>	<b>Moody’s</b>	<b>Fitch</b>	
BBB- or above	Baa3 or above	BBB- or above	\$5,000,000
BB+	Ba1	BB+	\$2,000,000
Below BB+	Below Ba1	Below BB+	\$0

**5.6 Bidder Registration**

Upon completion of the Procurement Administrator’s review of the Pre-Qualification Applications, all bidders will be notified if they have or have not been pre-qualified, no later than May 8, 2009. If a bidder satisfies the pre-qualification requirements, the bidder will then be required to provide to the Ameren Illinois Utilities with a pre-bid ILOC in the amount of \$10,000. The pre-bid ILOC must be in the form provided as in the final Attachment C, which will be made available following a review of bidder comments. The ILOC must be provided by 5:00 p.m. CPT on May 15, 2009, in order to satisfy the registration requirements. Such ILOC must remain valid from May 15, 2009 through May 29, 2009, or until a REC Contract is executed with the bidder, whichever comes first. Bidders will also need to sign a certification that the bidder is not part of a joint venture or participating in a bidding agreement with another bidder for the purposes of submitting a bid under this RFP. This form will be provided to bidders to complete and return.

**5.7 Bid Submittal**

Registered bidders shall submit binding, firm, and irrevocable bids for each block of offered RECs no later than 12:00 noon CPT on May 18,

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2009. Binding bids must be submitted via the form provided on the secure procurement website.

**5.8 Notification and Award**

In accordance with the IPA Act, the Procurement Administrator will evaluate the binding bids immediately after 12:00 noon CPT on May 18, 2009, and will submit a confidential report of the procurement and the bids recommended for selection within one business day of receipt to the ICC. The Procurement Monitor will also submit a report to the ICC within one business day. As specified in Section 16-111.5(f) the ICC shall review the confidential report and shall accept or reject the recommendations of the Procurement Administrator within two business days after receipt of the report.

The Procurement Administrator will notify the successful bidder(s) immediately upon receiving approval from the ICC. The successful bidders will be required to sign the REC Contract immediately upon notification that they have been selected and received ICC approval. The maximum time between the close of bidding and the execution of the Contracts is six business days, based on the following provisions: (a) the Procurement Administrator and the Procurement Monitor will submit separate confidential reports on the procurement results and recommendation to the ICC within one business day after opening the bids; (b) the ICC will review the reports and accept or reject the recommendations of the Procurement Administrator within two business days after receipt of the reports; and (c) the Ameren Illinois Utilities will enter into binding contracts with the winning bidders within three business days after the ICC accepts or rejects the results of the procurement.

**6.0 Evaluation Process and Criteria**

**6.1 Evaluation of Binding Bids**

Upon receipt of binding bids from registered bidders, the Procurement Administrator will compare each bid against the applicable benchmark price. Bids which exceed the applicable price benchmark will not receive further consideration. The Procurement Administrator will evaluate the remaining bids in accordance with the procedure described in Attachment A.

**6.2 Bids Not Subject to Subsequent Negotiation**

Illinois law grants procurement administrators the “discretion to negotiate to determine whether bidders are willing to lower the price of bids that meet the benchmarks approved by the Commission; [and further provides

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that] any post-bid negotiations with bidders shall be limited to price only and shall be completed within 24 hours after opening the sealed bids and shall be conducted in a fair and unbiased manner; [and further provides that] in conducting the negotiations, there shall be no disclosure of any information derived from proposals submitted by competing bidders; [and further provides that] if information is disclosed to any bidder, it shall be provided to all competing bidders.” (220 ILCS 5/16-111.5(c)(1)(vii)) Illinois law also requires the procurement administrator to “notify potential bidders that the procurement administrator may enter into a post-bid price negotiation with bidders that meet the applicable benchmarks.” (220 ILCS 5/16.111.5(e)(1)) **In accordance with this discretion, the Procurement Administrator has chosen NOT to engage in any post-bid negotiations as a part of this RFP.**

**6.3 Binding Bids**

All bids must remain open, firm, and binding until 5:00 pm CPT on May 21, 2009, or until the ICC has accepted or rejected the results of the procurement event.

Those bids identified as winning bids following the ICC’s acceptance or rejection of the procurement event must remain open, firm, and binding until May 27, 2009, or until the bidder has executed a REC Contract, whichever comes first. By submitting a binding bid and pre-bid ILOC, the bidder certifies that it will execute the REC Contract upon award and acceptance by the ICC.

**7.0 Confidentiality**

Except for bidders’ questions on the RFP, and the Procurement Administrator’s responses all bidder information provided through the secure procurement website will be considered confidential. The Procurement Administrator will take reasonable precautions and use reasonable efforts to maintain the confidentiality of all Pre-Qualification Applications and binding bids submitted. Bidders should be aware that, in addition to employees of the Procurement Administrator, the Procurement Monitor will have concurrent access to all information on the secure procurement website. The Procurement Monitor, Boston Pacific, is under contract with the ICC, and has pledged to protect all confidential information to which it has access during this RFP process. The ICC will also receive confidential reports from the Procurement Administrator and from the Procurement Monitor, which may contain confidential information submitted by bidders. The ICC will publicly announce the weighted average price of all of the selected bids after the ICC accepts or rejects the RFP results and the Procurement Administrator’s recommendations.

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Prior to the selection of winning bids, bidders will be prohibited from (i) disclosing any information about their bids to other parties and (ii) receiving information about competing bids from other parties. No party will disclose the terms or conditions of such agreements, except (i) to those persons who have a need to know and have agreed to keep such information confidential, and (ii) to comply with any applicable law, rule, regulation, tariff or court order, consistent with PUA Section 16-111.5(h).

**8.0 Other**

This RFP does not constitute an agreement or agreement to agree. As Procurement Administrator, LAI reserves the right to reject any or all proposals, or to recommend that no offers be accepted. Any recommendation for award made by the Procurement Administrator will require the execution of a standard REC Contract, the pricing and material terms of which will be subject to formal approval by the ICC.

If there is any conflict between this RFP and the REC Contract, the REC Contract prevails.

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**ATTACHMENT A**

Eligible bids for RECs fall in six classes, abbreviated as follows:

**ILW:** Illinois wind energy resources

**ILN:** Illinois non-wind energy resources

**ASW:** Wind energy resources from states adjacent to Illinois: Wisconsin, Indiana, Iowa, Kentucky, and Missouri (“the Adjacent States”)

**ASN:** Non-wind energy resources from the Adjacent States

**OSW:** Wind energy resources from states other than Illinois and the Adjacent States

**OSN:** Non-wind energy resources from states other than Illinois and the Adjacent States.

The total Ameren Illinois Utilities REC procurement requirement, as determined in the IPA Procurement Plan, is 719,383 MWh of RECs for the 2009-2010 delivery period. This quantity has been rounded up to a target purchase of 720,000 MWh of RECs. In accordance with the IPA Act and the Ameren Illinois Utilities’ calculations, a REC portfolio that exceeds the RRB of \$16.6 million is deemed to be not “cost effective,” and therefore the total amount of RECs purchased will not exceed the **RRB**. Bids which exceed the price benchmarks are also deemed to be not cost-effective. The IPA Act also requires that, to the extent that it is available and cost effective, a minimum of 75% of the RECs purchased must be from wind energy resources.

The IPA Act gives preference to RECs derived from Illinois renewable resources. If sufficient RECs are not available in Illinois, they may be procured from Adjacent States; if sufficient RECs are not available in Illinois or Adjacent States, they may be procured from other states. According to the ICC’s Order in 07-0527 on December 19, 2007, the ICC has determined that “wind generation should receive priority over the locational requirement.”<sup>1</sup> Proposals from bidders that meet the minimum requirements defined in Section 6.1 will be evaluated based on price, type (wind versus non-wind), and locational preferences in accordance with the following procedure.

Bidders are required to submit bids for one or more blocks of RECs. Each block consists of 5,000 MWh of RECs. Each individual bid is for a single block, at a single price, for a uniform class of RECs (as defined above). Based on block size

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<sup>1</sup> ICC Order 07-0527 at p.51.

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of 5,000 MWh, the total REC requirement (**TRR**) will be established at 720,000 MWh. Similarly, the wind target (**WT**) will be set at 540,000 MWh.

To perform the bid selection, bids will be grouped in several different ways:

- All bids will be grouped by the six classes defined above, and ranked from lowest to highest within each class based on the price per REC offered. Any bids above the applicable price benchmark will be eliminated.
- All bids less than or equal to the applicable price benchmark will also be combined into a single, combined pool (**CP**), and ranked from lowest to highest solely based on price.
- All wind RECs bids less than or equal to the applicable price benchmark, regardless of location, will also be grouped into a wind pool (**WP**) and ranked from lowest to highest based on price.

*Step 1:* Bids will be selected, from lowest price to highest, from the **CP**. If the **RRB** is reached before the **TRR**, the selection is complete; the maximum number of cost effective RECs has been selected. If the **TRR** is reached before the **RRB** is met, go to Step 2.

*Step 2:* If the **WT** has been reached or exceeded, go to Step 3. Otherwise, replace the highest price non-wind REC bid that had been selected with the lowest price bid from the remaining **WP**. Continue substitutions until either the **WT** is reached, the **WP** is exhausted, or the **RRB** is reached. When no more substitutions are possible, proceed to Step 3.

*Step 3:* Identify the highest price **ASW**, **ASN**, **OSW** or **OSN** bid from the selected pool. From the remaining bids among the combined unselected pool of **ILW** and **ILN** bids, identify the lowest cost bid. If this lowest cost bid can replace the highest selected **ASW**, **ASN**, **OSW** or **OSN** bid without violating the **WT** or the **RRB**, make this substitution. If the substitution would violate the **WT**, then instead replace either the highest cost selected **ASW** or **OSW** block with the lowest cost unselected **ILW** block, or the highest cost selected **ASN** or **OSN** block with the lowest cost unselected **ILN** block, whichever replacement is most cost-effective. Repeat Step 3 until there are no more substitutions possible without violating the **RRB**. When there are no more substitutions possible, go to Step 4.

*Step 4:* Identify the highest price **OSW** or **OSN** bid from the selected pool. From the remaining bids among the combined unselected pool of **ASW** and **ASN** bids, identify the lowest cost bid. If this lowest cost bid can replace the highest selected **OSW** or **OSN** bid without violating the **WT** or the **RRB**, make this substitution. If the substitution would violate the **WT**, then instead replace either the highest cost selected **OSW** block with the lowest cost unselected **ASW** block,

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or the highest cost selected **OSN** block with the lowest cost unselected **ASN** block, whichever replacement is most cost-effective. Repeat Step 4 until there are no more substitutions possible without violating the RRB. When there are no more substitutions possible, the selection process is complete.

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**ATTACHMENT B**

**REC Contract**

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**ATTACHMENT C**

**Form of Irrevocable Letter of Credit**